EXECUTIVE COMMERCIAL DECISION BRIEF

Pricing, Unit Economics & Scenario Planning

A quantified choice between growth, contribution, and profit protection

BUSINESS ANALYSIS | QUANTITATIVE RESEARCH | DECISION SUPPORT

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PORTFOLIO SAMPLE · NOT CLIENT RESULTS

PRICE-UP CASE

Baseline operating profit

$100k

Price-up profit

$109k

Assumed price +4%; unit volume -5%.
Hypothetical inputs, not client results.

Executive takeaway

A price increase may improve profit despite lower revenue, but the demand response must be tested, not assumed.

RECOMMENDED DECISION

Run a controlled price test before a broad rollout. Success metric: incremental operating contribution, with volume and retention guardrails.

REVENUE

$494k in the price-up case, down 1.2% from baseline. Revenue alone is not the success measure.

OPERATING PROFIT

$109k in the price-up case, up 9.0% under the stated assumptions. Contribution per unit rises from $20 to $22.

INVALIDATION / GUARDRAIL

Demand may be more price-sensitive; mix, returns or competitors may differ. Scale only if contribution improves and volume stays above break-even.

Baseline unit economics

Starting point for the scenario model. Replace every input with finance-approved actuals before operational use.

PRICE / UNIT

$50 assumed selling price. Units per period: 10,000.

VARIABLE COST

$30 per unit assumed variable cost. Fixed cost: $100,000 per period.

PROFIT BRIDGE

Revenue $500,000 − variable costs $300,000 = contribution $200,000 − fixed costs $100,000 = operating profit $100,000.

UNIT CONTRIBUTION

$50 price − $30 variable cost = $20. Contribution margin = 40% of revenue.

Compare the commercial choices

The discount-led growth case adds revenue but erodes contribution; the price-up case lifts profit under the stated demand assumption.

BASE CASE

Price $50 · 10,000 units · $500,000 revenue · $200,000 contribution · $100,000 operating profit.

DISCOUNT + VOLUME

Price $48 · 11,000 units · $528,000 revenue · $198,000 contribution · $98,000 operating profit.

PRICE-UP TEST

Price $52 · 9,500 units · $494,000 revenue · $209,000 contribution · $109,000 operating profit.

Break-even volume sets the guardrail

At $52 price and $30 variable cost, volume may decline about 9.1% and still preserve baseline operating profit.

PRICE-UP CONTRIBUTION

$52 price − $30 variable cost = $22 contribution per unit.

VOLUME TO PRESERVE $100K PROFIT

($100k fixed costs + $100k target profit) / $22 = approximately 9,091 units.

BREAK-EVEN GUARDRAIL

About 90.9% of baseline volume is needed to preserve $100k operating profit under the assumptions.

ASSUMED CASE

95% volume retention = 9,500 units and $109k operating profit. Headroom is around 4.1 percentage points.

Sensitivity: profit depends on retained units

At $52 price and $30 variable cost, profit = $22 × units − $100,000.

85% VOLUME RETENTION

8,500 units · $442k revenue · $87k operating profit.

90% VOLUME RETENTION

9,000 units · $468k revenue · $98k operating profit.

90.9% BREAK-EVEN

9,091 units · $473k revenue · $100k operating profit.

95% TO 105% RETENTION

$109k profit at 95%; $120k at 100%; $131k at 105%. Assumptions are not observed elasticities.

Pilot design: turn assumptions into evidence

Use a controlled test or justified quasi-experiment. Track contribution and customer outcomes, not revenue alone.

01 · DESIGN

Choose comparable customer / product groups. Set treatment, control, duration, exclusions, and baselines.

02 · MEASURE

Track realized price, units, conversion, net revenue, contribution, returns, repeat purchase and complaints.

03 · GUARDRAIL

Set minimum contribution gain and maximum acceptable volume / retention decline; define stop rules.

04 · REVIEW

Estimate uplift with uncertainty; check segment effects, seasonality and operating costs before rollout.

DECISION MEMO

Test the price-up hypothesis.

Do not commit to a broad rollout yet. All dollar and demand-response assumptions are hypothetical.

WHAT THE MODEL SAYS

Price $50 → $52 (+4%). Assumed units 10,000 → 9,500 (-5%). Revenue $500k → $494k (-1.2%). Operating profit $100k → $109k (+9.0%).

WHAT MANAGEMENT MUST PROVIDE

Actual price and cost data; demand / conversion history by segment; returns, retention and competitor context; pilot owner, review date and stop thresholds.