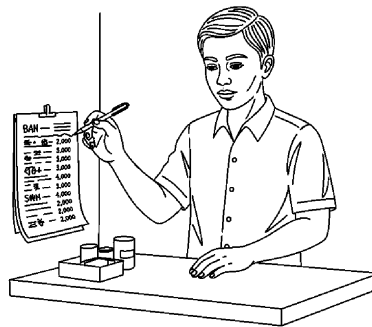


HIGH-VOLUME

WORKSHEET 1 OF 9

Per-SKU Cost-vs-Price Reconciliation

Run once a week for the three to five products that generate the most revenue. Takes under 20 minutes.



Complementary worksheet for
Pricing Strategy Fundamentals
by Ibrahim Anwar

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What This Is For

This worksheet catches the gap between what a product actually costs and what it is currently priced at, before that gap becomes a cash crisis. Most operators discover margin erosion by looking at the bank account in month six, not by tracking it at the SKU level in week two. By the time the bank account shows the problem, several months of margin leakage are already locked in the books.

The trigger for reaching for this sheet is simple: you have three to five products that generate the majority of your revenue, and you want to confirm that the margin on each is still what you believe it to be. Run it once a week, right after logging weekly sales, and the gap between belief and reality stays small.

Benefits

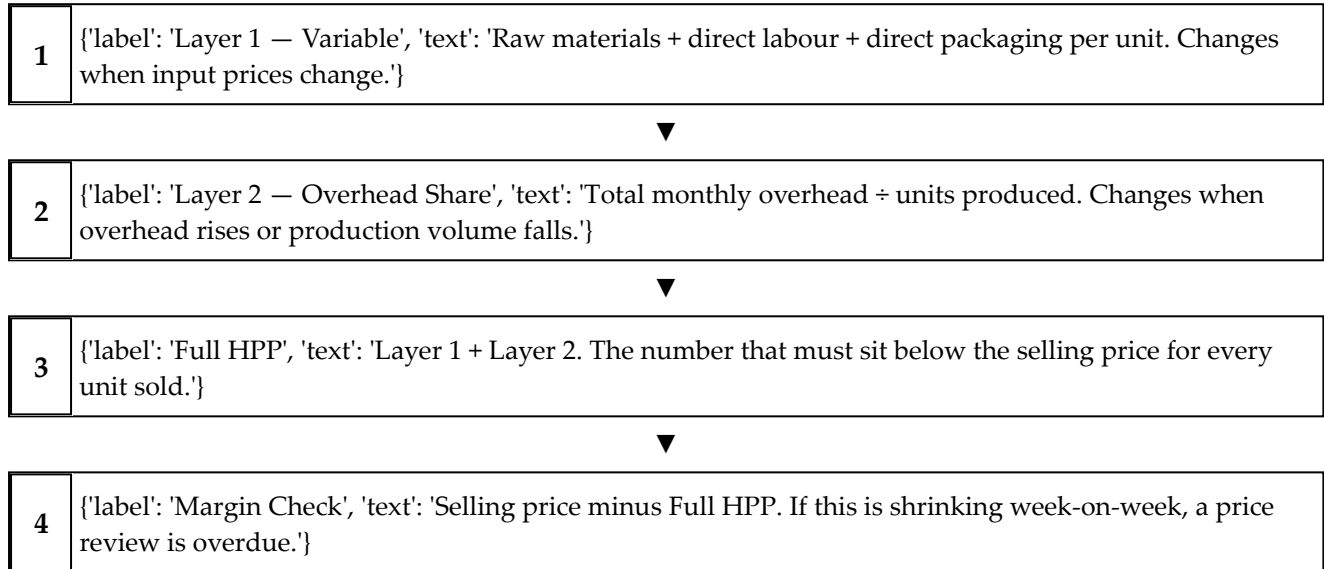
What you get when you actually run this worksheet on a real situation:

- Catches overhead share creep before it compounds across multiple products — a utility bill jump changes HPP per unit for every SKU, not just the ones that use power intensively.
- Gives a ranked view of which SKUs are losing margin fastest, so the price review agenda writes itself.
- Takes under 20 minutes because it asks for last month's overhead and this week's sales count — two numbers already in the books.
- Forces the calculation that most operators avoid: overhead share per unit, not just raw material cost per unit.
- Creates a dated record so next week's comparison is against a real baseline, not a memory.

Framework To Use

— HPP Two-Layer Build

Full cost per unit is built in two layers: direct variable costs that move with each unit, and an overhead share that spreads fixed costs across all units produced.



How To Use

Follow these steps in order. Each one builds on the previous.

- 1 Pull last month's overhead total from the books: rent, utilities, non-direct salaries, depreciation, admin. One column, one total.
- 2 Count units produced last month for each SKU you are checking. Use the sales log or inventory movement record.
- 3 Calculate overhead share per unit: $\text{total overhead} \div \text{total units produced}$. If you sell two SKUs that use overhead roughly equally, split the overhead 50/50. If one uses significantly more resource, allocate proportionally.
- 4 Enter each SKU in column one. Fill in direct variable cost per unit from last month's input invoices.
- 5 Add overhead share per unit. The sum is Full HPP for that SKU.
- 6 Enter the current selling price. Calculate margin in both dollars and percentage.
- 7 Flag any SKU where margin percent has fallen more than 2 percentage points since the last check. Write the probable cause in the notes column: input cost movement, volume drop, or nothing you can name yet.
- 8 The SKU with the largest absolute dollar margin shrinkage is the first one to investigate this week.

Example Use

A home goods operator sells five SKUs. She runs this check weekly and last week everything looked fine. This week she notices the margin on her bamboo tray has dropped from 22% to 16% in a single week.

The operator opens the previous week's worksheet. Bamboo tray: direct variable cost \$4.20/unit, overhead share \$1.80/unit, full HPP \$6.00, selling price \$7.70, margin \$1.70 (22%).

This week she pulls the same numbers. Direct variable cost is now \$4.85/unit — her bamboo supplier sent an invoice at the new seasonal rate. Overhead share is still \$1.80 (overhead did not move). Full HPP is now \$6.65. Selling price is still \$7.70. Margin has dropped to \$1.05 (13.6%).

The 6 percentage point drop is flagged automatically by comparing this week's margin column to last week's. She writes "bamboo raw material up \$0.65/unit" in the notes column.

The decision that follows takes five minutes: the selling price needs to rise by at least \$0.65 to restore the original margin, which would put the tray at \$8.35. She checks the EVC mapping from Chapter 2 — the next-best alternative from a competitor is priced at \$9.20. There is room. She schedules a price list update for next week and sends a two-sentence heads-up to her three largest wholesale accounts today.

Without the weekly check, this margin compression would have run silently until the quarterly books showed a problem that was already four to six weeks old.

The Worksheet

Tear this out, copy it onto a fresh sheet, or fill it in directly.

Per-SKU Cost-vs-Price Reconciliation

Run once a week for the three to five products that generate the most revenue. Takes under 20 minutes.

PRODUCT / SKU	DIRECT VARIABLE COST/UNIT (\$)	OVERHEAD SHARE/UNIT (\$)	FULL HPP (\$)	CURRENT SELLING PRICE (\$)	MARGIN (\$)	MARGIN (%)

Reflection Prompts

After filling in the worksheet on the previous page, work through these.

1. For any row where margin % has fallen below your minimum acceptable threshold: identify which cost component moved. Was it raw material, a utility bill, or a change in production volume that spread fixed overhead across fewer units?
-

2. If the gap between full HPP and selling price is narrowing week on week, that is the signal to initiate a price review — not to wait for the quarterly schedule.
-

Tips and Traps

TIPS

- Run the check on the same day each week — after logging sales, before starting supplier orders. The habit matters more than the exact day chosen.
- Keep last week's completed worksheet beside this week's. The comparison catches drift that a single snapshot misses.
- When production volume drops significantly — a slow week, a holiday period — recalculate overhead share per unit even if overhead costs did not change. Fewer units means each unit carries more overhead.
- Start with your three highest-revenue SKUs only. Coverage can expand after the habit is established; trying to track every SKU on week one guarantees the worksheet will be abandoned.

TRAPS

- Using the overhead share from six months ago instead of recalculating from current overhead. A utility rate increase in month three is invisible in the check unless the overhead total is refreshed.
- Calculating margin from memory rather than from last month's actual invoices. Memory rounds numbers favourably; invoices do not.
- Treating a margin drop as a problem only when it falls below zero. A margin of 4% on a SKU that used to run at 18% is a warning worth investigating long before it hits zero.
- Skipping the check during busy weeks. That is exactly when input cost changes are most likely to have landed unnoticed.

Appendixes

Appendix A – Overhead Share Calculation Quick Reference

Simple case (one product line):

Total monthly overhead ÷ units produced = overhead share per unit

Two product lines (equal resource use):

Allocate overhead 50/50. Calculate share per unit for each line separately.

Two product lines (unequal resource use – estimate proportions):

Line A uses ~70% of supervisor time, 60% of floor space.

Line B uses ~30% of supervisor time, 40% of floor space.

Split overhead: Line A gets 65% of total overhead, Line B gets 35%.

Divide each line's overhead allocation by that line's unit volume.

When to recalculate overhead share:

- Any overhead line item changes by more than 5%
- Production volume shifts by more than 15% from the last check
- A new fixed cost is added (new employee, lease expansion, equipment)
- At minimum every quarter regardless of apparent stability

Appendix B – Margin Threshold Reference

These are starting-point thresholds. Adjust based on your actual cost structure.

Minimum acceptable net margin by business type (approximate):

Retail / distribution (product resale) : 12-18%

Light manufacturing / food production : 15-25%

Service business : 20-35%

Online marketplace channel : 8-12% net of platform costs

Flag for immediate review:

Any SKU where current margin < 50% of its historical average

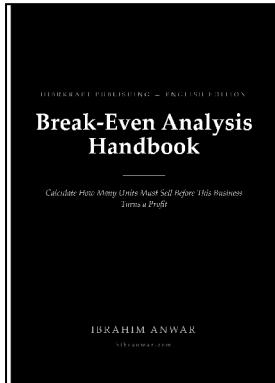
Any SKU where margin has declined for three consecutive weekly checks

Any SKU where margin is now below the business's weighted average cost of capital

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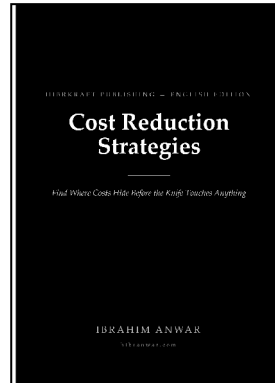
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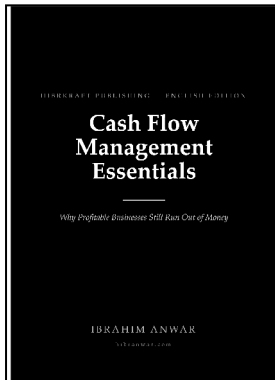
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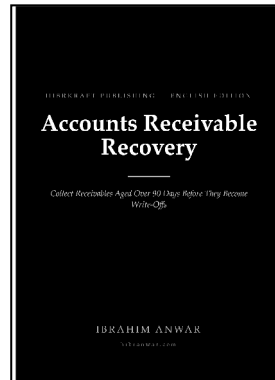
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