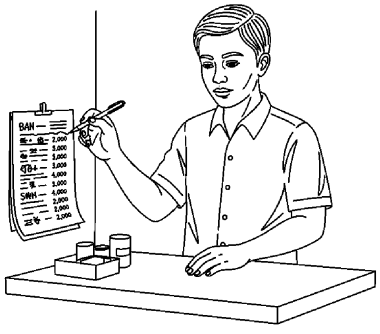
NICHE-SEARCH

WORKSHEET 4 OF 9

Full Price-Tier Rebuild After a Major Cost Shift

Use when a significant cost event — new supplier pricing, minimum wage increase, facility relocation, major equipment purchase — changes the underlying cost structure across multiple product lines at once. Not a routine update; a structural reset.



Complementary worksheet for
Pricing Strategy Fundamentals

by Ibrahim Anwar

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SECTION 1

What This Is For

This worksheet is not a routine price review. It is what the business needs when a single event — a key supplier renegotiating rates upward, a minimum wage revision, a facility move — invalidates the cost assumptions behind every price list simultaneously. A partial update in that situation, adjusting only the most obvious lines, consistently leaves two or three product lines priced below their new cost floor without the operator realising it.

The worksheet forces a systematic pass through every product line at once, with three numbers visible for each: the old HPP, the new HPP after the cost shift, and the EVC ceiling for that line. The gap between new HPP and EVC ceiling is the strategic space remaining. When that space is narrow on a given product line, the cost shift has hit that line hardest, and it needs to go first in the customer communication sequence.

SECTION 2

Benefits

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

- Prevents the partial update failure where obvious lines are adjusted but quieter lines absorb the cost shift silently for months.
- Surfaces which product lines have the least remaining headroom between new HPP and EVC, focusing communication effort on the right lines first.
- Produces a written record of the structural event that caused the price change — useful for customer communication, investor narrative, and retrospective analysis.
- Forces the EVC check on every line, catching cases where cost has risen past the ceiling a customer will actually pay — which requires a different response than a standard price increase.
- Creates the before-and-after picture that makes the next due-diligence conversation straightforward: here is what our cost structure looked like before the event, and here is what we did about it.

SECTION 3

Framework To Use

HPP-to-EVC Headroom Map

Each product line has a floor (new HPP) and a ceiling (EVC). The headroom between them determines what pricing action is available. Lines with thin headroom need urgent action; lines with wide headroom have room to phase the increase.

BEFORE	AFTER
{'label': 'Before Cost Shift', 'items': ['Old HPP = established floor', 'Old selling price = somewhere between HPP and EVC', 'EVC = ceiling (often unchecked)']}	{'label': 'After Cost Shift', 'items': ['New HPP = higher floor (event-driven)', 'Old selling price may now be below new HPP on some lines', 'EVC ceiling unchanged — headroom has compressed or disappeared']}

SECTION 4

How To Use

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

1. Name the cost event in one sentence at the top of the worksheet. Date it. This entry becomes the audit trail for every price change that follows.
2. List every active product line or service tier in column one. Do not skip low-revenue lines — the cost shift has hit them too, and an unchecked line that slips below HPP will not announce itself.
3. Enter the old HPP for each line from the most recent per-SKU check. If the per-SKU check has not been run recently, estimate from last month's invoices.
4. Identify the key cost component that changed and write the change amount. For a wage increase, calculate the new labour cost per unit. For a raw material change, calculate the new material cost per unit.
5. Recalculate full HPP for each line using the new cost figure. Enter the new HPP.
6. Enter the old selling price for each line.
7. Calculate the required new price to maintain your target margin. Enter it.
8. Enter the EVC ceiling for each line. If EVC has not been calculated recently, do a quick estimate from Chapter 2's method — next best alternative price plus rough value components.
9. Compare required new price to EVC ceiling. Lines where required new price exceeds EVC ceiling are structural problems requiring a different response: cost reduction, differentiation, or exit from the line.
10. Rank lines by headroom: (EVC ceiling − required new price). Lines with the narrowest headroom communicate first and communicate with the most specific justification.

SECTION 5

Example Use

A small food manufacturer is notified in April that the minimum wage in her province will increase 9% from May 1. Labour accounts for 30% of her direct variable cost across all five product lines.

She opens the rebuild worksheet and writes at the top: "May 2026 — minimum wage increase 9%. Labour share of direct variable cost: approx 30%. Effective date: May 1."

She lists all five lines: signature biscuit, bulk biscuit, premium biscuit, plain cracker, spiced cracker.

Old HPP for signature biscuit: $2.85/unit (labour component: $0.62/unit). New labour: $0.62 × 1.09 = $0.68/unit. New HPP: $2.85 − $0.62 + $0.68 = $2.91/unit. Old selling price: $3.40. Required new price at 18% margin: $2.91 / (1 − 0.18) = $3.55. EVC ceiling (previously mapped): $4.10. Headroom: $4.10 − $3.55 = $0.55.

She runs the same calculation for all five lines. The spiced cracker has the worst result: old HPP $3.10, new HPP $3.16, required new price at 18% margin $3.85, EVC ceiling $3.80. Required price exceeds EVC ceiling by $0.05. This is a structural problem: the wage increase has pushed this line past what the market will pay at the target margin.

Decision for spiced cracker: reduce the labour-intensive spicing step from three applications to two (cost reduction), or accept a temporarily lower margin of 16% at $3.70 while investigating whether differentiation elements can shift the EVC ceiling. The line does not get a standard price increase — it gets a structural conversation.

All other four lines are communicated with the standard three-part formula from Chapter 7. The spiced cracker is handled separately.

SECTION 6

The Worksheet

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

Full Price-Tier Rebuild After a Major Cost Shift

Use when a significant cost event — new supplier pricing, minimum wage increase, facility relocation, major equipment purchase — changes the underlying cost structure across multiple product lines at once. Not a routine update; a structural reset.

PRODUCT / SERVICE	OLD HPP ($)	KEY COST COMPONENT THAT CHANGED	CHANGE AMOUNT ($/%)	NEW HPP ($)	OLD SELLING PRICE ($)	REQUIRED NEW PRICE AT TARGET MARGIN ($)	EVC CEILING ($)	PROPOSED NEW PRICE ($)

SECTION 6 (CONTINUED)

Reflection Prompts

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

1. For each row: is the required new price at target margin below the EVC ceiling? If yes, the price is defensible to customers. If the required price exceeds EVC, the business faces a structural problem — cost has risen past the ceiling the customer is willing to pay. That requires either a cost reduction, a renegotiation of the EVC through differentiation, or an exit from that product line.

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2. After filling all rows: which product lines show the widest gap between new HPP and EVC? Those are the lines where the cost shift has the least strategic room to absorb. Prioritise communication of the price change on those lines first, with the most specific cost justification.

SECTION 7

Tips and Traps

TIPS

- Do not skip low-revenue product lines. The cost event hit them too, and an unchecked line absorbing the cost quietly is a margin drain, not a neutral outcome.
- Calculate the EVC ceiling freshly for each line before running the rebuild. An EVC figure from eighteen months ago may not reflect the current competitive landscape.
- Lines where required new price exceeds EVC need a separate decision track — cost reduction, differentiation, or exit — not a standard price increase. Do not force a price increase onto a line where EVC does not support it.
- Rank the output by headroom before starting customer communication. Narrow-headroom lines go first with the most specific justification; wide-headroom lines can follow with a standard notification.

TRAPS

- Adjusting only the product lines where the cost shift was most obvious, and assuming others are fine. Systematically check every line — the worksheet exists to prevent selective blindness.
- Using budget or estimated costs instead of actual invoice figures for the new HPP. The rebuild is only as reliable as the cost inputs. If input data is estimated, note it explicitly.
- Treating the rebuild as a one-time event. A major cost shift often has secondary effects: suppliers to that supplier also adjust, utilities tied to the same wage base also shift. Schedule a follow-up check 60 days after the rebuild.

SECTION 8

Appendixes

Appendix A — Labour Cost Impact Calculator

When the cost event is a minimum wage or statutory wage increase:

Step 1. Identify direct labour cost per unit before the increase.
  Old labour/unit = (total direct labour per month) ÷ (units produced per month)

Step 2. Apply the wage increase percentage.
  New labour/unit = old labour/unit × (1 + increase%)

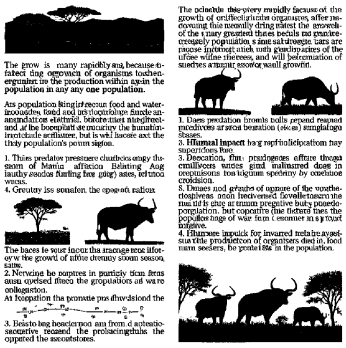
Step 3. Calculate the HPP impact.
  HPP change per unit = new labour/unit − old labour/unit

Step 4. Recalculate full HPP.
  New HPP = old HPP − old labour/unit + new labour/unit

Example:

Old total direct labour per month	$1,800
Units produced per month	3,000
Old labour per unit	$0.60
Wage increase	9%
New labour per unit	$0.654
HPP change per unit	$0.054
If old HPP was $2.40, new HPP	$2.454

Note: Non-direct labour (supervisor, admin, cashier) sits in overhead.
A wage increase also raises overhead if those roles are affected.
Recalculate overhead share per unit after any wage event — both direct
and overhead labour components may move simultaneously.



WHERE THIS WORKSHEET COMES FROM

Pricing Strategy Fundamentals

The Right Price Is Neither the Lowest Nor the Highest

by Ibrahim Anwar

This worksheet is one of nine in the *Pricing Strategy Fundamentals* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

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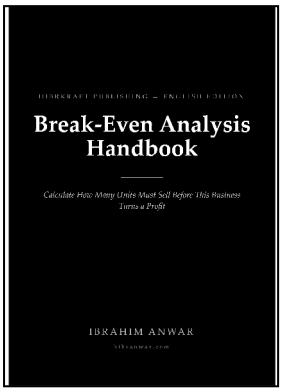

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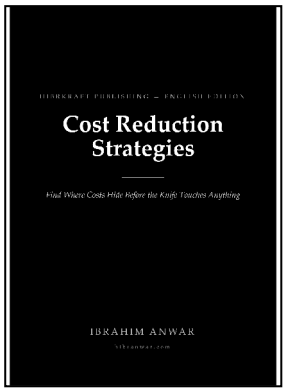

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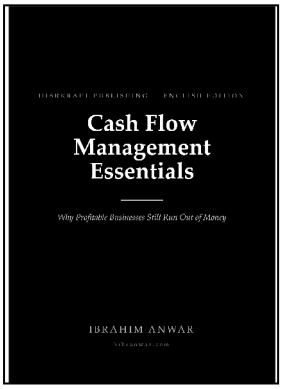

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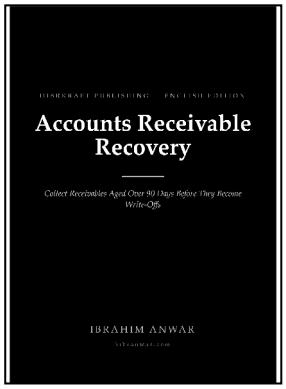

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