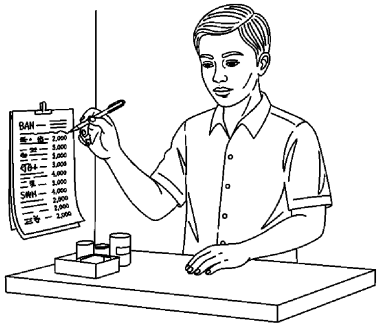
NICHE-SEARCH

WORKSHEET 6 OF 9

Price Elasticity Sensitivity Test

Use before a price increase larger than 8% — or any increase in a segment where the business has limited historical data. Maps the revenue and profit outcome across a range of volume-loss scenarios so the decision is made with calculated risk, not assumed safety.



Complementary worksheet for
Pricing Strategy Fundamentals
by Ibrahim Anwar

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SECTION 1

What This Is For

Most businesses approach a price increase by asking the wrong question: "Will customers leave?" The right question is: "How many customers can we afford to lose and still come out ahead?" These two questions produce different decisions. The first triggers an emotional analysis based on the most memorable customer complaint. The second triggers an arithmetic analysis based on break-even volume and profit comparison.

This worksheet runs three volume-loss scenarios — best case, base case, and stress case — for each proposed price increase level. The output is not a single answer but a range: in how many of the nine scenario-increase combinations does net profit improve? That ratio is the calculated risk profile of the proposed increase, not a feeling about what customers might do.

SECTION 2

Benefits

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

- Transforms the price increase decision from an emotional judgment into a calculated risk ratio with explicit scenario inputs.
- Produces the stress case floor: the minimum price increase that remains profitable even in the worst volume-loss scenario the business can construct.
- Surfaces combinations where the increase is not profitable even at best-case volume loss — before the increase is implemented, not after.
- Creates the documented scenario analysis that makes the increase defensible to a co-founder, partner, or investor who asks what the downside was.
- Forces the internal elasticity estimate to be written down, which reveals whether the estimate is based on data or assumption.

SECTION 3

Framework To Use

Three-Scenario Risk Matrix

For each proposed price increase, three volume-loss scenarios are constructed. The intersection of increase level and scenario determines whether net profit improves. The ratio of profitable intersections is the risk profile.

Scenario	Volume Loss Assumption	How to Derive
Best case	Minimum historical churn after a price event	Check actual volume changes from the last 2–3 price increases. Use the smallest volume loss observed.
Base case	Internal elasticity estimate from segment data	Use the Lubis 2026 or Simon 2015 ranges as a starting point; adjust based on your channel and differentiation level.
Stress case	Double the base case volume loss	Forces the business to face the uncomfortable scenario before it happens, not after.

SECTION 4

How To Use

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

1. Decide the proposed price increase range you want to test. Most operators test three levels: a conservative increase (4–6%), a mid-range increase (8–10%), and an aggressive increase (12–15%). The table has rows for each combination.
2. Enter the current monthly volume in units for the product or service being tested.
3. For each of the three scenarios (best case, base case, stress case), write down the volume loss percentage. Best case: minimum historical churn from past price events. Base case: your internal estimate from observed customer behaviour. Stress case: double the base case.
4. Calculate remaining volume for each scenario: current volume × (1 − volume loss %).
5. Calculate revenue at the new price: remaining volume × new price.
6. Calculate revenue at the old price: current volume × old price.
7. Calculate net profit change: (remaining volume × net margin per unit at new price) − (current volume × net margin per unit at old price). A positive result means the increase is net profitable in that scenario.
8. Mark Y or N in the Net Profitable column.
9. Count Y entries across all nine rows. Nine out of nine means even the aggressive increase at stress-case volume loss is profitable. Zero out of nine means the price structure has a more serious problem. Anything in between is the risk ratio the operator is accepting.

SECTION 5

Example Use

A catering operator is considering raising corporate lunch pricing from $8.50 to somewhere between $9.00 and $9.75. Her internal data from two prior small increases suggests volume loss is typically 4–6%. She wants to know whether $9.50 is viable even in a bad outcome.

Current monthly volume: 1,200 portions. Current price: $8.50. Current net margin per portion: $1.28 (15.1%).

She tests three increase levels: $9.00 (6% increase), $9.50 (12% increase), $9.75 (15% increase).

For each level, three scenarios:

Best case volume loss: 3% (her lowest observed churn after a price event)
Base case volume loss: 6% (her internal estimate for this segment)
Stress case volume loss: 12% (double the base case)

At $9.50 (12% increase), base case (6% volume loss):
Remaining volume: 1,200 × 0.94 = 1,128 portions.
New margin per portion: $9.50 − $7.22 (new HPP, adjusted) = $2.28. Net profit: 1,128 × $2.28 = $2,571.84.
Old profit: 1,200 × $1.28 = $1,536.

Net profit change: +$1,035. Net profitable: Y.

At $9.50, stress case (12% volume loss):
Remaining volume: 1,200 × 0.88 = 1,056 portions.
Net profit: 1,056 × $2.28 = $2,407.68. Old profit: $1,536. Change: +$871.68. Y.

She runs all nine combinations. Result: 9 out of 9 profitable, including the aggressive $9.75 at 12% stress-case volume loss (+$1,100 net profit change). The risk profile of a $9.50 increase is: profitable in every scenario she can construct. She sets $9.50 as the new price with a 30-day advance notice to corporate clients.

SECTION 6

The Worksheet

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

Price Elasticity Sensitivity Test

Use before a price increase larger than 8% — or any increase in a segment where the business has limited historical data. Maps the revenue and profit outcome across a range of volume-loss scenarios so the decision is made with calculated risk, not assumed safety.

PROPOSED PRICE INCREASE (%)	CURRENT MONTHLY VOLUME (UNITS)	VOLUME LOSS SCENARIO (%)	ESTIMATED REMAINING VOLUME (UNITS)	REVENUE AT NEW PRICE ($)	REVENUE AT OLD PRICE ($)	NET PROFIT CHANGE ($)	NET PROFITABLE? (Y/N)

SECTION 6 (CONTINUED)

Reflection Prompts

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

1. Fill three volume loss scenarios for each proposed increase: best case (historical minimum churn), base case (internal elasticity estimate), and stress case (double the base case). In how many of the nine scenario-increase combinations does net profit improve? That ratio is the calculated risk of the proposed increase.

2. For the stress case scenario: if that volume loss actually occurred, what is the minimum price increase that would still leave the business with higher absolute profit than today? That number is the floor for negotiation if the increase is contested internally.

SECTION 7

Tips and Traps

TIPS

- Derive the best-case volume loss from actual data, not optimism. Look at the last two or three price increases and record the actual volume change 60 days after each. Use the smallest change observed as best case.
- If the business has no prior price increase data, use the Lubis 2026 range for marketplace channels (-12 to -17% volume per 10% increase) or the Simon 2015 B2B service range (-3 to -7%) as the base case depending on channel mix. Adjust the stress case to 1.5x these figures.
- Run the test for one product at a time, not the whole portfolio at once. Different products have different elasticity profiles, and a blended portfolio test obscures the products where the risk is highest.
- Include the HPP at the new price level in the profit calculation. If the increase is large enough to change supplier tier pricing or production economics, the margin per unit also changes.

TRAPS

- Using revenue change as the profitability metric instead of net profit change. A price increase can produce higher revenue with lower absolute profit if volume loss is large. Only net profit change answers the right question.
- Treating a 9-out-of-9 result as a guarantee. The scenario matrix is a risk tool, not a prediction. The stress case is constructed, not observed. Actual customer behaviour may fall outside the range constructed.
- Skipping the test for 'small' increases below 5%. A 4% increase on a 10% net margin product requires 67% more volume to break even if customers push back — the test is more useful at small increases on thin margins than at large increases on healthy ones.

SECTION 8

Appendixes

Appendix A — Elasticity Reference by Channel and Segment

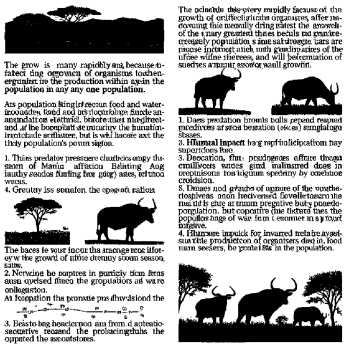
These are literature-derived ranges for use when internal data is not yet available.
Adjust based on your product differentiation, loyalty, and switching cost levels.

Channel / Segment	Elasticity Range
Online marketplace, undifferentiated (Lubis, 2026 — Indonesian market)	-1.23 to -1.67
Physical retail, branded, moderate loyalty	-0.8 to -1.1
B2B services with active contracts (Simon, 2015)	-0.3 to -0.7
Routine-need products, high loyalty	-0.2 to -0.5
Products with very high switching costs	-0.1 to -0.3

HOW TO CONVERT ELASTICITY TO VOLUME LOSS SCENARIO:
Volume loss % = |elasticity| × price increase %

Example: elasticity -0.5, price increase 10% → volume loss ≈ 5%
Example: elasticity -1.4, price increase 10% → volume loss ≈ 14%

Use the low end of the range for best case, mid-range for base case,
and the high end × 1.3 for stress case.



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.

Read the source book on Google Play Books:

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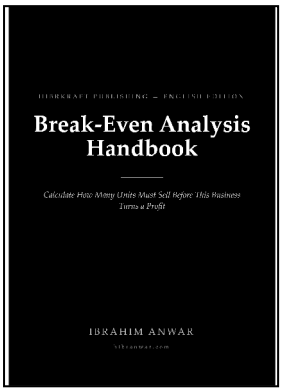

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Break-Even Analysis Handbook

Calculate How Many Units Must Sell Before This Business Turns a Profit

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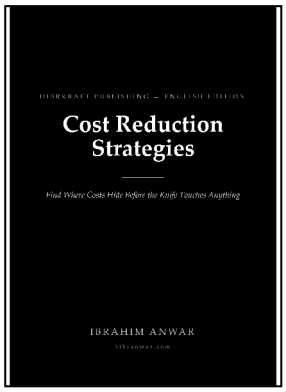

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Cost Reduction Strategies

Find Where Costs Hide Before the Knife Touches Anything

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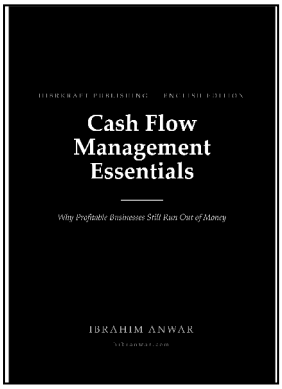

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Why Profitable Businesses Still Run Out of Money

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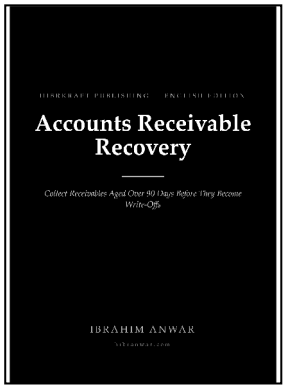

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Accounts Receivable Recovery

Collect Receivables Aged Over 90 Days Before They Become Write-Offs

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