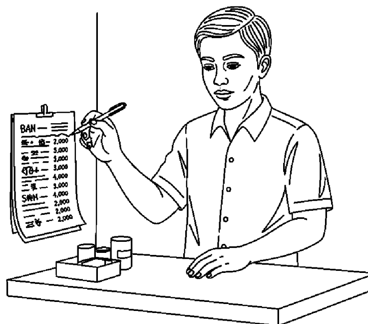
SPECIFIC-CASE

WORKSHEET 7 OF 9

Competitor Cuts Price by 15 Percent

Scenario: A direct competitor in your main product or service category has announced or is visibly implementing a 15 percent price reduction. Your sales team is reporting customer inquiries asking whether you will match. No order has been lost yet, but three existing customers have raised the topic in the past two weeks.



Complementary worksheet for
Pricing Strategy Fundamentals

by Ibrahim Anwar

READ ON GOOGLE PLAY BOOKS ›

SECTION 1

What This Is For

This worksheet is for the 72 hours after a competitor's price cut is confirmed. The instinct in most businesses is to respond quickly — signal strength, not panic. The problem is that the calculation required to know whether a response makes sense takes about 20 minutes, and almost nobody does it before the first customer call. This worksheet provides the structure for those 20 minutes.

The core question is not whether to match the price cut. It is whether matching is arithmetically viable given your HPP, your net margin, and the volume the match would require. A 15% cut that a competitor can sustain because their cost structure is lower than yours is not a cut you can match at the same margin. A 15% cut that a competitor is making at a loss to grab share is not a cut worth chasing into the same territory. Both situations require the same first step: run the numbers.

SECTION 2

Benefits

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

- Stops the instinctive matching response long enough to calculate whether matching is arithmetically viable — before the customer call, not after.
- Surfaces the EVC headroom: whether the business has strategic space above its current price that could be used to justify staying where it is.
- Identifies the three most price-sensitive customers by name, so retention conversations are targeted rather than broadcast.
- Produces the sales team's response script — grounded in value components, not in an apology for the price difference.
- Creates the documented analysis that makes the decision defensible if the situation escalates or if a key account needs a structured explanation.

SECTION 3

Framework To Use

Match-Hold-Differentiate Decision Tree

Three options for responding to a competitor price cut. The right option depends on the arithmetic of matching, the EVC headroom above current price, and the segment composition of the customer base.

SECTION 4

How To Use

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

1. Write the competitor's name and the cut details at the top: old price, new price, effective date, source of information.
2. Fill in your current selling price and full HPP per unit from the most recent per-SKU check.
3. Calculate break-even volume if you match: the gap between your current price and their new price, divided by your current net margin minus that gap. Write the required volume increase.
4. Assess whether that volume increase is achievable from realistic order flow. Check the last six months of volume data — is a volume increase of that size plausible?
5. Enter your EVC ceiling from the most recent EVC mapping. Calculate the distance between your current price and the EVC ceiling.
6. Estimate your customers' average elasticity in this segment from internal data or from the literature reference in Appendix A.
7. List the three customers most likely to switch. For each, write their current net margin to you after service costs. If their margin is already low, losing them may improve portfolio profitability.
8. Write the decision: match, hold, or differentiate. Write the rationale in one sentence using only numbers.
9. If the decision is hold or differentiate, write the sales team's talking point: the two or three value components that justify your price against the competitor's lower number.

SECTION 5

Example Use

A packaging supplier to mid-size food manufacturers learns on Monday that their main competitor has cut standard box prices by 15%. Two customers email within 24 hours asking if prices will change. Current price is $2.40/unit, competitor new price is $2.04/unit. Net margin is 19%.

The operator opens the worksheet before responding to either customer.

Competitor's new price: $2.04. Her current price: $2.40. Gap: $0.36/unit. Current net margin: 19% ($0.456/unit). Break-even formula for matching: 0.36 ÷ (0.456 − 0.36) = 0.36 ÷ 0.096 = 375% additional volume. A 375% volume increase is not achievable. Decision: do not match.

EVC ceiling from last month's mapping: $2.85. Distance from current price: $0.45. EVC headroom is positive and meaningful — her quality consistency (documented 0.2% defect rate vs industry average 1.8%) and custom sizing service (not offered by competitor) account for approximately $0.35 of the headroom. She is priced $0.45 below EVC. Decision: hold.

She identifies the two customers who emailed. First: mid-size food brand, $4,800/month, margin after service costs 14% — worth retaining. Second: small bakery chain, $900/month, margin after three delivery complications and two credit notes in the last quarter: 6%. Worth letting go if they choose the competitor.

Sales team talking point: "Our defect rate is 0.2% versus the industry average of 1.8%. One defect in a run of 500 units costs you roughly $280 in rework. At our current price difference of $0.36 per unit, you'd need to absorb more than 780 units of defects from a lower-quality supplier before our price is the more expensive choice."

The first customer gets a structured call with the defect-rate data. The second gets the standard notification: our prices remain unchanged, here is why. Both receive a written summary within 48 hours.

SECTION 6

The Worksheet

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

Competitor Cuts Price by 15 Percent

Scenario: A direct competitor in your main product or service category has announced or is visibly implementing a 15 percent price reduction. Your sales team is reporting customer inquiries asking whether you will match. No order has been lost yet, but three existing customers have raised the topic in the past two weeks.

ITEM	YOUR NUMBERS
Competitor's reported old price ($)	
Competitor's new price ($)	
Your current selling price ($)	
Your full HPP per unit ($)	
Your current net margin ($)	
Break-even volume if you match their price (additional % needed)	= (gap from your price to their price) ÷ (your net margin − that gap)
Your EVC — customer's next best alternative + your value premium ($)	
Distance between your price and EVC ceiling ($)	
Your customers' estimated elasticity (from internal data)	

Reflection Prompts

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

1. Before moving your price: check whether matching loses more margin than is gained in volume. A 15% cut on a 20% net margin product requires 300% additional volume to stay break-even. Is that achievable? If not, do not match — instead, identify which value components justify staying at your current price and build the sales team's response around those.

2. Identify the three customers most likely to leave and calculate their current net margin after service costs. If their net margin is already low because of high service cost or long credit terms, losing them to a cheaper competitor may improve overall portfolio profitability. Run the numbers before deciding whether they are worth retaining at a lower price.

SECTION 7

Tips and Traps

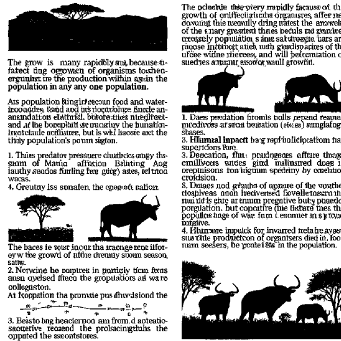
TIPS	TRAPS
• Respond to customers within 48 hours even if the decision is to hold. Silence is interpreted as uncertainty. A brief, confident message — 'We are aware of the change in the market. Our pricing and our rationale: [two sentences]' — is better than a well-considered response that arrives after the customer has already signed with the competitor. • Check whether the competitor's cut is sustainable. A cut from a competitor with higher margins than yours is different from a cut from a competitor already operating near breakeven. If you know their cost structure is thinner, the cut may not last — factor that into how aggressively you need to respond. • Use the value argument in writing, not just in sales calls. A one-page comparison sheet — your defect rate, your response time, your customisation capability, with numbers — can be sent as a follow-up to every customer conversation.	• Announcing a matching price before running the break-even calculation. Once the number is spoken to a customer, walking it back damages credibility more than the original price difference. • Treating all customers as equally at risk. A customer who has bought from you for four years and has never asked about competitors is different from a customer who always negotiates at renewal. The at-risk list should be built from behaviour, not from volume. • Assuming the competitor's cut is sustainable indefinitely. Monitor their pricing monthly for the next quarter. A cut made at a loss to gain share is often reversed when the cash impact is felt. Patience has a break-even too.

SECTION 8

Appendixes

Appendix A — Competitor Price Cut Response Timeline

```
Day 1–2   Confirm the cut (price check, customer information, competitor website).
          Do not respond to customers before confirming. Rumour and reality differ.

Day 2–3   Run this worksheet. Reach the decision: match, hold, or differentiate.
          Write the sales team talking point before anyone calls a customer back.

Day 3–5   Contact the three highest-risk customers proactively.
          Use the structured value argument, not a defensive apology.
          Do not offer a discount without running the gate worksheet first.

Day 5–7   Send written confirmation to all active accounts (email or WhatsApp,
          depending on relationship tier) with your pricing position and rationale.

Day 30    Check volume: how many customers moved? What was the net revenue
          and profit change? Log the outcome in the price-change review log
          for future reference.

Day 90    Check competitor pricing again. Has the cut been maintained, reduced,
          or reversed? Update the EVC mapping if competitor position has shifted.
```



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:

https://play.google.com/store/books/details?id=WUfXEQAAQBAJ

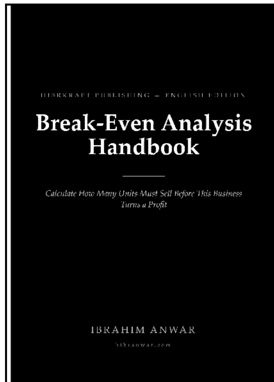
OPEN ON GOOGLE PLAY ›

PT Hibrkraft Kreasi Indonesia · Cileungsi, Bogor · hibranwar.com

CONTINUE THE SERIES

More from the Operator's Handbook

Each handbook is a 9-worksheet companion pack like this one. Tap any cover to open it on Google Play Books.

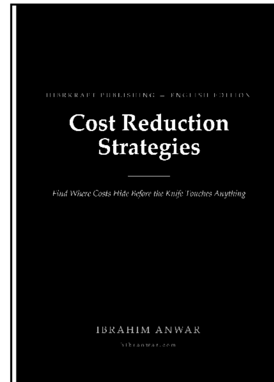


NO. 11 · OPERATOR'S HANDBOOK

Break-Even Analysis Handbook

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

OPEN ON GOOGLE PLAY ›

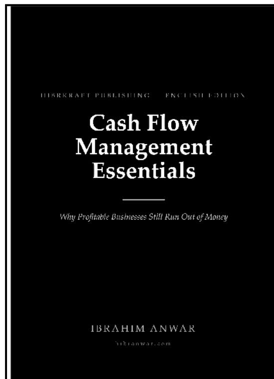


NO. 01 · OPERATOR'S HANDBOOK

Cost Reduction Strategies

Find Where Costs Hide Before the Knife Touches Anything

OPEN ON GOOGLE PLAY ›

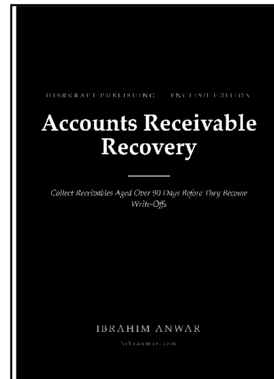


NO. 02 · OPERATOR'S HANDBOOK

Cash Flow Management Essentials

Why Profitable Businesses Still Run Out of Money

OPEN ON GOOGLE PLAY ›



NO. 14 · OPERATOR'S HANDBOOK

Accounts Receivable Recovery

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

OPEN ON GOOGLE PLAY ›