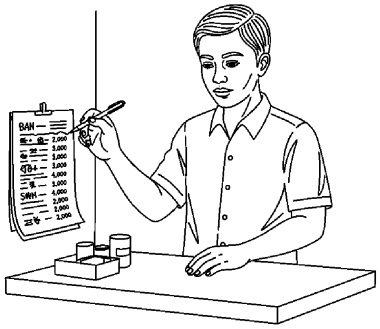
SPECIFIC-CASE

WORKSHEET 8 OF 9

Biggest Customer Demands a 10 Percent Volume Discount

Scenario: Your largest customer by revenue — accounting for roughly 20 to 30 percent of your monthly sales — has requested a 10 percent volume discount at the next contract renewal. The request is framed as a condition for continuing the relationship at its current volume. No formal ultimatum has been issued, but the tone of the conversation suggests the customer is serious.



Complementary worksheet for

Pricing Strategy Fundamentals
by Ibrahim Anwar

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SECTION 1

What This Is For

A customer who represents 20 to 30 percent of monthly revenue asking for a 10 percent discount is the scenario most operators handle worst. The revenue concentration creates pressure that feels existential, and the resulting concession is often given faster and without calculation because the cost of losing the customer feels obvious while the cost of the discount feels abstract. This worksheet reverses that asymmetry: it makes the cost of the discount visible and concrete before the negotiation resumes.

The calculation has two parts. The first is standard: the break-even formula applied to the requested discount and the current net margin. The second is less obvious: the true net margin of this specific customer after service costs. Large customers often generate high gross margin but low net margin once delivery frequency, credit terms, custom work, and admin overhead are properly allocated. Knowing that number changes the negotiating position substantially.

SECTION 2

Benefits

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

- Makes the cost of the 10% discount visible in dollars before the negotiation resumes, removing the abstract quality that makes concessions feel small.
- Forces the calculation of this customer's true net margin after service costs — which may be far lower than the headline margin on the product.
- Produces the volume commitment number that makes the discount margin-neutral, giving the negotiator a specific counter-offer instead of a vague resistance.
- Calculates the business's survivability if the customer leaves — which determines whether the negotiating position is stronger or weaker than it feels.
- Identifies the concentration risk and the timeline for reducing it, making the exit scenario actionable rather than just frightening.

SECTION 3

Framework To Use

Two-Lever Negotiation Map

A discount request creates two distinct levers: the discount percentage and the volume commitment attached to it. The worksheet calculates the exact volume commitment that makes any given discount percentage margin-neutral.

Lever	What the customer offers	What the operator needs
Discount percentage	10% off current price — framed as loyalty recognition	Formula: what margin does 10% leave, and is it above the minimum floor?
Volume commitment	Implied: 'at current volume' — which may not be guaranteed	Formula: what volume makes the 10% discount margin-neutral? Write that number into the contract.
Term length	Rarely specified in initial request	A longer contract term at a discounted price needs a price escalation clause — otherwise next year's cost increase is absorbed silently.

SECTION 4

How To Use

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

1. Enter the customer's monthly revenue contribution and their share of total monthly revenue.
2. Enter the product net margin at current price — from the per-SKU check, not from memory.
3. Run the break-even formula for a 10% discount: 10 ÷ (net margin % − 10). Write the required volume increase.
4. Identify all service costs specific to this customer: delivery frequency above standard, credit terms, custom work, dedicated admin time, complaint resolution history. Calculate the monthly dollar value of each. Subtract from monthly revenue contribution to get adjusted net margin.
5. Calculate the adjusted net margin at current price and at the discounted price. If the adjusted net margin at the discounted price is below your minimum acceptable threshold, the discount as requested is not viable without conditions.
6. Calculate the minimum volume commitment that makes the 10% discount margin-neutral. This is the number that goes into the counter-offer: 'We can offer 10% on orders above [X] units per month, confirmed in a written contract with a minimum 6-month term.'
7. Calculate what the business looks like if this customer leaves: redistribute their revenue across existing channels at current rates. Is the gap survivable within 90 days? If yes, the negotiating position is stronger than it feels.
8. Write the counter-offer in one sentence before the next conversation.

SECTION 5

Example Use

A cleaning supplies distributor has a retail chain customer accounting for 27% of monthly revenue ($18,400/month). The chain has requested a 10% volume discount at renewal next month. The distributor's net margin on the product mix sold to this customer is 16%.

Step 1 — Break-even formula: 10 ÷ (16 − 10) = 10 ÷ 6 = 167% additional volume required. This customer would need to order 167% more — nearly triple current volume — for the 10% discount to break even at current service cost. Not achievable.

Step 2 — Service cost audit for this customer:
Delivery frequency: 3x per week vs standard 1x. Extra delivery cost: $280/month.
Credit terms: Net-45 vs standard Net-30. Working capital cost at 12%/year: ($18,400 × 15/365 × 12%) = $91/month.
Custom labelling: $120/month.
Admin (monthly report, separate invoice run): $60/month.
Total monthly service cost premium: $551.

Adjusted monthly revenue: $18,400 − $551 = $17,849.
Adjusted net margin at current price: ($17,849 × 16%) / $18,400 = 15.5%.
Adjusted net margin at 10% discount: the revenue falls to $16,560. Cost stays at $14,952 (HPP) + $551 (service) = $15,503. Adjusted margin: $1,057 / $16,560 = 6.4%.

Step 3 — Survivability: if this customer leaves, $18,400/month of revenue moves to zero. Existing direct channel capacity could absorb $7,200/month in new corporate accounts within 90 days based on current pipeline. Gap of $11,200/month for 3 months = $33,600 in revenue to bridge. With current reserves and credit line, survivable but tight.

Counter-offer: "We can offer 7% discount on orders above 1,200 units per month (current is 900), on a 12-month contract with a 3% annual escalation clause. At 7% and 1,200 units, your adjusted margin to us remains 10.2% — viable. Below 1,200 units in any month, the standard price applies."

Break-even check for counter-offer: 7 ÷ (16 − 7) = 7 ÷ 9 = 77.8% volume increase needed. At 1,200 units (33% above current 900), not yet break-even on volume alone. But the 12-month certainty has working capital value: reduce credit terms to Net-30 as part of the counter, which recovers $91/month in financing cost. Combined effect makes the deal viable.

SECTION 6

The Worksheet

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

Biggest Customer Demands a 10 Percent Volume Discount

Scenario: Your largest customer by revenue — accounting for roughly 20 to 30 percent of your monthly sales — has requested a 10 percent volume discount at the next contract renewal. The request is framed as a condition for continuing the relationship at its current volume. No formal ultimatum has been issued, but the tone of the conversation suggests the customer is serious.

ITEM	YOUR NUMBERS
Customer's monthly revenue contribution ($)	
Customer's share of total monthly revenue (%)	
Product net margin at current price (%)	
Break-even volume increase for a 10% discount (%)	= 10 ÷ (net margin − 10)
Identifiable service costs for this customer (delivery, admin, credit terms, custom work) ($/month)	
Net margin after service costs at current price (%)	
Net margin after service costs with 10% discount (%)	
Working capital cost of current credit terms for this customer ($/month)	
Minimum volume commitment from customer that makes 10% discount margin-neutral	

SECTION 6 (CONTINUED)

Reflection Prompts

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

1. The customer's request creates two distinct negotiation levers: the discount percentage and the volume commitment attached to it. Before the next meeting, calculate the volume commitment that makes the discount margin-neutral. Offer the discount contingent on that commitment — in writing, with a contract clause — rather than as a goodwill concession with no condition.

2. Calculate what revenue and margin the business would generate if this customer left and the volume was redistributed across other channels. If the business can sustain that scenario within 90 days, the negotiating position is stronger than it feels. If not, identify which channel investment would reduce this customer's concentration risk by the next renewal cycle.

SECTION 7

Tips and Traps

TIPS

- Calculate the service cost audit before the negotiation conversation, not during it. Presenting a number without preparation produces an estimate; preparation produces a defensible figure.
- Frame the counter-offer in the customer's language, not the operator's. 'We can offer 7% at 1,200 units monthly' is received as a volume-incentive program, not as a defensive pricing policy.
- Include a price escalation clause in any multi-year contract signed at a discounted rate. Without it, next year's cost increase is absorbed silently, compounding the discount's impact.
- Use the survivability calculation as an honest assessment of negotiating leverage, not as ammunition. If the business genuinely cannot survive 90 days without this customer, that changes the terms of the counter-offer — but it should be known before the conversation, not discovered during it.

TRAPS

- Giving the discount without a written volume commitment, assuming the customer will naturally reach the implied volume. Volume commitments without contract clauses are not commitments.
- Focusing only on the discount percentage and ignoring service cost reform. A 7% discount with a shift from Net-45 to Net-30 may produce a better net outcome than a 5% discount with no service cost change.
- Treating concentration risk as a long-term problem and the immediate discount as a short-term one. They are the same problem. The right time to start reducing concentration risk is the month the first discount conversation happens, not after.

SECTION 8

Appendixes

Appendix A — Service Cost Audit Worksheet

For the customer in question, calculate each component separately.

```
DELIVERY COST PREMIUM
Customer's delivery frequency per month        : _____ trips
Standard delivery frequency per month          : _____ trips
Extra trips                                    : _____ trips
Cost per trip                                  : $ _________
Monthly delivery cost premium                  : $ _________

CREDIT TERMS FINANCING COST
Outstanding receivable (avg monthly balance)   : $ _________
Days beyond standard terms                     : _____ days
Working capital rate (annual %)                : _____ %
Monthly financing cost: balance × days/365 × rate%  : $ _________

CUSTOM WORK AND REPORTING
Monthly hours spent on custom work for this customer   : _____ hrs
Hourly cost (staff salary + overhead / 160)            : $ _________
Monthly custom work cost                               : $ _________

COMPLAINT AND DISPUTE RESOLUTION
Average complaints per month                   : _____
Hours per complaint to resolve                 : _____ hrs
Monthly complaint cost                         : $ _________

TOTAL MONTHLY SERVICE COST PREMIUM              : $ _________
As % of monthly revenue from this customer     : _____ %

Adjusted net margin = Headline net margin % – (service cost premium / revenue)
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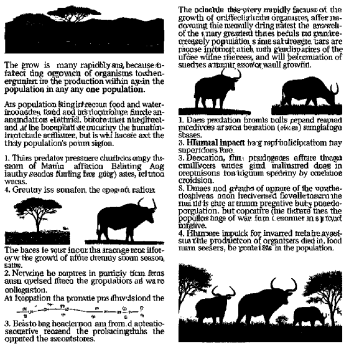

WHERE THIS WORKSHEET COMES FROM

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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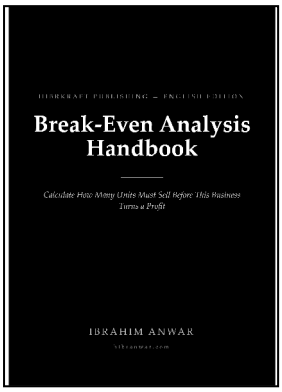

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Break-Even Analysis Handbook

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

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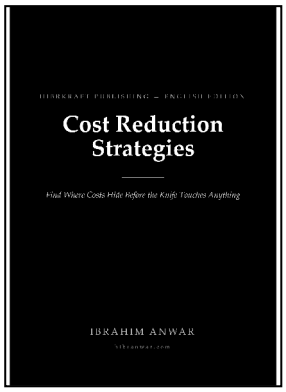

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Cost Reduction Strategies

Find Where Costs Hide Before the Knife Touches Anything

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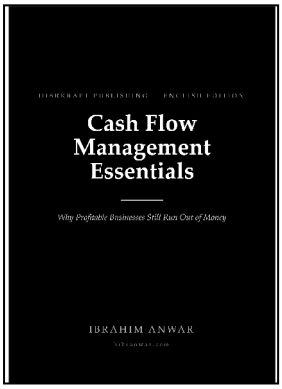

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Cash Flow Management Essentials

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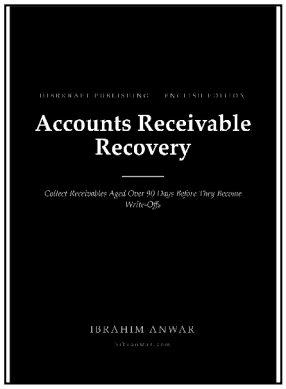

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Accounts Receivable Recovery

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

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