FREE PLAYBOOK · MARGIN

The Price Increase Playbook

How to raise prices without losing the customers that matter, in four steps and three letters.

> **The reason owners avoid price increases is a fear with no number attached: "we'll lose customers." This playbook attaches the number, then does the rest of the work.**

What a well-run increase actually does

At a 30% gross margin, a 3% price increase raises profit by a tenth. Most customers do not notice 3% when it arrives with a reason and some notice. Meanwhile the same company will grant a 5% discount "just this once" without a second meeting, and that discount needs 20% more volume to break even.

The asymmetry runs deeper. An increase sheds your least profitable work while repricing everything that stays. A discount does the reverse: it keeps the work that costs you money and reprices everything that was fine. Same percentage, opposite destinies.

Four steps: know the breakeven, segment the book, execute with discipline, track against the number. One page each, letters at the back.

WHAT YOU NEED BEFORE YOU START

- Margin by customer or job. If you do not have it, the whale curve workbook on our tools page builds it from your own book.
- Your contracts, read for escalator clauses. Most books contain increases already agreed to and never invoiced.
- A floor: the contribution level below which an account must move or go.

STEP ONE

Know the breakeven

One question decides whether an increase is safe: how much volume could you afford to lose before the increase stops paying? The table answers it. Find your gross margin row, read across.

IF YOUR GROSS MARGIN IS	3% INCREASE	5% INCREASE	7% INCREASE	10% INCREASE
20% margin	13.0%	20.0%	25.9%	33.3%
25% margin	10.7%	16.7%	21.9%	28.6%
30% margin	9.1%	14.3%	18.9%	25.0%
35% margin	7.9%	12.5%	16.7%	22.2%
40% margin	7.0%	11.1%	14.9%	20.0%

Breakeven volume loss = increase ÷ (gross margin + increase). Lose less than the table says and the increase made you money.

Read it like an operator

At a 30% margin, a 5% increase survives a 14.3% volume loss. That is one customer in seven walking over five percent. Measured churn after well-executed increases rarely approaches these numbers; the fear is real, the risk usually is not.

The thinner your margin, the more an increase is worth and the more volume loss it survives. A 20%-margin business breaks even at a 20% volume loss on a 5% increase. Thin-margin businesses are the ones that can least afford not to raise.

Run your own deals through the price & discount calculator on our tools page; it does this math for any move, in dollars, before you say yes to anything.

STEP TWO

Segment the book

A flat increase across every customer is the lazy version, and it concentrates your risk exactly where you can least afford it. Three groups, three treatments.

1 · CONTRACTUAL ESCALATORS FIRST

Before asking anyone for anything new, invoke what is already agreed: CPI clauses, annual adjustment rights, fuel and material surcharges. This is not an increase, it is billing what the contract says. It needs a notice letter, not a negotiation.

2 · THE HEALTHY MIDDLE

Most of the book: fair margin, normal service load. Standard increase, standard notice, a reason stated once and without apology. Cost inflation is real; customers run businesses too.

3 · THE BELOW-FLOOR ACCOUNTS

The tail your margin analysis flagged: accounts below your contribution floor after service costs. These get a larger, specific move with options: the new price, a changed scope that earns the old price, or a professional exit. Losing some of these accounts is not a risk of the plan. It is part of the plan, and the breakeven table already priced it.

THE EXCEPTIONS LIST

Write down, in advance, the accounts that get a personal conversation instead of a letter: your largest relationships, strategic accounts, anything in an active renewal. The list should be short. If it is longer than ten names, you are negotiating with your whole book and the increase will leak away one exception at a time.

STEP THREE · STEP FOUR

Execute, then track the number

Execution discipline

- **Notice:** 30 to 60 days. Long enough to be fair, short enough that the effective date is real. One effective date for the whole segment; rolling dates invite rolling negotiations.
- **The reason, once:** one or two sentences of true cause (labor, materials, insurance). No apology, no essay. An apology invites a negotiation; an essay invites a rebuttal.
- **Top accounts get a call first:** the letter confirms the conversation, never replaces it. Nobody who matters should learn a price from an envelope.
- **The concession ladder, decided in advance:** what you will trade instead of price. Payment terms, a volume commitment, a service-tier change, a longer agreement at the new rate. Price itself is the last rung, and it needs a name-level approval, not a sales-level one.
- **Front line armed:** whoever answers the phone has the reason, the effective date, and the ladder. The increase dies in the first week if the team negotiates ad hoc.

Track against the breakeven, not against noise

- Watch churn in the 90 days after the effective date and compare it to the table's number, not to zero. Losing 4% of volume on an increase that survives 14% is a win that feels like a loss unless the number is on the wall.
- Watch **who** leaves. Departures concentrated in the below-floor group are the plan working.
- Measure realized price, not announced price: invoiced dollars per unit before and after. Leakage through exceptions and timing is where increases quietly die.

Letter 1 - Standard notice

For the healthy middle. Adapt the bracketed lines; keep it under a page; send it after the segment's top names have heard it by phone.

Subject: Pricing update effective [DATE]

Dear [NAME],

Thank you for your continued business. I am writing with advance notice of a pricing adjustment: effective [DATE, 30-60 days out], our prices will increase by [X]%.

Over the past [period], our costs for [labor / materials / insurance / freight] have risen substantially. We have absorbed much of that, and this adjustment reflects the portion we can no longer absorb while maintaining the [service standard / turnaround / quality] you rely on.

Nothing else about how we work together changes. Your current pricing remains in effect for all orders placed before [DATE]. If you would like to review your program or discuss volumes ahead of the change, I am glad to set that up.

We do not take the relationship for granted, and we appreciate the trust you place in us.

[SIGNATURE, a real person's name]

Letter 2 - Escalator invocation

For contracts with adjustment rights. This is billing what was agreed, and the tone stays administrative.

Subject: Contract price adjustment per [AGREEMENT], effective [DATE]

Dear [NAME],

Per Section [X] of our [agreement name, dated], which provides for [annual adjustment / CPI-based escalation], we are applying the scheduled adjustment of [X]% effective [DATE].

For reference, [CPI series / index] changed [X]% over the measurement period. The adjustment will appear on invoices dated on or after the effective date. The full calculation is available on request.

Thank you for your continued partnership.

[SIGNATURE]

Letter 3 - Below-floor account

For accounts under your contribution floor. Specific, respectful, and honest about the options. Send only after you have decided you can accept any of the three outcomes.

Subject: Your pricing and service program, effective [DATE]

Dear [NAME],

We have completed a review of our account economics, and I want to be direct with you: at current pricing and service levels, your account operates below the level we can sustain.

We value the relationship and want to continue it, so I would rather give you honest options than quiet decline:

1. Continue the current program at adjusted pricing of [new rate], effective [DATE].
2. Move to our [adjusted program: revised delivery frequency / order minimums / service tier], which maintains pricing close to current levels.
3. If neither works for your business, we will support an orderly transition through [DATE], including [transition help you can honestly offer].

I am available this week to talk through which path fits. Whatever you choose, we will handle it professionally.

[SIGNATURE]

Where this leads

The math behind every table in this playbook lives in our free price & discount calculator, and the margin analysis that segments your book lives in the customer whale curve workbook, both at helm-advisory.com/resources.

If you want the increase designed, segmented, and defended against your own numbers, that is a 30-minute conversation: **helm-advisory.com**.