SAMPLE RESULTS · WORKED EXAMPLE

Pricing Health Check

How a £4m business found that discounting, not costs, was where its profit was leaking.

MEET BRIGHTWATER FABRICATIONS

A fictional sheet-metal fabricator that sells to other businesses on 30–60 day terms. It's profitable and busy, and the owner wants to grow. We use it in our Levers for Growth guide and as the example in every Castle FD tool.

Annual sales	£4,000,000
Gross margin	40%
Overheads	£1,200,000
Operating profit	£400,000
Debtor / stock / creditor days	60 / 45 / 40
Cash in the bank	£250,000

What Brightwater answered

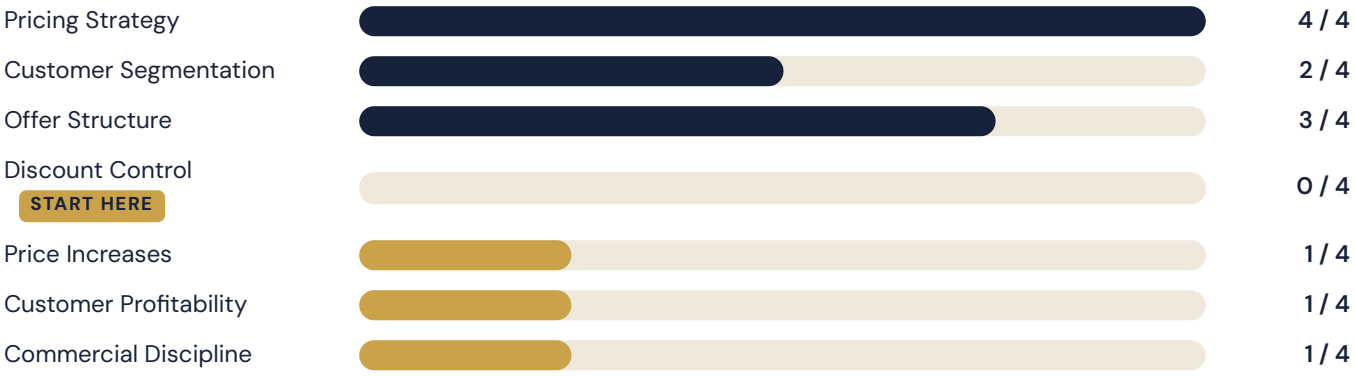
28 statements across seven areas of pricing, each answered Yes, No or Not sure. Brightwater's owner answered honestly, and said "Not sure" three times.

12 / 28
Pricing Health Score: "Significant margin leakage likely"

0 / 4
on discount control, the weakest area

£40k
profit a year for every 1% of price recovered

Score by area



Where it scored well

- A clear pricing strategy, based on value rather than cost-plus.
- It knows why customers choose it over competitors.
- Its offer is structured, and customers can see what they're paying for.

Where the profit was leaking

- **Discount control:** no approval for discounts, no tracking of list price against price achieved, and no review of discounting patterns.
- **Price increases:** prices reviewed reactively, and long-standing customers left on old rates.
- **Customer profitability:** no view of which customers make money once rush orders and service costs are included.

What Brightwater did next

1. Set a discount policy: any discount over 5% needs the MD's sign-off, recorded against the quote.
2. Started a monthly report of list price against price achieved, by salesperson and by customer.
3. Wrote to customers still on 2019 rates with a new price list and three months' notice.
4. Added pricing as a standing item on the monthly management meeting agenda.

Why it mattered

On Brightwater's numbers, 1% on price is £40,000 of profit a year. Recovering just half of the discounting its sales team gives away without approval was worth more than any cost-cutting it had planned.

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Take the Pricing Health Check

castlefd.com/pricing-health-check