

How to Price for Profitability, Not Just Revenue

Pricing is one of the most consequential financial decisions a business makes, and one of the least rigorously examined.

I have worked with companies across industries who were growing their top line and shrinking their margins. The problem was almost always the same: pricing was set to win business, not to sustain it.

The Framework I Recommend

Start with your fully loaded cost. Not just materials or direct labor, all of it. Overhead allocation, sales cost, delivery cost, and support cost. If you do not know what it truly costs to deliver your product or service, you cannot price it correctly.

Know your target margin, and build to it. Gross margin is not a result. It is a goal. If your business model requires 60% gross margin to be viable at scale, that target has to drive pricing, not follow from it.

Understand what the market will bear, and what you leave on the table. Many businesses underprice because they are focused on winning, not on value delivered. If a client would pay more, charging less is not generosity. It is a financial decision with long-term consequences.

Test price sensitivity before assuming it. Founders often believe their customers are more price-sensitive than they are. The data frequently says otherwise.

Revenue tells you how much you sold. Margin tells you whether selling it was worth it. Price for the margin.

Let's look at what your pricing strategy is really returning. Upfront Clarity helps businesses price for profitability, not just revenue. Start with a free conversation at www.upfrontclarity.com or call (203) 530-1180.