STRETCHLEARN · WORKBOOK

Break-Even Analysis & Pricing Strategy — Workbook

This workbook turns the course into the actual numbers of your business. Work through one section per module, using your own costs and prices rather than the examples. By the end you will have a complete break-even model, a defensible price for your main offer, and a sensitivity grid showing which lever moves your profit the most.

Cost Structure: The Foundation

Sort your real expenses into fixed and variable buckets and split any mixed costs so the rest of the model rests on accurate numbers.

Worksheet: Cost Classification Worksheet

Pull your last full month of expenses from QuickBooks, Xero, or a bank statement. List every cost line and tag it F (fixed), V (variable), or M (mixed). Total the fixed column and set aside the mixed lines for the high-low exercise below.

Expense line item

Monthly amount in dollars

Behavior tag (F / V / M)

Notes on why

Total monthly FIXED costs

Total monthly VARIABLE costs (per the month listed)

Exercise: Split a Mixed Cost with the High-Low Method

Pick one mixed cost from your worksheet (utilities, delivery, a phone plan with overage). Find your highest-activity month and lowest-activity month and work the four high-low steps to separate the fixed base from the variable rate.

• What is the cost and units at your HIGH month, and at your LOW month?

• Variable rate = (High cost minus Low cost) divided by (High units minus Low units). What did you get?

• Fixed base = Total cost at one level minus (Variable rate times units at that level). What is the fixed portion?

• Write your cost equation: Total = ___ fixed + ___ per unit. Was a month an outlier you should drop?

Worksheet: Per-Unit Variable Cost Builder

Choose your best-selling product or service unit. Add up every cost that is incurred only because one sale happens. Do not include rent, your salary, or other fixed costs here.

Direct materials / cost of goods

Direct labor per unit

Packaging and shipping

Payment processing (2.9% of price + 0.30)

Platform / marketplace fee

Returns or spoilage reserve (% of price)

TOTAL variable cost per unit

Variable cost as % of selling price

Checklist: Cost Structure Done-Right Checklist

- [ ] Every expense line is tagged F, V, or M with no blanks
- [ ] Salaried staff are tagged fixed; demand-scaled hourly staff are tagged variable
- [ ] At least one mixed cost has been split with high-low and its two parts placed in the right buckets
- [ ] Per-unit cost includes payment fees, platform fees, and a returns reserve
- [ ] No fixed cost (rent, salary, software) has leaked into per-unit cost

Contribution Margin and Break-Even

Convert your cost structure into contribution margin, then find the exact sales level where the business stops losing money and the level that hits your profit goal.

Worksheet: Contribution Margin Calculator

Using your selling price and the per-unit variable cost from Section 1, compute both forms of contribution margin. Keep both numbers; you need the per-unit figure for unit break-even and the ratio for dollar break-even.

Selling price per unit

Variable cost per unit

Contribution margin per unit (price minus variable cost)

Contribution margin ratio (CM per unit divided by price), as a percent

Exercise: Find Your Break-Even and Make It Real

Use your total monthly fixed costs and the contribution figures above to calculate break-even, then translate it into the unit you live in day to day.

• Break-even in units = Fixed costs divided by contribution margin per unit. What is the number?

• Break-even in dollars = Fixed costs divided by contribution margin ratio. Does it reconcile (units times price)?

• Divide break-even units by your operating days per month. What is your DAILY target?

• Looking at that daily target honestly, is it realistic given your current traffic and reach?

Worksheet: Target-Profit and Margin-of-Safety Worksheet

Set a real monthly profit goal, then calculate the sales needed to reach it and how much cushion you have above break-even.

Desired monthly profit (target)

Units for target profit = (Fixed + Target) divided by CM per unit

Revenue for target profit = (Fixed + Target) divided by CM ratio

Expected monthly units (realistic)

Margin of safety = (Expected minus Break-even units) divided by Expected, as a percent

Safety rating (High >30% / Moderate 15-30% / Low <15%)

Checklist: Break-Even Sanity Checklist

[ ] Contribution margin uses only variable costs, not gross margin from the income statement
[ ] Break-even in units and break-even in dollars reconcile to the same revenue
[ ] Break-even has been converted into a daily or weekly target you can gut-check
[ ] A specific monthly profit target has been set, not just break-even
[ ] Margin of safety is calculated and the fragility flagged if it is under 15 percent

Pricing Strategies That Protect Margin

Set a cost floor, estimate a value ceiling, choose a method, and apply tiering and psychological tactics to lift the price you can charge.

Exercise: Markup vs. Margin Repricing Drill

Take three current products and check whether your real margin matches what you think you earn. Convert any markup quotes to margin and reprice where needed.

• For each product, what is the true margin = (Price minus Cost) divided by Price? Is it lower than you assumed?

• If a supplier quoted a markup percentage, what is the equivalent margin? (50% markup = 33% margin.)

• To hit a target margin, Price = Cost divided by (1 minus margin). What price does your target imply?

• Which of the three products is priced below the margin your fixed costs require, and what is the fix?

Worksheet: Floor-to-Ceiling Pricing Worksheet

For your flagship offer, establish the cost-plus floor and the value-based ceiling, then set a price between them and sanity-check against competitors.

Cost-plus FLOOR price (minimum that covers unit + contributes to fixed)

Economic value to customer (money they save or earn)

Nearest alternative / reference price

Value-based CEILING price

Two or three competitor prices

Chosen price (between floor and ceiling)

Justification for the chosen price

Worksheet: Good-Better-Best Tier Designer

Design three tiers for your main offer. Engineer the middle tier to be the one you most want to sell and set the top tier high enough to anchor. Compute each tier's contribution margin.

Basic tier: name, price, what is included, contribution margin

Premium (target) tier: name, price, what is included, contribution margin

Ultimate tier: name, price, what is included, contribution margin

Which tier do you want most customers to choose, and why will they?

Checklist: Pricing Decision Checklist

- [ ] Every price is decided in margin terms, and supplier markup quotes have been converted to margin
- [ ] The chosen price sits above the cost floor and below the value ceiling
- [ ] The offer has at least three tiers, not a single take-it-or-leave-it price
- [ ] Charm pricing is applied to standard goods and round pricing reserved for premium tiers
- [ ] The middle tier is the highest-margin option you want buyers to land on

Modeling, Sensitivity, and Action

Build the live model, stress-test it against changing prices, costs, and volume, and commit to a concrete pricing decision with a review date.

Exercise: Build Your Live Break-Even Model

Build the model in Excel or Google Sheets (or start from the provided template) with a separate, shaded inputs area and formula-driven outputs. Confirm a single input change updates every output.

• Are price, variable cost, fixed cost, target profit, and expected units in clearly labeled INPUT cells you only edit there?

• Do break-even units, break-even revenue, and margin of safety all reference those input cells by formula?

• Add the profit line: Profit = (Units times CM per unit) minus Fixed costs. What profit does your expected volume produce?

• Did you use Goal Seek to find the price that hits your profit target at current volume? What price did it return?

Worksheet: Three-Lever Sensitivity Grid

Flex each lever by 10 percent from your baseline, holding the others steady, and record the resulting profit and percent change. Then model a combined worst case.

Baseline profit (current price, cost, volume)

Profit if PRICE rises 10% (and % change)

Profit if VARIABLE COST falls 10% (and % change)

Profit if VOLUME rises 10% (and % change)

Worst case: profit if costs rise 15% AND volume falls 10%

Highest-leverage lever (biggest profit gain per percent of effort)

Exercise: Commit to One Pricing Decision

Run the seven-step pricing decision routine on your single most important product and lock in one specific change you will make this week.

• What is the old price, and what is the new price you are setting?

• After the change, what are the new break-even and the new margin of safety?

• Does the price survive the worst-case sensitivity row? If not, what do you adjust?

• What is the review date you are putting in your calendar right now?

Checklist: Put-It-to-Work Checklist

[ ] Inputs and formulas are separated in the model, with no numbers typed inside formulas
[ ] A sensitivity grid exists and the highest-leverage lever is identified
[ ] The worst-case scenario (costs up, volume down) has been modeled and the price still works

[ ] One specific price change has been decided and recorded with old and new prices
[ ] A review date is set in the calendar before closing the model

Your Action Plan

1. Export last month's expenses and tag every line fixed, variable, or mixed; total the fixed bucket.
2. Split each mixed cost with the high-low method and build an accurate per-unit variable cost including fees and returns.
3. Calculate contribution margin per unit and the contribution margin ratio for your main offer.
4. Compute break-even in units and dollars, then convert it into a daily or weekly target and judge its realism.
5. Set a monthly profit target, find the sales needed to hit it, and calculate your margin of safety.
6. Establish a cost-plus floor and a value-based ceiling for your flagship offer and set a price between them.
7. Design a good-better-best tier structure and steer buyers toward the highest-margin middle tier.
8. Build the live break-even model in a spreadsheet with separated inputs and formula-driven outputs.
9. Run the three-lever sensitivity grid plus a combined worst case to find your highest-leverage profit driver.
10. Make one concrete price change this week, record old and new prices and the new break-even, and schedule a review date.