Cranleys
CHARTERED ACCOUNTANTS



CRANLEYS' CUNNING PLANS · No. 11 · GROWING

Pricing, Margins and the 80/20 Customer Review Checklist

Tick it, print it, pin it up. Every box you cannot tick is a conversation worth having.



By Colin Davison FCA, Managing Partner, Cranleys Chartered Accountants. In practice since 1998. Reviewed 15 November 2026 against the 2026/27 rules.

THE QUICK ANSWER

Know your gross margin on every product or service. Review customers by profit, not just sales, and see which few produce most of your profit. Raise prices where value is clear, control discounts and drop work that costs more than it earns.

THE KEY FIGURES

The key facts	What to know
Gross margin	sales less direct costs, as a percentage
Break-even on a price rise	rise divided by margin plus rise
80/20 review	rank customers by profit

The checklist, box by box

	The check	What to do	Keep as evidence
☐	**Do you know gross margin for every offer?**	Sales less direct costs, divided by sales.	Margin sheet
☐	**Have you tested a price rise?**	Work out how many customers you could lose and still be better off.	Price rise model
☐	**Have you ranked customers by profit?**	Include time and discounts, not just invoices.	Customer profit table
☐	**Which customers cost more than they pay?**	Late payers, endless changes and low margins.	Review notes
☐	**Are discounts controlled?**	Set rules. A discount comes straight off profit.	Discount policy
☐	**Are costs checked against price?**	Suppliers rise. Prices should follow.	Supplier price log

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MY PRO TIP

a small price rise needs far fewer customers to stay put than you think.

A worked example

A business has a 40% gross margin and puts prices up 5%. Customers can fall by about 11% before profit is worse off, because 5 divided by 45 is 11.1%. Most price rises lose far fewer than that, so a modest rise often pays.

The trap to avoid

Treating every customer as equal. The loudest customer is rarely the most profitable one.

The Rufus test

One question that tells you if you have the right adviser:

If I had to drop my five least profitable customers tomorrow, who would they be and what would I do with the time?

What has changed recently

- Margins feed tax. See the corporation tax checklist.
- Cashflow depends on price. See the scaling cashflow checklist.
- Positioning protects price. See the marketing and brand checklist.

Questions I get asked

How do I calculate gross margin?

Take sales less direct costs, divide by sales, and multiply by 100.

How much can I raise prices without losing customers?

There is no fixed answer, but the break-even calculation shows how many you could lose and still earn more.

What is the 80/20 rule?

The idea that a small share of customers often produces most of the profit. Check it for your own business.

Should I fire customers?

Sometimes. If a customer costs more than they earn, ending the relationship can improve profit.

The 9 CAD Keys link: Analysis & Positioning

Analysis & Positioning is knowing which customers and products make you money and leaning into them.

Colin's 9 CAD Keys. CORE: Clarity, Capability, Consistency. ADVANCED: Analysis & Positioning, Alignment, Acceleration. DYNAMIC: Differentiation, Dexterity, Development. Score each key 1 to 5 in the free Business Value Assessment Scorecard, total out of 45. *Freedom is built. One CAD Key at a time.*

Tick these next

Business checklist 10
Growing Without Going Broke: Scaling Cashflow Checklist

Business checklist 15
Marketing, Brand and Your Footprint Checklist for Growing Businesses

Tax checklist 12
Corporation Tax and Close Companies Checklist 2026/27

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Go deeper: my books

For this topic, start with **Business Growth Secrets**, part of The Cranleys Business and Tax Secrets Series: Property Tax Secrets, Inheritance Tax Secrets, Business Tax Secrets, Starting Up Secrets, Business Growth Secrets and Business Exit Secrets. The books are launching soon. Join the launch list at cranleys.online/books and I will tell you the moment each one is released.

YOUR NEXT STEP

Ring me. Free draft plan, no hard sell.

I will build you a free draft tax plan or business plan on my 9 CAD Keys: a scorecard, a 12-month cashflow forecast, a 90-day action plan and a review with me. **1** Get in touch. **2** Short intro call. **3** Your free draft plan in plain English. You decide what happens next.

Price like a pro, tick the boxes.

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Scan to read online, tick it on screen and take the Scorecard



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