Executive Decision Note

Introduce Discount Guardrails and a Controlled Pricing Test

Synthetic portfolio case study | Commercial governance | August 2026

Decision

Approve a 12-week pricing-control pilot for two product categories. Require commercial approval for discounts of 15% or more, introduce deal-level contribution visibility, and test two targeted price changes against a matched control. Do not impose one company-wide price increase or a blanket discount ban.

Why this decision is required now

Revenue has grown while gross-margin percentage has weakened. Initial analysis shows that high-discount orders carry a materially lower margin, but this does not prove that discount caused the entire decline. Product cost, channel mix, customer value and competitive pressure may also explain the pattern.

The organisation therefore needs two things at the same time:

- Immediate protection against the most visible value leakage.
- Better evidence about customer response before permanent price changes are made.

A controlled pilot provides both. It creates approval discipline today while preserving the ability to learn where discount is commercially justified.

Evidence considered

The synthetic diagnostic reviewed 2,400 transactions across channel, region, product and discount band. The portfolio produced GBP 463,000 of revenue at a 40.6% blended gross margin. Orders discounted by 15% or more produced a 33.7% margin, 6.9 percentage points below the portfolio average.

This pattern is decision-relevant but incomplete. The data does not contain fulfilment cost, returns, competitive quotes, customer lifetime value or lost-deal outcomes. A high discount may be value-destructive, or it may protect a strategically important customer. The control must therefore route judgement rather than replace it.

Options considered

Option 1 - Continue local discretion

Sales teams retain full authority within current delegations. This avoids friction and preserves speed, but it does not create consistent evidence or control the largest discounts. It also leaves managers unable to distinguish justified exceptions from habit.

Option 2 - Ban discounts above 10%

This is simple to communicate and could improve headline margin quickly. It may also reduce conversion, damage priority relationships and drive unrecorded concessions through free services or altered scope. The option is too blunt for the evidence available.

Option 3 - Guardrails plus controlled test (recommended)

Discounts below 10% remain within normal delegation. Discounts from 10-14.9% require a reason code and contribution check. Discounts of 15% or more require commercial approval, a named business rationale and visibility of customer value. Two selected categories then run a controlled price and offer test.

This option adds targeted friction where exposure is greatest and creates evidence for the next pricing decision.

Proposed control design

Delegation

- 0-9.9% discount: standard sales authority.
- 10-14.9%: sales manager approval and mandatory reason code.
- 15-19.9%: commercial approval with contribution and customer-value context.
- 20% or more: commercial director approval and documented alternative considered.

Required information

Every exception request must include list price, proposed net price, direct product cost, expected fulfilment cost, contribution, customer segment, order history, competitive evidence, reason code and expiry date.

Reason codes

Use a controlled list: competitive match, volume commitment, contract renewal, stock clearance, service recovery, strategic entry, bundle economics and authorised campaign. "Other" requires free text and should be reviewed monthly.

Expiry and audit

Approvals apply to a defined customer, product, quantity and period. They cannot be copied to future transactions. Finance reviews a sample each month and reports override rate, margin outcome and reason-code quality.

Controlled test

The pilot should test decisions rather than simply observe before-and-after averages.

Test A - Price presentation

For one office-product category, compare the current percentage-discount presentation with a value-bundle offer of equivalent customer benefit. Hold audience, availability and service conditions constant.

Test B - Minimum contribution floor

For one electronics category, apply a minimum contribution floor to half of eligible opportunities while retaining current discretion for a matched control group. Escalations remain possible for both groups.

Primary measures

- Contribution per opportunity.
- Conversion rate.
- Gross-margin percentage.

- Average discount.
- Revenue per visitor or qualified opportunity.
- Return and cancellation rate.

Guardrail measures

- Customer complaints.
- Sales-cycle time.
- Approval turnaround.
- Free-service or scope concessions.
- Mix shift toward lower-margin products.
- Repeat purchase in the following 90 days.

The pilot scales only if incremental contribution improves without a material decline in customer quality or conversion. Revenue alone is not sufficient.

Decision rules

- Scale: contribution per opportunity improves by at least 5% and conversion declines by no more than 2 percentage points.
- Revise once: contribution improves, but one guardrail measure breaches its tolerance.
- Stop: contribution does not improve or conversion declines by more than 4 percentage points without offsetting customer value.
- Investigate: a segment or channel moves in the opposite direction to the total result.

These thresholds are illustrative and must be agreed before the test begins. Changing them after results are visible would weaken the evidence.

Operating rhythm

Daily

- Approvers review exception requests twice each working day.
- Requests without required information return to the owner immediately.
- Priority customer or safety-related decisions use the existing escalation route.

Weekly

- Commercial and finance teams review approval volume, turnaround and exceptional deals.
- Test owners check sample balance, data completeness and guardrail measures.
- Product teams record competitor, availability or cost changes that could affect interpretation.

Monthly

- Finance reconciles approved exception value to invoiced transactions.
- Leadership reviews trend by product, channel, region and reason code.
- Repeated overrides trigger a policy or list-price review rather than repeated case-by-case approval.

Roles and accountability

- Sales representative: provides evidence and owns the customer proposal.
- Sales manager: confirms commercial rationale and alternatives considered.
- Commercial approver: decides within delegation and records conditions.
- Finance business partner: validates contribution, reconciles outcomes and monitors control effectiveness.
- Product owner: monitors product economics, competitor context and offer design.
- Analytics owner: maintains test assignment, metric definitions and result integrity.
- Commercial director: owns the policy and decides whether to scale, revise or stop.

Risks and mitigations

Approval slows legitimate deals

Set a four-working-hour service level and review twice daily. Track approval time beside commercial outcome.

Sales teams move value outside the recorded discount

Include free services, freight, extended terms and scope concessions in the exception record. Finance samples total deal economics, not price alone.

Test groups are not comparable

Predefine eligibility, assignment and exclusions. Monitor customer mix, channel and product availability throughout the test.

Margin improves but long-term value falls

Track repeat purchase and complaints for at least 90 days. Do not declare full success from immediate gross margin alone.

Controls become permanent without review

The pilot authority expires after 12 weeks. Continuing the policy requires a documented decision using test and operational evidence.

Implementation plan

Weeks 1-2

- Agree metric definitions and data owners.
- Configure approval fields and reason codes.
- Select products, channels and test population.
- Train sales managers and approvers using historic examples.

Weeks 3-10

- Run guardrails and controlled tests.
- Review data quality and operational friction weekly.
- Preserve assignments unless a pre-agreed safety or customer exception applies.

Weeks 11-12

- Complete result analysis and sensitivity checks.

- Review segment and channel differences.
- Decide scale, revise once or stop.
- Publish the final policy, delegation and measurement plan.

Final recommendation

Approve Option 3 for 12 weeks. The proposal protects margin where current evidence is strongest, keeps legitimate exceptions possible and produces more reliable evidence for the next pricing decision than either unrestricted discretion or a blanket ban.

Limitations

This decision note is a synthetic portfolio sample. The figures are illustrative and do not represent a live company. A production decision would require validated cost-to-serve, customer-value, competitor, elasticity, legal and sales-process evidence.