

# Pricing Through Volatility: Profit Playbook Amid Rising Fuel & Material Costs

Most companies react with temporary surcharges, but the real opportunity is embedding cost recovery into long-term pricing and operating models.

The current volatility in fuel is not a one-off disruption, but rather a symptom of a more volatile market that demands a structural shift in strategy. Those who reacted to recent tariffs as a one-time change are now facing similar challenges with the rise of fuel and raw material costs. Rather than applying short-term "band-aid" recoveries, organizations should move toward proactive, long-term frameworks that prioritize rapid reaction times and resilience.



Fuel volatility is pressuring margins through three distinct cost channels: raw materials, import logistics, and continental freight. Margin impact depends on direct fuel / material intensity, pass-through ability, contract structure, and repricing speed, with exposure varying by business model.

Raw Materials	Import Logistics	Continental Freight
<ul style="list-style-type: none"> <li>• Petroleum-linked inputs such as resins, plastics, films, chemicals, coatings</li> <li>• Supplier cost pass-throughs accelerating in frequency and magnitude</li> <li>• Contract timing gaps between input cost spikes and customer repricing</li> </ul>	<ul style="list-style-type: none"> <li>• Ocean freight and bunker charges sensitive to fuel price swings</li> <li>• Container imbalance and port fees adding cost layers beyond base rates</li> <li>• Lead-time uncertainty creating working capital and service pressure</li> <li>• Tariff exposure driven by shifting trade barriers</li> </ul>	<ul style="list-style-type: none"> <li>• FTL/LTL fuel surcharges activating across carrier base</li> <li>• Expedited shipment costs rising as supply chains absorb disruption</li> <li>• Route and delivery inefficiency amplifying per-unit freight burden</li> </ul>

# Sector Exposure: How Companies Across Industries are Driving Targeted Actions

Companies are responding with a mix of surcharges, price increases, and structural actions.

## Route to Market

## Example Client Situations and Actions Taken\*

### Service

- Flat \$10-30 service / trip charge to offset fuel costs
- 2-3% fuel surcharge for service-related trips
- 2-10% freight charge increase; considering more
- Using talking points and public precedent (e.g., USPS) to defend

### Distributor

- Freight surcharges; line-item addition to each order for the foreseeable future
- Shifting to manager-reviewed pricing only
- Supplier price increases
- Difficulty receiving raw materials
- Placing customers on purchase allocations; prioritizing certain customers

### Manufacturer

- 5-15% price increases
- 2-5% fuel charges for service bills
- Steel costs up ~25%; Resin spot prices doubled with producers signaling further increases
- Customers pre-buying ahead of further hikes
- Passing freight to the customer; others absorbing some added freight costs
- Substrate suppliers are passing along tariff surcharges
- Considering breaking contracts and placing customers on purchase allocations

\*Select samples illustrate example approaches and are not exhaustive or indicative of any one company- or industry-specific need or optimal approach

## Sample Sector Exposure Varies Across Volatility Channels

Sector	Raw Material	Import Logistics	Continental Freight
Automotive, Oil & Gas	↑	↑	↑
Consumer Goods, Food & Beverage	→	↑	→
Metals & Mining, Materials, Chemicals	↑	↓	↑
Packaging, Paper & Flexibles	→	→	↑
Building Products, Construction & Equipment	→	→	↑
Industrial Services	↓	↓	↑
Transportation, Logistics & Aerospace	↓	↓	→
Healthcare Providers & Products	→	↓	↓
Digital Media & Entertainment	↓	↓	↓
Business & Professional Services, Software	↓	↓	↓

↑ High    → Medium    ↓ Low



# Strategy Playbook: Near-Term Recovery & Structural Redesign Approaches Across Cost Channels

The market has yet to fully price in the real impact of fuel and oil cost disruption, and an eventual correction is inevitable. Now is the time to build out these capabilities. When doing so, consider:

- Where is immediate recovery possible via surcharge or repricing?
- Where is a structural response needed to build a strong foundation for current and future volatility?
- Where does your business have the greatest risk due to low pass-through capability?
- Do you have the systems and processes in place to measure effects – customer loss, margin erosion, increases offset by egregious discounts, etc.?

## Raw Materials

NEAR-TERM RECOVERY	STRUCTURAL ACTIONS
<ul style="list-style-type: none"> <li>• Raw material <b>surcharges</b> on petroleum-linked inputs</li> <li>• Tighter <b>quote validity windows</b> (30 days or less)</li> <li>• Targeted repricing on <b>low-elasticity</b> products</li> <li>• Tighter <b>discount controls</b></li> <li>• <b>Supplier negotiations</b> for temporary rebates</li> <li>• <b>Market intelligence study</b> – customer &amp; competitor intel</li> <li>• <b>Sales team training</b> &amp; talking points</li> </ul>	<ul style="list-style-type: none"> <li>• Permanent <b>list price resets</b> where inflation is sticky</li> <li>• <b>Index-based</b> contractual pricing mechanisms</li> <li>• Product redesign to reduce petroleum-linked content</li> <li>• <b>Dual-source</b> and regionalize critical inputs</li> <li>• <b>Differentiated price increase</b>, accounting for competitiveness, allocations, other critical factors</li> <li>• <b>Dynamic pricing &amp; quoting models</b> that can be adjusted based critical cost factors (e.g., indices)</li> </ul>

## Import Logistics

NEAR-TERM RECOVERY	STRUCTURAL ACTIONS
<ul style="list-style-type: none"> <li>• Temporary import / <b>freight surcharges</b> – add separate line item on top of existing freight changes</li> <li>• Weekly <b>landed-cost reviews</b> with procurement</li> <li>• Shipment consolidation and PO timing changes</li> <li>• Selective <b>safety stock</b> for critical SKUs</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Nearshoring</b> and regional sourcing shifts</li> <li>• <b>Supplier footprint redesign</b> for resilience</li> <li>• Network redesign for <b>inventory positioning</b></li> <li>• Renegotiate Incoterms and strategic 3PL partnerships</li> <li>• Implementation of targeted <b>price adjustment</b></li> </ul>

## Continental Freight

NEAR-TERM RECOVERY	STRUCTURAL ACTIONS
<ul style="list-style-type: none"> <li>• <b>Fuel surcharge</b> updates to current diesel index</li> <li>• Carrier mini-bids and <b>lane rebids</b></li> <li>• Tighter <b>expedited shipment</b> controls</li> <li>• Shipment consolidation and route density actions</li> <li>• Cost to serve <b>waterfall and margin analytics</b> to determine where surgical pricing actions should be prioritized</li> </ul>	<ul style="list-style-type: none"> <li>• Transportation <b>pricing redesign</b> (surcharge vs. permanent)</li> <li>• <b>Network optimization</b> and DC footprint review</li> <li>• Delivery frequency and <b>service policy</b> redesign</li> <li>• TMS, analytics, and transport governance upgrades – monitor changes in cost input from suppliers for future-state reductions</li> </ul>



# Strategic Negotiations: Best Practices & FAQs for Effective Outcomes

## Pricing and Commercial Approach Best Practices

### 1. Be proactive, or at least prepared to respond.

Put yourself in a position to be proactively strategic with the investments you're making in your portfolio. If you find yourself in a position to justify, you are already facing loss. Instead, be assertive to the market on why you are taking your approach and ensure your sales team is trained to succeed in the moment of any conversation. If a customer comes to you before you've reached them, make sure you have an answer.

### 2. Know the implications of your choices.

Will everything that goes up eventually go down, or will this event defy science? With a high degree of fluctuation, transparent surcharges provide a quick way to bring cost recovery in and out of the equation. Structural changes and targeted motions, however, provide longer-term stability and less backlash in changing markets. Also, understand your competitive positioning – are you a price leader or follower?

### 3. Be thoughtful in advance where you want to invest in your portfolio.

You won't win every negotiation. Create an investment budget and plan which accounts and products/services you want to invest in. Identify customers with whom you might choose to absorb cost increases because you strategically decide to make an investment. Then, cascade that budget to individual salespeople based on their pipeline.

### 4. Walk in with clear, credible facts.

Bring data (ideally presented in simple visuals that make your case easy to understand) that shows how key industry benchmarks (e.g., PPI, diesel prices, CPI) have moved relative to current contract escalators or proposed price increases, along with any market intelligence indicating that competitors are also likely to raise prices. It also helps to include quick, back-of-the-envelope value calculations that quantify the financial benefit your customer receives from your product or service, so the discussion is grounded not just in cost, but in value. Finally, prepare a practical list of potential “gives” and “gets” so the negotiation becomes a constructive “yes, if” conversation – for example, yes to delay a pricing adjustment if there is a longer commitment, larger volume, different service level, or revised payment terms.

### 5. Master your contractual environment.

Evaluate the communication protocols (e.g., notice timeframe) and the price increase parameters and constraints – what are your terms and conditions, what allowances exist. Then, ensure internal clarity around risks and rewards, including egregious commercial situations such as risks and rewards of breaking a contract of a low-margin non-strategic customer.

## Nuances That Affect Approach

- Consider **base product cost change frequency** – is a particular element volatile or more of a steady increase?
- A general marketing-based communication may help **educate your network** on the relationship between crude oil and downstream impacts to lay the groundwork for sales conversations.
- Internal **system capability** (e.g., manual repricing, cannot accommodate line items) dictates your near-term response and should be a priority for structural adjustments.
- Your **route to market affects approach**. Using a distribution network likely results in less intimacy with and limited visibility to end-customer pricing.
- Industries with **higher transparency reduce effectiveness of strategic segmentation** for pricing actions – when one customer learns of pricing shifts, the whole customer base / industry becomes aware.
- Evaluate customer **receptivity or sensitivity to price changes or surcharges** – are they used to regular price adjustments?



## Frequently Asked Questions

### 1. How should companies recover costs with large customers that have negotiating leverage?

→ *Target facts to assert prices in the market:*

- Cost and margin trends for the last ~5 years (i.e., have you already absorbed costs)
- Customer near-term feasibility of switching suppliers who can provide similar value
- To what degree can the customer pass through price increases to their customers
- Important buying criteria for end-customers / will customer relationship with end-customers decline without a deal
- Evaluate where competitor actions, or lack of, put you in a position of damage control

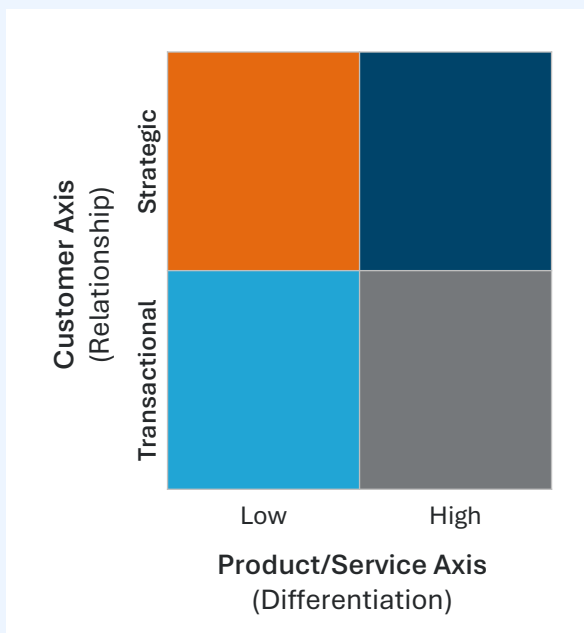
→ *Analyze the impact, risks, and awards:*

- If you strategically absorb cost in one area, know where you can offset with pricing action elsewhere to make up the gap
- Know the threshold where a concession equals out to walking away entirely
- Does walking away jeopardize long-term prospects with other accounts, and how does that stack versus revenue/margin loss from concessions
- Evaluate replacement growth prospects

→ *Build internal negotiation scorecards to document:*

- Offer elements – exclusivity, price, terms, contract length, MOQ, etc.
- Value level to customer
- Cost to your business
- Willingness to concede
- The offer: initial proposal, next alternative, and floor

## Customer Relationship Framework



### 4 Critical Questions to Define the Customer Relationship

1. Is this customer an industry leader?
2. Are you connected at the right levels, including CXO level?
3. Do they commercialize with us in a mutually beneficial way?
4. Do they “earn” their status, or are we in a position of “nostalgia-nomics”?

### Key Considerations

Price	Cost-to-Serve	Terms & Conditions
Sales Coverage	Investments	Offers
Experience / Service	Route to Market	KPIs / Metrics



## Frequently Asked Questions (cont'd)

### 2. How can we avoid agreeing to customer price concessions that undermine later cost recovery?

→ *Map the customer relationship versus priorities:*

- What type of customer – strategic, growth, transactional, etc.
- Current margin profile vs peers, and the threshold for volume loss vs margin degradation
- Margin sensitivity to sustained higher fuel prices and supply challenges
- Know which customers you're willing to strategically absorb cost for, and the tipping point
- Know what your competitors are doing and the impacts

→ *Use proactive, purposeful messaging:*

- Assert your position – e.g., price adjustments are due to investments that drive value to your customer and their customer
- Provide clarity on frequency and purpose of price adjustments for future expectations
- Consider what to ask for in exchange for a price concession – e.g., exclusivity, volume, contract length, portfolio expansion, favorable terms, cost-based triggers for future price increases
- Ensure contract language reflects strategy

→ *Employ Measurement Systems:*

- Deploy controls, decision-support, and analytics to ensure sales is following the strategy

### 3. How should we incorporate cost recovery into RFP responses?

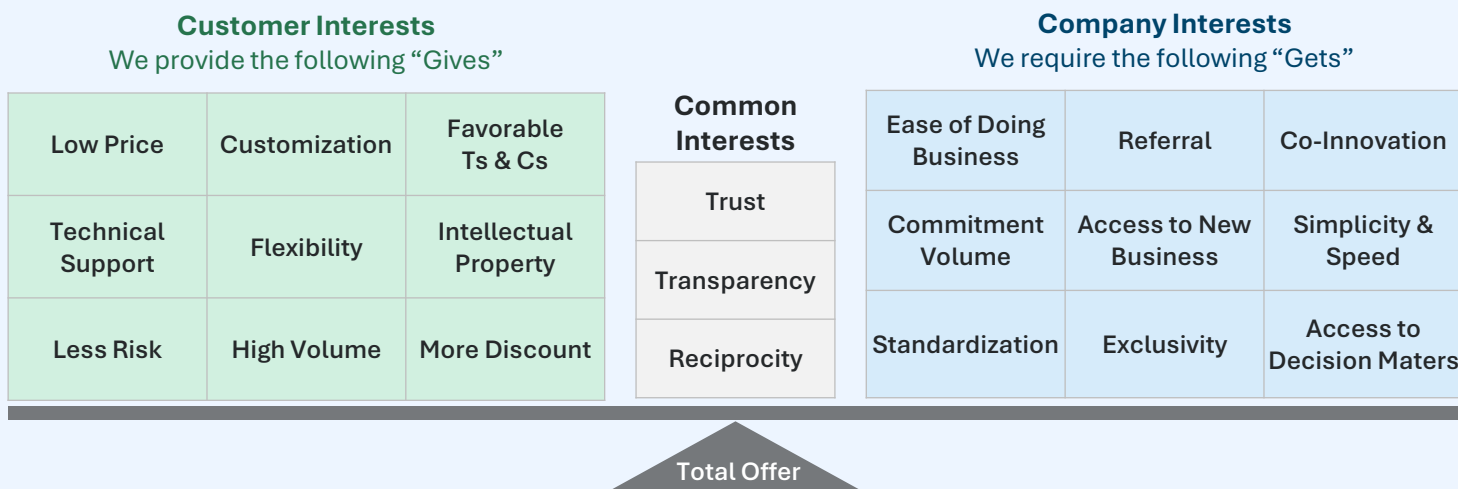
→ *Know when not to invest significant time:*

- Understand the cost-to-serve and customer relationship profile
- Define where and when to concede

→ *Be purposeful, not reactive:*

- Boldness of response should be based on your pricing and commercial “power”
- Know your BATNA and understand your prospects
- Pay close attention to the Ts and Cs, with tight policy/process around surcharges and floors

## Value Arbitrage – The Gives and Gets



# Shifting From Defensive Pricing to Strategic Pricing

## Managing Cost One Disruption at a Time

Every business faces a similar dilemma – how to protect margin and volume goals appropriately in the face of market volatility. Responding reactively to each cost disruption – tariffs, inflation, fuel – puts businesses in a hamster wheel of a price vs. volume trade-off that leads to in-moment decisions often misaligned to overall business goals and customer needs. It also delays the market response, compounding negative impact.

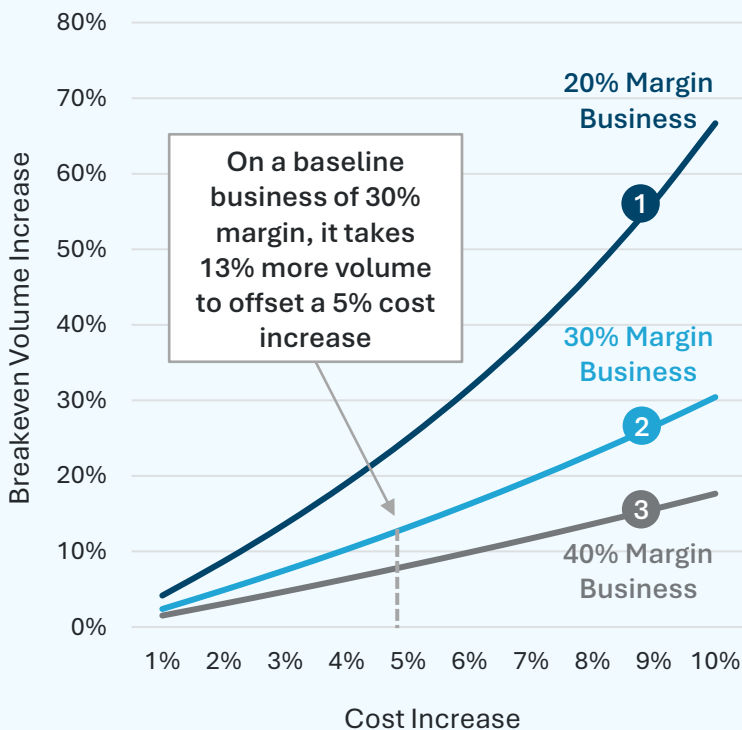
Successful businesses are those that have built strategic pricing frameworks that account for market volatility within the approach to enable fast responses that support profit growth plans.

## » Successful Strategic Pricing in Volatile Markets

Pricing that proactively yields net positive value in the face of volatility leads to the greatest long-term profit growth benefit and competitive advantage. This shift requires:

- 1. Pricing models** that capture critical pricing and cost components as well as value drivers whose parameters can be adjusted dynamically across customer-product/service combinations as disruptions occur
- 2. Central / integrated systems** and tools that can ingest, employ, and measure data and models across use cases – ERPs, Quoting, PMT, Analytics, etc.
- 3. Consistent, strong pulse on the market**, including competitive positioning and customer perception
- 4. Commercial enablement frameworks** that mobilize goal-aligned sales activity, including clear processes and policies for all profit growth areas (cost-to-serve elements, Ts & Cs, escalations, etc.)

### Price vs. Volume Trade-off



When you absorb cost increase of x%...	Gross Profit Margin		
	1 20%	2 30%	3 40%
	...your breakeven volume % increase is:		
10.0%	67%	30%	18%
7.5%	43%	21%	13%
5.0%	25%	13%	8%
4.0%	19%	10%	6%
3.0%	14%	8%	5%
2.0%	9%	5%	3%



# Next Steps to Identify & Approach Opportunities

## Business Impact & Goals:

- Quantify the impact at a granular level to segment actions and inform where you can take losses – cost exposure by region, customer segment/relationship, service line, or contract structure
- Understand the lag to update pricing / quotes based on new cost
- Run stress test scenarios for longer-term impacts, such as how sensitive are margins to sustained higher fuel prices and supply challenges
- Track cost recovery vs. actual impact to monitor and adjust ongoing action and revisit as conditions evolve

## Pricing & Commercial Strategy:

- Assess where uniform vs. differentiated pricing actions are best based on factors such as exposure, durability / persistence, transparency, competitive factors, internal capabilities, etc.
- Set differentiated approach based on customer and product/service segments – e.g., not touchable, less affected products/services, customer prioritization/relationship, etc.
- Evaluate cost-to-serve by customer and product/service, including freight, trip charges, offers, raw materials, etc. to inform specific approach and surface other ways to negotiate (quantity, terms, service level, etc.)
- Understand the price elasticity threshold – how does price affect volume across key business segments
- Set commercial approach – e.g., pivot to focus on higher-margin products / services that can absorb costs
- Ensure you have a ‘pass-through’ trigger in contracts equipped with clauses tied to indices
- Know how your markets, suppliers, and competitors are impacted and the actions they are taking

## Commercial Enablement:

- Align the organization through communicating clear goals and expectations – e.g., recover margin \$s
- Establish external messaging and positioning tied to your value prop and based on transparency requirements, cost stickiness, and organizational goals
- Prepare decision-support materials, such as approval routes and system functionality
- Equip the commercial team with negotiation training, how to answer FAQs, decision-support analytics, etc.

**Contact us** for a new pricing perspective.

## Meet INSIGHT2PROFIT

INSIGHT2PROFIT, a DFW Capital Partners portfolio company, is a leader in driving pricing and profitability excellence, helping businesses accelerate growth and optimize financial outcomes. By integrating cutting edge intelligence, strategy, and technology, we transform big insights into real-world solutions that drive revenue, grow EBITDA, and maximize ROI.

We've spent nearly two decades helping business leaders achieve EBITDA growth. By leveraging data-backed insights, we quickly identify and validate growth opportunities that drive both immediate and sustainable profit increases. Our goal is to co-author a strategy, see it through implementation, and most importantly, realize results. Let us help you uncover hidden value and maximize your growth potential.

Headquartered in Cleveland, with regional offices in Chicago and Columbus, INSIGHT2PROFIT continues to be a trusted partner for companies looking to unlock their profit potential.

For more information, visit [www.insight2profit.com](http://www.insight2profit.com).

