

Cost-Justified Price Increases

When your costs move, adjust the price — and prove it

A weighted basket of the commodity indices behind your costs sets exactly how much a price should move — component by component, defensible to the customer.

INDUSTRY

Chemicals / process manufacturing · commodity-exposed costs

COMPANY

Maker whose input costs track commodity indices

TOOLS

ScrapeMonk Commodity + TidyMonk → PriceMonk (or your own engine)

WHAT THIS ONE-PAGER COVERS

- 1 **Weighted Cost-Driver Basket** — a weighted basket of commodity indices → the exact, defensible adjustment
- 2 **Threshold-Triggered Cost Pass-Through** — watch the basket vs a threshold; when it crosses, the increase is due, evidence ready

When feedstock, energy, packaging and freight all move, your price should move with them — but by how much, and how do you prove it? A contract price adjustment mechanism weights each cost driver behind a product, tracks the index behind it, and computes the exact adjustment — so a price increase is a transparent calculation, not a negotiation, and it holds up when the customer asks why.

THE SITUATION

Your cost is a basket — ethylene, benzene, energy, additives, packaging, freight — each tracking its own commodity index. When they move, your price should move by the weighted amount they justify. But without that basket in one place, a price increase becomes a round number and an argument. Two things fix it: computing the adjustment from the actual weighted index movements, and tracking the basket over time so a scheduled increase is backed by evidence the customer can see.

01 Weighted Cost-Driver Basket

Each product category is a weighted basket of commodity indices. When the indices move, the mechanism computes the exact adjustment — component by component — and the new contract price. Transparent, and the same number every time.

Contract price adjustment — Category A

weighted commodity basket · base → comparison period

Cost driver	Weight	Index Δ	Contribution
Ethylene	28%	+6.0%	+1.68%
Benzene	22%	+5.0%	+1.10%
Energy (natural gas & power)	20%	+7.0%	+1.40%
Additives & stabilizers	10%	+3.0%	+0.30%
Packaging	9%	+2.5%	+0.23%
Freight (road + sea)	11%	+4.0%	+0.44%
Weighted basket movement	100%		+5.15%
Indexed share of the contract price	62%		+3.19%

CONTRACT PRICE (BASE)

€10,000

ADJUSTED PRICE (+3.19%)

€10,319

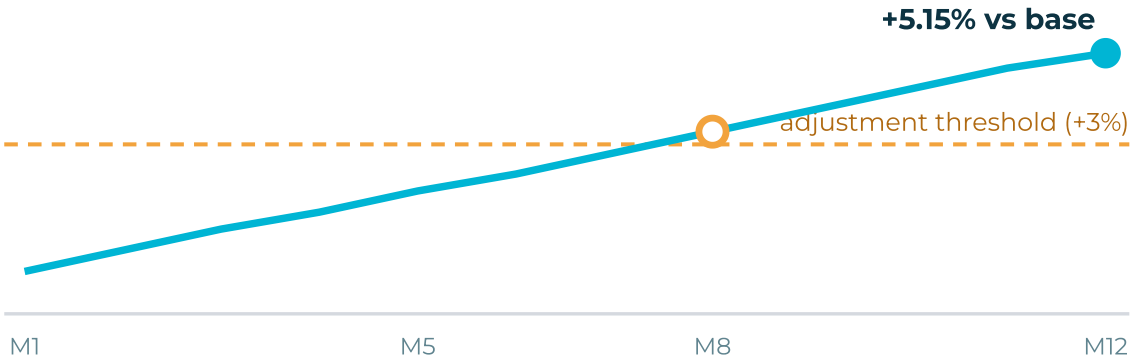
The basket moved +5.15%; the clause indexes 62% of the contract price, so the adjustment is +3.19% — €10,000 becomes €10,319, every driver's contribution is on the same page, and the increase is a calculation rather than a negotiation. The basket weights the drivers your adjustment clause indexes on, which is what the contract moves against; it is not a full unit-cost model. You define what sits in it — a published index where one exists, your own figure where it doesn't — so duties, tariffs and surcharges weigh in alongside the commodity indices, each with its weight and its source on the page.

02 Threshold-Triggered Cost Pass-Through

Watch the basket over time. When it moves past your threshold, a cost-justified adjustment is due — and the index breakdown shows exactly which drivers moved, ready to put in front of the customer.

Cost basket index — trailing 12 months (base = 100)

adjustment due when the basket crosses the threshold



Energy +7.0%

Ethylene +6.0%

Benzene +5.0%

Freight +4.0%

top drivers this period

The basket crossed the threshold in month 8 → a cost-justified adjustment is due, with the index breakdown ready to share. By month 12 it stands at +5.15% against base — carried through notice, and the movement the Use case 1 adjustment is struck on. Taking it re-bases the index, so the next threshold is measured from there. You still carry the cost up to the threshold you set, and through whatever notice the contract requires — what ends is discovering it a quarter late.

THE PAINS & HOW WE SOLVE THEM

THE PAIN – IN YOUR WORDS

HOW WE SOLVE IT

“When costs jump we raise prices by a round number, then argue about it.”

The adjustment is computed from the weighted movement of your actual cost indices — a number, not a negotiation.

“We can’t show a customer why the price went up.”

Each component’s index movement and contribution is on one breakdown, ready to put in front of the customer.

“By the time we react to a cost move, we’ve already absorbed months of it.”

The basket is tracked continuously; crossing your threshold flags a due adjustment as it happens.

“Different product categories have different cost structures.”

Each category is its own weighted basket, so the adjustment fits that product’s real cost mix.

“Contract price-adjustment clauses are painful to compute by hand.”

The mechanism computes the adjustment % and the new contract price automatically from the indices.

RESULTS

IN SCOPE / NOT

- The basket covers the cost drivers named in your adjustment clause. Labour, overhead and SG&A sit outside it, so the figure is the adjustment the contract supports, not a full unit-cost recovery.
 - Each adjustment re-bases the index, so the next movement is measured from the last adjusted base and no increase is charged twice. The clause sets the threshold, the cap and the notice period; movement down is measured the same way as movement up.
 - Commodity and index data come from public sources plus your own licensed feeds (imported); the basket weights are your product's real cost structure.
 - Best fit for commodity-exposed costs (chemicals, building materials, processed manufacturing — anything with a feedstock / energy / freight cost base).
 - Figures shown are illustrative of the segment and scaled to each engagement.
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Behind it: ScrapeMonk Commodity supplies the cost-driver indices → PriceMonk's contract-price-adjustment mechanism weights them per category into an adjustment % and a new contract price, with a basket trend and index breakdown. Import & cleaning via TidyMonk. Works alongside your own pricing engine where you have one.

Pass on cost the way you'd want it explained to you.

