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From buyer evidence to EBITDA

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How to turn buyer research into a commercial decision, an implemented policy, and a verifiable earnings result.

Abstract

A pricing recommendation does not become EBITDA when a presentation is approved. It becomes an economic result when a defined customer population receives a different offer, buyers respond, the company realizes the intended terms, and the resulting revenue exceeds the associated costs. The weak link is often the connection among those stages. Buyer evidence can be reduced to an unsupported percentage uplift; a reasonable policy can be inconsistently applied; observed growth can be attributed to pricing even when it would have occurred anyway. This paper develops an evidence-to-earnings framework for private equity investors and portfolio-company operators. It separates observed facts from assumptions, links research to an executable commercial decision, and reconciles modeled upside with in-period earnings. A worked example shows why a $222,000 annualized opportunity can produce only $13,200 in its first year. The central recommendation is to commission pricing research around the uncertainties that can change the decision: which buyers value the offer, what they will choose, what concessions they require, and how adoption changes economics. Research earns its place in the value-creation plan by answering those questions and making the financial case testable.

1 The investment question is a counterfactual

The question facing a PE owner is not whether the portfolio company has pricing opportunities in the abstract. It is whether a particular action creates more value than the alternatives available during the hold period. That requires a counterfactual: what the business is expected to earn if the action is not taken.

The counterfactual includes ordinary customer churn, expected growth, contracted escalators, planned product changes, and the costs already in the operating plan. A price increase should not receive credit for an expansion that would have happened at the old price. A packaging redesign should not be charged with every cancellation in a declining category. Incremental effect is the difference between the proposed action and the credible no-action path.

Write the decision before commissioning the study. Examples include selecting a renewal policy for a defined segment, choosing between two package menus, or deciding whether an AI capability belongs in the core offer or a paid add-on. State the population, timing, options, constraints, and objective. "Find more pricing upside" does not define the choice the research must resolve.

This formulation changes what data are useful. A competitor's list price can describe the market context. It cannot establish how this company's customers will react to a renewal offer, which terms they will negotiate, or how much of the base can be repriced within twelve months. Those questions need company records and research into the actual buying decision.

2 Specify the evidence needed for each link

A useful pricing program maintains a chain from buyer observation to financial outcome. Each link answers a different question, has its own owner, and can fail independently.

Link	Evidence required	Decision enabled
Buyer value	Workflow, alternative, consequence, budget, and decision process	Which problem and segment to serve
Offer response	Choices among realistic scopes, prices, and terms	Which commercial proposition to test
Economic mechanism	Eligible base, quantities, costs, concessions, and timing	Whether expected contribution merits action
Execution	Eligibility, notices, quotes, approvals, entitlements, and invoices	Whether the policy reached the intended accounts
Attribution	A baseline and credible comparison over the relevant window	What changed because of the action
Earnings	Recognized revenue, relevant costs, and operating expense	What the business earned in the period

Do not ask one method to establish the entire chain. Interviews can uncover a purchasing barrier or a missing alternative. A designed choice study can estimate tradeoffs within a defined scenario. Transaction data show what happened under the offers actually presented. A well-executed experiment can estimate the effect of changing a policy for the population tested. The value of the program comes from connecting these forms of evidence.

Maintain a register separating observed facts, estimated responses, and management judgments. For every material input, record its source, range, owner, and review date. A conditional opportunity becomes misleading when an untested assumption is relabeled as a finding during a handoff.

3 Research the purchase rather than collect opinions

Useful buyer research reconstructs the decision. Who experiences the problem? What happens if it remains unresolved? Which alternatives are credible? Who authorizes expenditure? What must be true for the buyer to switch, renew, expand, or pay for an additional capability?

Begin with recent behavior and concrete workflows. Asking whether a respondent likes a proposed feature is easy; understanding whether the organization would fund it is harder. A favorable feature rating may coexist with no budget, a workable incumbent, or a long implementation requirement. Research should identify these conditions before a willingness-to-pay question is treated as demand.

For quantitative work, specify the offer, billing period, included scope, price metric, service obligations, and outside option. If respondents imagine different products, the result is not a clean estimate of preferences for one offer. If they cannot choose to keep the current process, the design can overstate the attractiveness of the alternatives shown.

Published comparisons of willingness-to-pay methods with actual purchase behavior show that elicitation and decision context matter.[1] The practical inference is to calibrate and triangulate. A stated-choice percentage should enter a financial forecast as an estimated input with uncertainty, rather than as a guaranteed purchase rate.

Do not replace research with a historical discount correlation. Sellers often discount more when a deal is difficult. The resulting relationship between price and win rate mixes buyer response with the seller's decision about which opportunities to discount. Historical records are valuable, but their selection process must be understood before a causal demand curve is inferred.

4 Translate the evidence into an economic mechanism

For an existing eligible cohort, let R be the annual revenue expected without the action, C its avoidable variable cost, g the realized net price increase on retained units, and c the additional quantity loss relative to the counterfactual. Under constant scope and unit delivery cost:

$$\Delta R = R[(1+g)(1-c)-1], \tag{1}$$

$$\Delta K = Rg(1-c) - (R-C)c. \tag{2}$$

Here ΔK is incremental contribution before additional operating expense. The first term earns a higher price on retained units; the second forfeits the baseline contribution of incremental lost units. Ordinary expected churn is already in the counterfactual, so c should not include it again.

The simplified expression is a starting point. Packaging requires a joint model of movement among offers. Usage pricing requires quantities that may change when the charge changes. AI products require costs for failed work, retries, review, and support, even when those events are not billable. A companywide average margin may not represent the customers the action attracts or loses.

Realization belongs in the mechanism. A headline increase can be offset by free months, credits, expanded entitlements, implementation work, or a longer price freeze. Capture those changes in the same commercial unit. Counting an increase on the rate while ignoring a reduction in paid seats exaggerates the outcome.

Keep measures distinct. Contracted value, recurring run rate, recognized revenue, contribution, EBITDA, and cash answer different questions. The SEC's guidance distinguishes EBITDA from differently adjusted measures and emphasizes clear definitions and reconciliation.[2] An internal investment model should use that same discipline without confusing a management bridge with a formal financial-reporting reconciliation.

5 Worked example: the difference between upside and earnings

Illustrative assumptions; not a client result. A product line has $12 million of annual revenue. Contract review establishes a $9 million eligible counterfactual base for the action. Avoidable variable delivery cost on that base is $1.8 million, giving an 80 percent baseline contribution margin.

Buyer and commercial evidence support a planning case of a 5 percent realized net increase and 2 percent incremental quantity loss. The annual revenue effect is:

$$\$9{,}000{,}000\,[1.05 \times 0.98 - 1] = \$261{,}000.$$

Avoidable delivery cost falls by $36,000, so annualized incremental contribution is $297,000. Subtract $75,000 of additional recurring operating expense to obtain $222,000 of annualized EBITDA improvement under the model.

Now model the renewal schedule. Assume the effective dates create 60 percent of a full year's aggregate exposure in the first fiscal year. Contribution is then $178,200. If the full $75,000 recurring expense and $90,000 implementation expense are incurred in that year, the estimated first-year EBITDA improvement is only **$13,200**.

Annual scenario	Net increase	Extra quantity loss	EBITDA change
Downside	2%	4%	−$190,200
Planning case	5%	2%	$222,000
Upside	7%	1%	$476,700

Each annualized scenario uses the $9 million eligible base, 80 percent baseline contribution margin, and $75,000 recurring incremental expense. The $90,000 implementation expense is excluded from the annualized column. These are coherent assumptions for comparison, not statistical confidence bounds.

The investment case changes materially across plausible responses. Research into the uncertain inputs is therefore economically relevant. The first task is to identify whether price realization, buyer response, eligibility, or timing accounts for most of the decision risk. Collect the evidence that can resolve that uncertainty rather than increasing research volume indiscriminately.

6 Prevent double counting across the value-creation plan

A business may propose a rate increase, discount reform, and package migration on the same contracts. Adding three standalone opportunity estimates usually ignores interaction. Discount reform changes the net-price baseline. Packaging changes scope and quantities. Migration can consume the commercial capacity required for renewal execution.

Model mutually exclusive account-level alternatives or use an explicit sequential bridge. In a sequential bridge, define the order of changes and the attribution convention. The allocated value of each step depends on the order, but the total must reconcile to the modeled final state. That prevents two teams from claiming the same incremental dollar.

Consider capacity as well as demand. Additional implementation, customer success, infrastructure, or assurance work can be required to deliver the new offer. A nominally high-margin opportunity may displace more profitable work if an operating constraint is binding. Include the incremental resources or opportunity cost rather than assuming unlimited capacity.

Do not count a theoretical exit-multiple effect as an observed pricing result. If valuation sensitivity is useful, apply an explicitly assumed multiple to a separately stated sustainable earnings estimate. The operating claim remains the earnings the pricing action can support, not a promised transaction valuation.

7 Make implementation observable

The commercial owner should produce a policy specification that another person can reproduce. Define eligibility, price calculation, scope, effective date, required notice, exception authority, customer alternatives, and how concessions enter realization. A research finding such as "advanced buyers value governance" still requires those implementation decisions.

Create an exposure ledger at the account or transaction level. Record assigned policy, actual offer, negotiated terms, effective date, invoice, and any subsequent credit. Preserve the originally assigned population, including rejected offers and cancellations. An analysis limited to customers who accepted the new terms excludes important parts of the response.

Run representative cases through quoting, approval, contracting, entitlements, billing, and the customer explanation. Research and operational validation answer different questions. Buyer interviews cannot repair a wrong invoice; a perfectly functioning billing system cannot establish that buyers value the proposed package.

Keep the distinction in the management review. A shortfall caused by low exposure requires an execution response. A shortfall caused by weaker demand requires examination of the commercial hypothesis. A shortfall caused by unexpected service cost requires examination of the delivery model. Calling each problem a "pricing miss" obscures the appropriate remedy.

8 Measure the effect against a credible comparison

Where feasible, randomize a bounded policy across comparable accounts or account groups. Define assignment, primary outcome, observation window, minimum meaningful effect, and stopping rules before the result. Controlled-experiment research emphasizes trustworthy assignment, statistical power, and evaluation criteria.[3] Sparse B2B renewals can limit what a pilot resolves; a small sample with no cancellation does not demonstrate no retention risk.

Where randomization is unavailable, use the strongest defensible comparison and state its assumptions. A before-and-after increase combines the policy with seasonality, market conditions, product changes, and customer mix. A difference-in-differences design compares the change in the treated group with the change in a comparison group, but it requires a credible untreated trend and attention to differential shocks.

Staggered rollouts add complexity because accounts are exposed at different times. Callaway and Sant'Anna develop methods for multiple periods and treatment timing.[4] The operational implication is to retain dates and cohort definitions so the measurement design can reflect the rollout, rather than force the data into a convenient companywide comparison.

Use both revenue and contribution outcomes. Higher revenue can coexist with more delivery expense, higher support demand, or a costly acquisition mix. Attribute the effect over a window appropriate to the contract and buying process, and distinguish early invoice acceptance from durable retention and expansion.

9 Commission research in the order that improves the decision

The value of another study depends on whether its result could change the preferred action. If every credible response supports a small reversible pilot, expensive additional precision may be unnecessary before that pilot. If a major migration becomes unattractive under a modest change in buyer response, better evidence can prevent a costly commitment.

Use a research brief with four outputs: the decision to be made, the uncertainties that can reverse it, the observations needed to narrow those uncertainties, and the economic model into which the findings will enter. This is a more useful purchasing specification than requesting a survey, a benchmark deck, or an arbitrary number of interviews.

The finished work should include a traceable recommendation, not merely data. Management needs to see which buyers support which offer, the range of plausible outcomes, the implementation dependencies, and the next validation step. Research is valuable when it makes the commercial choice clearer and the subsequent result easier to evaluate.

10 Conclusion: buy the evidence required to earn the upside

The route from buyer evidence to EBITDA is a sequence of testable propositions. Buyers must value the offer, choose it at the proposed terms, receive it through an executable policy, and produce an economic outcome that exceeds the relevant costs. An attractive spreadsheet cannot establish those propositions by itself.

Pricing research answers the questions that determine whether the opportunity is real: which segments have meaningful value headroom, what alternatives constrain the price, which package buyers prefer, what changes in retention or quantity are plausible, and which terms the company can realize. Financial and operating data then determine eligibility, timing, cost, and measurement. Commission the work around those questions before committing a material customer base to an untested assumption.

Curly's Consulting's **Pricing Transformation** combines size-of-prize modeling, original buyer research and willingness-to-pay analysis, commercial design, and direct support executing the highest-value opportunities. If the first decision is whether an opportunity merits that investment, the **Pricing Upside Report** provides conditional revenue and EBITDA scenarios and a prioritized action plan; original buyer research and implementation are part of the Transformation scope.

Commission the next answer

Request a Pricing Transformation quote for evidence, recommendation, and execution support. To assess materiality first, buy the Pricing Upside Report.

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