

HOW TO PRICE YOUR WORK

By Clare Knox Bentham

Pricing products isn't an exact science - in effect you can charge whatever you think a consumer is likely to pay for it. However, many new craft practitioners make some common mistakes which leave them out of pocket. Use this document, alongside the excel spreadsheet to help you break down your pricing structure.

COMMON PRICING MISTAKES

Plucking a price out of the air, without working out your production cost

Feedback from friends or family that your price is 'too expensive' - but are they your desired or ideal customers?

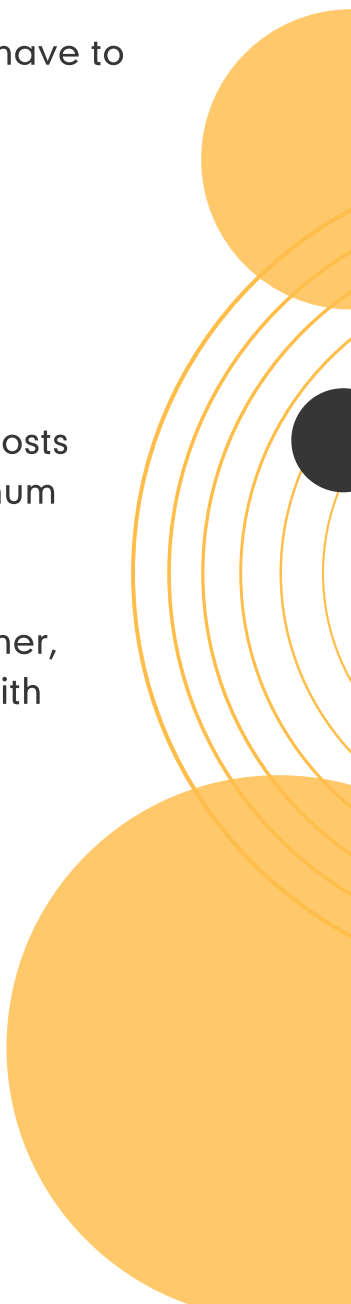
Your work is similar to products found on the High Street and you have to price against mass production and marketing

You undervalue yourself and subsequently, your products.

GETTING STARTED

The next two pages will take you through step-by-step all of the costs that should be incorporated into your price. Remember the minimum should always be to pay yourself, and your costs.

Use the additional spreadsheet to help you put these costs together, and if you have any issues please don't hesitate to get in touch with us at contactus@craftanddesign.com.



WORKING OUT YOUR HOURLY RATE

First

Work out all your monthly expenses - rent/mortgage, council tax, utilities, phone, wifi, food, socialising, clothing, travel expenses etc. Total up how much money you spend in a month.

Consider if you want to make all your income from your creative practice or to supplement any income you already have, such as a part-time job?

Subtract any income (eg part-time work) from your total monthly expenses. This will give you the total amount required from selling your craft items.

Second

Work out how often you will work making your craft products each year. For example, if you use a full-time self-employed model for the year, you could realistically expect to have around 4 weeks holiday a year, 1 week sick leave and work a 7.5 hour day. Use this model to work out how many weeks you'll work in a year. You may not use all this time off, but it's better to prepare for it just in case.

How many days will you be actually making your craft pieces? Realistically, this may be as little as 2 days a week. You will need the rest of the week to run the business side - administrative tasks, accounting, marketing etc.

Using a full-time self employed model of the year, this would mean you will be working for 47 weeks of the year, taking 4 weeks holiday and 1 week sick leave.

If only 2 days a week are used to make work, at an example of 7.5 hours per day as a typical working day, you can work out that you will work 705 hours a year. (47 weeks x 2 days per week x 7.5 hours per day)

Finally

Choose an amount you'd like to earn in a year, for example £25,000.

Divide your desired salary by the number of hours you can spend making work to find out your hourly rate. For example: £25000 per year divided by 705 working hours per year = £35 per hour.

WORKING OUT YOUR OVERHEADS

Overheads are all the costs incurred when you're making work. These might include the rent and running costs you pay on your studio, wifi, postage, packaging, travel expenses, banking fees etc.

Add the cost of all these expenses and to find your total annual overheads.

Then calculate your hourly overheads rate by dividing this by the number of hours you'll spend making work per year (in the earlier example this was 705 hours per year). This will give you your hourly overhead rate.

WORKING OUT YOUR 'COST TO MAKE' PRICE

Firstly - and this is essential! - work out how long it takes you to make your product. Time yourself from start to finish but only include the time spent working. (eg if making ceramics, don't include drying/firing times.) You may need to stop & start, so just log the time you're physically working, and add it up at the end of the process.

To work out your Cost to Make Price, add up how long it took you to make the piece at your hourly rate, plus your hourly overheads rate, plus the cost of the raw materials.

For example: 2 hours making (at £35 hourly rate) = £70, plus hourly overheads rate (eg £10 per hour) = £20, plus raw materials cost (eg £10) means your Cost to Make Price is £100

This is your Bottom Line. If you sell at this price, you will only recoup what it cost you to make the item, paying yourself an hourly rate.

ADDING MARKUP

Now you know how much it cost to make your product, you can start adding a profit margin. Again, this isn't an exact science, but you'll have an idea of in you're in the right 'ball park' for the type of product you make.

If you want to sell your work to a shop/gallery, you will charge them your **WHOLESALE PRICE**. This is usually around double your Cost to Make Price. So if your Cost to Make Price is £100, then your **WHOLESALE PRICE** will be around £200.

The shop/gallery will then add their own markup, usually 100% of what they paid you for the item, making the Retail Price £400.

If you want to sell your work directly to your customers, you should also use this calculation so your retail price is the same.

It's never a good idea to undercut your retailer – you might make some quick money but you'll lose your retailer! Remember shops and galleries have their own overheads they need to pay for. This way you are both getting a good price for the work you made.

Remember you're in control of what you charge for your products, and you can decide where you want to position your products – from low cost, pocket money items all the way through to high value, luxury purchase.

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