

Pricing with the Head + Heart



So how should we
approach pricing?



- Should you set your prices low to try and score impulse buys?
- Or set your prices high to cater to a wealthier market?
- Or price to be competitive in your market?



Have a range of price-
points



- Have entry-level products (*but not TOO low*)
- Have mid-range products (*bread + butter*)
- Also have high-value products



But how do you set
these prices?

Two-Pronged
Approach...
Head + 'Heart'



- Head = pricing formula + hard numbers

- 'Heart' = emotion, market research, positioning etc.



Price with the Head



- **Cost Price** – what it actually costs you to make the item.
- **Wholesale Price** – what you charge wholesale customers – this includes profit for you.
- **Retail price** – the price you sell direct to public/what your wholesalers will sell it for.



- You need to use a formula.
- If you don't you'll only be pricing by 'Heart' – which is not a safe method to use.
- So, let's look at a few formulas...

Example 1

Cost Price (labour + price of materials) x 2 =
Wholesale

You can't sell below Cost Price price without losing money. To make a profit, however, you will need to increase the price – the traditional standard is to at least double this. This is your Wholesale Price.

Then – you need to account for your retailers. Traditionally retailers will mark up at LEAST 2x your wholesale price. Remember – they have costs to cover and a profit to make, too!

Wholesale x 2 = Retail

Example 1

Okay, say you have a labour cost of \$20 per hour (think about how much you could live on if this was your full-time business!). And your materials cost for an item was \$5. Lets say I made a pair of earrings that took 1/2 an hour.

Cost Price $(20 \times .5 = \$10 \text{ labour} + \$5 \text{ materials}) = \$15$

$\$15 \times 2 = \$30 = \text{Wholesale Price}$

$\$30 \times 2 = \$60 = \text{Retail Price}$

Example 2

Wholesale Price = (cost of materials +
packaging) x 4
+ your pro-rated hourly labour rate
then + 10% of that total for overhead costs.

The packaging averages at \$1, and let's say \$1 for overheads, too. In this example, we're getting our profit by multiplying the cost of materials and packaging.

So, using the same numbers from Example 1:

$$(\$5 + \$1) \times 4 + \$10 + \$1 = \$35 \text{ Wholesale Price}$$
$$\$35 \times 2 = \$70 \text{ Retail Price}$$

Both examples yielded
similar results.

**Cost Price: You
CANNOT price below
this number and cover
all your costs.**

Wholesale Price: You
CANNOT price below
this number and make a
profit = sustainable
business.



- You need to make a wage and cover all materials costs in order to build a sustainable business.

- And...

**You Must Cover Your
Overheads + Other
Time Working**



- Overheads = internet cost, computers and tech, rent, electricity, etc.
- Other Working Time = You need to cover the time you work when you are NOT making.
- And what about the future? Staff etc.

Once You've Done the
Maths...



Price with the Heart



- Head = pricing formula + hard numbers

- 'Heart' = emotion, market research, positioning etc.

Pricing is
COMPLETELY
Subjective



- You can buy a handbag from Target for \$20.
- You can also buy a handbag from Gucci for \$7,000+
- **It's all about brand positioning.**
- Target = budget, affordable
- Gucci = luxury, designer

People who buy Gucci
are not paying for the
materials or time – they
are paying for the
BRAND.



Consider your Ideal
Customer...



- Who are they?
- What do they value?
- Why would they buy what you make?
- How will you find them?
- How will you connect with them emotionally?
- What are they willing to pay for that feeling?



Research your Niche



- Look around and see what others in your niche are charging, particularly those who have a high number of regular sales.

- You want to be profitable, but you also want to be competitive.

- If you're charging twice as much as someone else for a seemingly similar item, **you want to know why that is, and be comfortable with it.**

You must convey the
VALUE of your products
and brand in your
marketing, photography,
and branding.



**Don't Undersell
Yourself!**



- If you're trying to make a living out of this, you need to price so you're not only covering costs, but **making a profit.**

- Profit is **ON TOP** of your personal income – money to re-invest in your biz.

- There is nothing wrong with making a good profit from your work!

Decide on a price... and
test it out.

Questions?

