

The three pricing *checks*

Three sums to run on one batch of one product before you set a price or say yes to a shop. The figures in the grey boxes are one fictional batch of bread, carried through all three checks. Use one currency throughout.

CHECK 1

What does one item really cost you?

Cost the whole batch: materials, packaging, your hours at a real rate, a share of overhead. Then divide by the items you can **sell**, not the items you made. Seconds, samples and breakages used materials and time too.

Whole batch cost _____

Items you can sell _____

Cost per item _____

Example. Eight loaves cost 66.00 all in. One split and became samples, so seven are for sale.

$$66.00 \div 8 = 8.25$$

$$66.00 \div 7 = \mathbf{9.43} \text{ a loaf.}$$

The seven you sell carry the one you did not.

CHECK 2

Is your margin a margin, or a markup?

A markup is added to cost. A margin is the share of the price you keep. To keep a margin after fees, work back from the price:

$$\text{price} = \text{cost} \div (1 - \text{fees} - \text{margin})$$

Fees, as a share of price _____

Margin you want to keep _____

Direct price _____

Example. Cost 9.43, a 3% card fee, a 25% margin.

Cost $\times 1.25 = 11.79$, which keeps only about 17% after the fee.

$$9.43 \div (1 - 0.03 - 0.25) = 9.43 \div 0.72 = \mathbf{13.10}, \text{ which keeps the 25\%.}$$

CHECK 3

Would a shop's terms still pay you?

Wholesale: the shop usually pays half the retail price. **Consignment:** you receive a share of each sale. Compare what you would receive with your cost per item from check 1. If it is lower, the answer is a higher retail price or a different product, not a thinner margin.

You receive per item _____

Less cost per item _____

Example. Retail 13.10, cost 9.43.

Wholesale at half: 6.55, which is 2.88 **under** cost.

Retail would need to be 18.86 to break even.

Consignment at 60% to you: 7.86, which is 1.57 **under** cost. Retail would need to be 15.72 to break even.