



Pricing Your Craft - Part 1

Name _____ Date _____

Task:

Pretend you are a Louisiana craftsperson who wants to start marketing your handmade work at festivals in the state. How will you know how much you would have to charge to make a profit? Is it even worth your time and effort to enter this market? Use the definitions, examples and worksheets on the following pages to help you find out the true cost of making your craft item. Then decide whether to try to market your craft.

My craft is: _____

Cost of materials	_____
Labor cost	_____
Overhead costs	_____
WHOLESALE PRICE	_____
Multiply by 2 to get a RETAIL PRICE	_____



How to Figure the Cost of Producing a Craft Item

There are many “hidden” costs in producing a craft item. It is important to figure ALL expenses when deciding how much an item should cost. The **Wholesale Price** is the total of your labor, materials and overhead. Most craftspeople double this cost estimate to arrive at their **Retail Price**.

Pricing One Item

1. Determine the Cost of Materials _____
2. Determine the number of hours spent making the item _____
3. Multiply Hours X Wage for Labor cost _____
4. Determine overhead costs _____
5. Add Materials + Labor + Overhead to get WHOLESAL PRICE _____
6. Multiply by 2 to get a RETAIL PRICE _____

Some definitions to help you

Labor Costs

Production Time – The cost of your labor. For this exercise, use the Minimum Wage \$5.25 per hour and multiply that by the number of hours you worked plus the number of hours you spent on office time.

Office Time - the time you spend designing your product, collecting and looking for “free” items, ordering supplies, paying bills, record keeping, making repairs, and anything else related to producing the craft item.

Materials Costs

Direct Costs - List the cost of all materials. For those that use only a portion of what you buy, figure the cost of that portion. (i.e., paint is \$4.00 a can and you use half of it, so figure $\$4.00 \div 2 = \2.00)

Transportation Costs

The postage and shipping costs you pay when ordering materials.



Overhead Costs

Overhead Costs - This includes the costs for such things as your equipment, loan interest, rent, electricity, water, phone, insurance, postage, packing materials, promotional materials.

Equipment depreciation - All equipment wears out sooner or later and then it must be replaced. Figure how many years it will probably last and divide the cost by that number of years. This is the **cost per year**. Then divide that number by the number of hours you plan to work in a year. The number you get is the cost of using that equipment for that craft item for an hour. Multiply that answer by the number of hours you use it for one craft item to get the depreciation cost. For example, if you use a sewing machine for 12 hours to make a quilt, the depreciation on the sewing machine would be figured this way:

Sewing Machine

Cost	\$800.00
Expected life	20 years
Depreciation per year	$\$800 \div 20 = \40 per year
Hours worked per year	20 hours per week X 45 weeks = 900 hours
Depreciation per hour	$\$40 \div 900 = .04$
Depreciation for this item	12 hours x .04 = \$.48

Rent, Electricity, Water, Phone - These expenses are paid every month for the house or shop where you make your crafts. You need to figure how much of each is used for producing your craft item. This is called **Prorating**. For each of these, figure how many hours are in a month, then divide the total hours into the amount of the bill to find out how much it costs per hour. Then figure how many hours per month you spend working on your craft, and multiply that by the cost per hour. For an individual craft item, multiply the cost per hour by the number of hours spent making the item,

Example:

Hours in a month = 31 days X 24 hours = 744 hours in a month
Hours worked per month (20 hrs. a week X 4 weeks = 80 hours per month)

Rent

If rent is \$400, $\$400 \div 744 = \$.5376$ per hour (round it to .54)
Prorated Cost of Rent, 80 hours x \$.54 = **\$43.20 per month**
Prorated Cost for 1 item, 6 hours x \$.54 = **\$ 3.24**

Electricity

If electricity bill is \$75.00 - $\$75 \div 744 = \$.10$ per hour
Prorated Cost of Electricity, 80 hours X \$.10 = **\$8.00 per month**
Prorated Cost for 1 item, 6 hours x \$.10 = **\$.60**



Phone

If phone bill is \$25.00 - $\$25 \div 44 = \$.033$ per hour

Prorated Cost of Phone, 80 hours x \$.03 = **\$2.40 per month**

Prorated Cost for 1 item, 6 hours x \$.03 = **\$.18**

Water, phone, insurance, postage, packing materials, promotional materials

Use the formulas as you used for Rent, Electricity, and Phone to prorate any of these costs that you incur to produce your craft item.

Here is an example of how you would compute the
Wholesale Price of a Duck Decoy.

Wholesale Cost for Making a Duck Decoy		
Labor		
Production Time - Multiply the number of hours by \$5.25	6 hours x \$5.25	\$ 31.50
Office Time (Multiply the number of hours by \$5.25)	2 hours X \$5.25	10.50
Materials (List them)		
Direct Costs		
Cypress block		4.00
Paint (6 - 4 oz cans, different colors, at \$3.00 each)	Lt Grey 1/2 can = $\$3.00 \div 2$	1.50
	Green - 1/4 can - $\$3.00 \div 4$.75
	Black - 1/4 can - $\$3.00 \div 4$.75
	Blue 1/4 can - $\$3.00 \div 4$.75
	Yellow - 1/8 can - $\$3.00 \div 8$.37
	White - 1/8 can - $\$3.00 \div 8$.37
Sealer -\$2.00 a can	1/2 can - $\$2.00 \div 2$	\$1.00
Nails	2 @ .01	.02
Glass eyes		.50
Glue - 1 tube -\$1.25.	Few drops	.02
Transportation Costs		
Postage for paint		1.09
Overhead Costs		
Prorated Rent Bill	.\$ 5376 per hour x 6 hours	3.24
Prorated Electricity Bill	.\$ 10 per hour x 6 hours	.60
Prorated Water Bill	.\$ 03 per hour x 6 hours	.18
Total Wholesale Cost		
		\$ 57.14
Retail Price	2 x Wholesale cost	\$114.28



Pricing Your Craft – Part 2

Factors that Affect the Final Price of a Craft

After completing the **Pricing Your Craft** worksheet, read about the two topics below and answer the questions as best you can. Then use all of the information from the two worksheets to write a short essay that explains

- **why** you are making this craft,
- **what factors** influenced your decision for choosing the costs you would use,
- what your **final price** will be.

1. Prices need to please both the buyer and the seller.

Even if you have accurately figured the Wholesale Cost of your craft item, the price may not be appealing to you or it may appear to be too high to attract buyers. These are some of the things you need to consider:

- Do you want to work for minimum wage? If not, you can change your hourly wage.
- Even with minimum wage, has your price for one item priced you out of the market?
- Is it too expensive? Will people pay that price for the item?
- If it is too expensive, can you change your materials or methods so that your cost is lower?
- Does changing your materials or methods lower the quality? People often will pay more for a handcrafted item of high quality than a manufactured item of mediocre quality.
- Have you gained a reputation for producing your craft? If so, you may be able to ask higher prices.
- Consider the example provided. The quality of duck decoys can range widely. Duck decoys can be “toy” quality and cost a few dollars. The price of more serious carvings can range from \$50 to \$10,000. Methods, quality, and the reputation of the carver are some of the factors in determining the price. Other types of crafts do not command such high prices and are not as appreciated by the general public, so it is unrealistic for the craftsperson to expect the public to pay the price determined by the formula.



2. Is money the only motive for producing craft items?

Some craftspeople are hobbyists rather than professional craftspeople and do not rely on their craftwork to make a living. They are not so focused on the money as enjoying creating the work. This can be true of traditional, revivalist, or contemporary craftspeople. They may not need to follow this formula so carefully, but they do need to decide whether they want to be paid adequately for their work. These are some of the things you need to consider:

- Do you work on your craft item as a hobby rather than to make money?
- If you should sell your craft items, do you want to make a profit or merely cover your wholesale costs?
- Would you consider the costs you incur for making this item as recreational expenses, similar to expenses for going to a movie or dinner, or going to a concert?
- Would you consider it enough of a reward if you gained a reputation as being one of the best in your field?

Write Your Essay!