



# NAME YOUR PRICE

So you've decided to use your creative talents to make some money. Hooray! The next step is to price it. Charge too much, and no one will buy it. Charge too little, and it may end up costing you. Follow these steps for a simple formula to feel confident you're charging the right amount.

## Step 1: Calculate the Cost of Materials

Make a list of materials used to make the project. From the tiniest drop of paint to the wooden sign itself, write down everything you used and how much it cost for the project. You'll have to break some materials down to a per-project cost.



### Sample Product: Fun Wooden Sign

Material	Notes	Supplies Cost	Cost per sign
Pre-cut Wooden Sign	Smooth finish pine five pack	\$25	\$5
Wood Glue	Used 1/8 of a \$6 bottle (1/8 x \$6)	\$6	\$0.75
Paint	5 colors, Used 1/10 of \$5 paint tubes (1/10 x \$25)	\$25	\$2.50
Water Proof Sealant	Used 1/8 of a \$14 bottle (1/8 x \$14)	\$14	\$1.75
Saw Tooth Hanger	Pack of five	\$5	\$1
<b>Total Cost of Materials</b>		<b>\$75</b>	<b>\$11.00</b>

## Step 2: Calculate the Cost of Labor

Figure out how much your time is worth. Is it \$10 per hour as you're starting? Or more if you have experience or expertise? Identify the value of your labor. Then, multiply that amount by the time it took to complete your project.

**Example:** Hourly rate = \$10

Time to complete project = 45 minutes (3/4 of one hour)

Cost of Labor = \$10 x .75 = \$7.50

## Step 3: Calculate the Cost of Goods

Cost of Materials + Cost of Labor = Cost of Goods

Example: \$11.00 + \$7.50 = \$18.50

## Step 4: Do Your Research

Look at similar items sold at craft fairs or online marketplaces. Are they priced around the same as your Cost of Goods? If items similar in materials and quality sell for much more, consider raising your price. You may be charging less than what you're worth. If similar items sell for much less, you may want to research how to spend less on materials. At a minimum, you don't want to charge less than your Cost of Goods amount.

### Samples from other sign sellers:

#### 1. Fir Welcome Sign – \$22

Your sign uses better quality wood and better art.

#### 2. Mahogany Welcome Wooden Sign – \$35

This sign uses more expensive materials than yours.

#### 3. Pine Welcome Sign – \$24

This sign uses the same materials, but yours has better quality artwork.

If you price your sign at **\$28.50**, the cost of materials and cost of labor will be covered, and you will make a profit of **\$10** for each sign sold, or **\$50** for the five signs you created.

Not bad for a first try at calculating your cost of goods. A \$50 profit, and some supplies left over (glue, paint, etc.) for your next batch of signs.

Remember, the cost of goods will change if there is a rise or fall in the price of materials, or you decide to charge a higher hourly rate. You will need to redo the math to make sure your pricing still makes sense.

### Tips and things to consider:

- If selling through an online marketplace, prepare for shipping costs. You can include the shipping cost in your Cost of Materials and offer “free” shipping. Or charge for shipping outside of your project price.
- Many handmade crafters charge less than they should. Use the Cost of Goods formula for a straightforward pricing method. After all, the goal is to make money. So make sure you’re making enough money that it’s worth the time and energy you spent making it.
- Don’t limit yourself to making just one kind of creation. If you make different crafts, you will better understand what sells and what doesn’t. Then, you can make more of what your customers want.