

Pricing Your Work

Pricing your work is a necessary evil and once it is out of the way you are free to do the other things that you really enjoy doing.

This factsheet covers the key stages in this process which are to establish a cost for your work, create a pricing structure for the public and trade and to decide your terms and conditions. There is also advice on good customer relations, solving payment problems and useful contacts for more information.

Establishing the Cost

The first step is to calculate the amount it costs to run your business. Prepare a summary of annual outgoings including:

- Studio/workspace
- Administration costs
- Equipment & loans
- Stock
- Packaging
- Marketing materials
- Cost of living & expenses
- Income tax & NIC
- Depreciation (cost to replace things you are reliant on)
- Investment for future lifestyle
- And remember to add in the things that make life worth living to you

Step two is to estimate how long it takes you to do anything - preparation time, research, selling, marketing, packaging etc.

Step three is to calculate the time available to make your work over a year. Start with 365 days and then subtract the weekends, holidays, administration time (calculated in step two) and allow a contingency for sickness etc, then do the following calculation:

Overheads & personal salary

Days available to work

This enables you to cost your time and gives you an hourly rate.

In step four you finally price your work. Add together the cost of materials and (using the hourly rate) the charge for the time it took to make and you reach a price.

When you look at the figure you may find you need to compromise as you need to be aware of how much the market can stand for your type of work, especially when you are just starting out and have still to build a reputation and customer base. Even if you know the market will not stand the full price, you should still do these calculations to find out much you should be charging and the price you are aiming to achieve.

All these calculations need regular reviewing.

When you first start in business there is likely to be a 40/60 split for administration/designing but you will hopefully get more efficient and the administration time should go down to around 25/30%.

It is also advisable, particularly in the beginning of trading, to make sure you allow enough time to deliver orders. It is better to say it will be two weeks and deliver early than the reverse. If you do fall behind keep in touch with customers. Also, remember it is acceptable to have a waiting list if necessary as part of what the customer is buying is the exclusivity of your work. As you become more experienced you will have a better idea of how long to allow for an order, but always remember who or what else you may be reliant on, ie, the weather or length of time for shipping.

Creating a Pricing Structure

After calculating what you are going to charge you need to use this to create a pricing structure. For example:

selling price to the public	£50
wholesale price	£25
sale or return price	£33

Selling direct to the public

The selling price for the public should be the trade/wholesale price x 2 + VAT, ie, £25 x 2 = £50 + VAT = £58.75

You charge double your wholesale price to cover your own costs of sales, such as packaging, stand hire, etc, and while you do not necessarily want to make lots of profit you do deserve to make one. You should set your prices to realistically cover your costs, including time spent at an event and know what you need to charge to make a profit.

Do not undercut your outlets otherwise they will no longer want to sell your work.

Use selling to the public as an opportunity to test the market by exploring new products and new prices.

Selling to trade

The prices you offer to trade, your wholesale prices, should cover your costs.

Galleries and shop have enormous overheads, which is why they put so much of a mark up on pieces, but remember they will be selling your work all of the time.

Decide what your minimum order is. If you are going to offer any special prices, what will they be and how much do they need to buy to qualify for them. You should also consider how much of your work you recommend they will need to make a good display as it is in both of your interests to display your work as well as possible.

Agree what the payment terms are: proforma, payment on delivery or credit. Most trade customers expect credit of 28 days. If offering credit and you do not know if you can trust the gallery or shop, ask for trade references.

Decide if you are going to charge for carriage or if you want to offer carriage free. Remember you will incur costs in time and bubble wrap as well as the carriage. Free carriage can be a nice incentive to offer to customers if you feel it is appropriate.

Review your prices annually.

Sale or Return

If you provide work on Sale or Return make sure you know exactly what the deal is. Keep a close eye on the pieces as there is a risk. There are many anecdotal stories of makers having work damaged and finding there was no adequate insurance.

You also do not want work out too long, so if it is not selling after 6 months move it.

For further advice on working with galleries and retail outlets see our factsheet 'Presenting Your Portfolio'.

Pricing Your Work Continued

Terms & Conditions

It is important to draw up your terms and conditions for both trade customers and for the public. They should include:

- Details of your minimum orders
- Carriage – is it free or charged to the customer
- What is the recommended retail price (RRP). It is useful to include this as you will often be asked to provide a figure by shops.
- Any conditions about display or point of sale material (if you provide any)
- Credit terms
- What deposit is necessary - when a member of the public places an order always take a deposit or ask for full payment in advance.
- Details of any interest charges that you will charge on any outstanding debts

Once an order is placed get the customer to sign it and make sure they are aware of the relevant terms and conditions.

Good Customer Relations

It is vitally important to keep a customer database and to develop good communication channels with them. Always remember that trade customers need you as much as you need them so keep in touch with news.

If you are contacting new outlets or customers do 10 at a time so can control or monitor it. If someone says no ask why as it is important to know why.

If you are supplying, or want to supply, to different outlets in the same area negotiate with them. They can often be picky about not wanting the same work as other outlets so consider customising work for different customers or offering different parts of a range.

Be consistent and professional in the way you manage your relationships with customers.

Listen to customer feedback and develop ways for customers to make suggestions, such as cards.

Keep in touch with people who have bought your work before.

Solving Payment Problems

It is when you have a problem with payment that you can appreciate the value of clear terms and conditions. If you have put your terms on your invoice and someone does not pay you can enforce them and take them to court if necessary.

Always invoice promptly. This is important for your cash flow and reduces the chances of payment problems.

Always keep good records of order and invoices so you know what is overdue and when to chase for payment.

Maintain good communication and be professional. When you contact someone about an outstanding debt be polite as being rude does not help in the long run. However, do not allow them to walk over you, so be firm in your request for payment. For further advice on dealing with late payments visit the Government website www.payontime.co.uk

Useful Contacts

Cultural Enterprise Office

The Cultural Enterprise Office provides a specialist business development service for individuals and businesses in the creative industries. They have offices in Glasgow, Aberdeen, Dundee and Edinburgh and provide an enquiry service, a professional development programme of seminars, training and events and offer individual advice surgery sessions. Find out more at www.culturalenterpriseoffice.co.uk

Business Gateway & Business Gateway International

Business Gateway provides help and advice to anyone starting their own business or wanting to grow their business. Business Gateway International offers a range of services, training courses and events to help develop an international business plan and access new markets. Find out your local contact by calling 0845 609 6611 or visit www.bgateway.com

Local Craft Development Officers

Craft Development Officers are based across Scotland and create a channel between makers and the audience. To meet local needs each post is different so one officer may focus on an individual activity while another may run a wider development programme. Find out more about local development officers at www.craftscotland.org/craftdevelopment.html

Applied Arts Scotland

Applied Arts Scotland is a registered charity providing information and advice for makers in Scotland. They run an annual conference and a series of Exchange Networking Events. For more information about their services call 0131 221 6143 or e-mail office@appliedartsscotland.org.uk

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