

*The*  
**ART**  
*of*  
**PRICING**  
*for* **PROFIT**



*with*  
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*and*  
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**Exercise I.**

**PRICING FOR PROFIT**

Megan Auman is a designer, metalsmith, educator, and entrepreneur who has built a multi-faceted business around her passion for great design and sustainable business. Develop your business skills by following along with her at Designing an MBA (<http://designinganmba.com/>).

**1. Product pricing**

Use these charts to calculate the cost of a product.

For materials, list all materials including packaging.

For labor, include labor by you, an employee, or an independent contractor.

| MATERIALS       | QTY | COST | TOTAL |
|-----------------|-----|------|-------|
|                 |     |      |       |
|                 |     |      |       |
|                 |     |      |       |
|                 |     |      |       |
|                 |     |      |       |
|                 |     |      |       |
|                 |     |      |       |
|                 |     |      |       |
|                 |     |      |       |
|                 |     |      |       |
| MATERIALS TOTAL |     |      |       |

| LABOR       | TIME | COST | TOTAL |
|-------------|------|------|-------|
|             |      |      |       |
|             |      |      |       |
|             |      |      |       |
|             |      |      |       |
|             |      |      |       |
|             |      |      |       |
|             |      |      |       |
|             |      |      |       |
|             |      |      |       |
|             |      |      |       |
| LABOR TOTAL |      |      |       |

**Product price breakdown:**

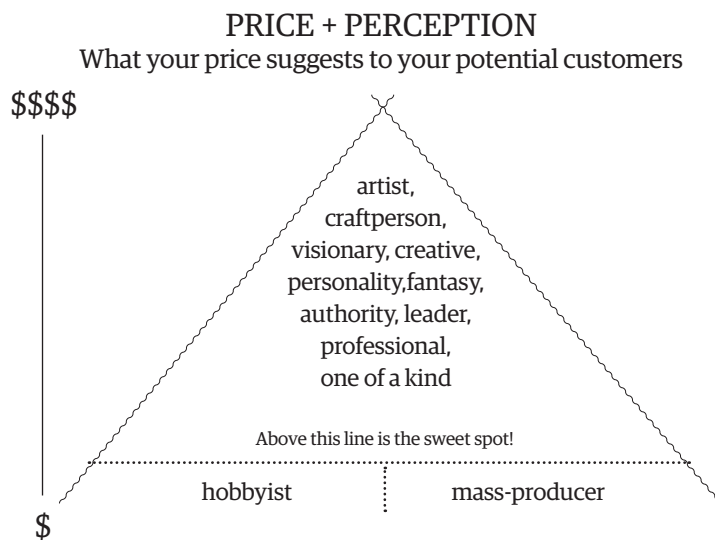
materials + labor + overhead + profit = wholesale price  
**FINAL WHOLESAL PRICE \$ \_\_\_\_\_**

wholesale price x 2 (at least) = retail price  
**SUGGESTED RETAIL PRICE \$ \_\_\_\_\_**

## 2. Your pricing strategy

How does your price compare to your competitors?

How can you use your price to differentiate yourself from your competitors?



What are three benefits or emotions that your customers get from your products?  
What are those worth to them?

How do your product prices relate to each other? Create final prices based on perception, not cost.

Identify these key pieces in your line:

Gateway drug (or entry level)

Aspirational

Up-sell

What price do you have to charge in order to make a profit? What changes do you need to make to command that price?

Do you need to change your market?

How can you change your branding or messaging?

How can you better communicate the value of your products to your potential customers?

## Exercise 2.

### THE ART OF EARNING

Tara Gentile is the official ambassador of the You Economy. Catch her essays on 21st century business, money & meaning, and making a difference through commerce on her blog (<http://taragentile.com>).

#### 1. Your experience is yours alone.

Name three things you value spending good money on.

- 1.
- 2.
- 3.

What personal values drive your buying decisions?

Name three *different* things your customers value spending good money on.

- 1.
- 2.
- 3.

What personal values drive your customers' buying decisions?

#### 2. Make your customers richer.

Choose one or two of the categories below to describe how your product makes your customers richer.

- Environment
- Relationship
- Intellect
- Emotion

When a customer makes a purchase, what chain reaction do you want to start?

#### 3. Make selling your greatest experiment.

What new product do you have in the works?

How could you create revenue now by selling a prototype version?

How can you generate interest in your higher-level products by selling entry-level versions?

What fears do you have about selling a “prototype” or “entry-level” product?

What are the benefits of selling this kind of product?

#### **4. Be ambitious.**

What’s the greater vision behind your product?

How are your customers participating in that vision by purchasing your product?

What are you & your customers working towards collectively?

#### **5. Talk about money.**

Who could you have an honest, thoughtful conversation about money with in the next week?

Who would you like to talk more openly about money with on a regular basis?

Think of your own transformative money experiences. Who would you like to ask about their own transformative money experiences?

Exercise 3.  
PRICING BASICS

**Average price exercise**

1. Decide what you would love your yearly gross sales to be.

a: \_\_\_\_\_

2. Figure out how many items you make per week, and how many for an entire year.

b: \_\_\_\_\_ x 52 = \_\_\_\_\_

3. Divide your gross sales goal (a) by the number of (b). This equation will give you a suggested price. Keep in mind this is just an exercise; some items may be more and some less, depending on time and materials.

$$\frac{a}{b} = \text{unit } \$ \qquad \text{_____} = \text{_____}$$

**Indirect cost exercise**

List 3 large investments (tools, education, space, etc.).

| Investments | Indirect Costs |
|-------------|----------------|
| 1.          | 1.             |
| 2.          | 2.             |
| 3.          | 3.             |

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