



PRICING FOR PROFIT: PRICING STRATEGIES FOR CRAFTSPEOPLE

American Craft Council | January 14, 2025

OUR GOAL

To capture the value of your work or time through
a holistic pricing strategy to generate profit

TO DO THAT, WE'LL:

- ▶ Review math behind the four pricing factors
- ▶ Sort through numbers to land on a target
- ▶ Review ways of talking about money

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WITH ARTS SUPPORTERS



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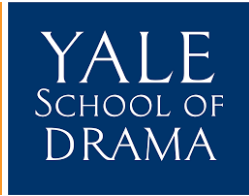
WITH GOVERNMENTAL GROUPS



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GROUND RULES

- ▶ Take Space & Make Space
- ▶ Equal Parts Teachers & Learners
- ▶ Stories Stay & Lessons Leave

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WHAT IS PROFIT?

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WHAT IS PROFIT?

- ▶ Profit (*n*) – The excess of income over expenses, usually over a period of time
- ▶ In the case of self-employed folks, *profit* is the owner’s income from the business
 - ▶ This differs from wages (as an employee, for example)

WHAT IS PROFIT?

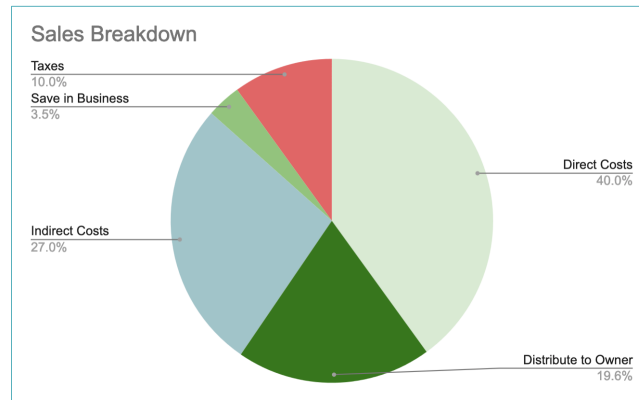
Goods (with COGS)				
	#	\$		Planning Percentages
Sales Income			\$100	100.0%
Item A	4	\$25	\$100	
Direct Costs	#	\$	\$40	40.0%
Item A	4	\$10	\$40	
Gross Profit			\$60	
Indirect Costs			\$27	27.0%
Net Income			\$33	
Tax Estimates	%	\$	\$10	10.0%
Self-employment tax	15.3%	\$5.05		
Federal income	12.0%	\$3.96		
State income	3.0%	\$0.99		
Net After-Tax Income			\$23	
Leave in Business	15.0%	\$3		3.5%
Distribute to Owner	85.0%	\$20		19.6%



Key Point
Profit is often usefully thought of as after-tax income, but it could also be the owner’s distribution.

What do you want to measure?

WHAT IS PROFIT?



Key Point

If you know where each dollar of sales goes, you can identify a clear sales goal to meet your profit goal.

WHAT IS PROFIT?

Profit-Planning Tool


Use this tool to play around with your own numbers:

<https://bit.ly/4gLZOj8>




Key Point

Make sure to save a copy of this to your own drive... You won't be able to edit the template.




HOW DO I PRICE MY WORK?



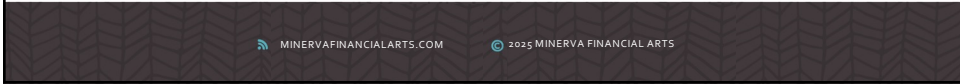
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SETTING RATES



Costs	Customers
Competition	Competencies

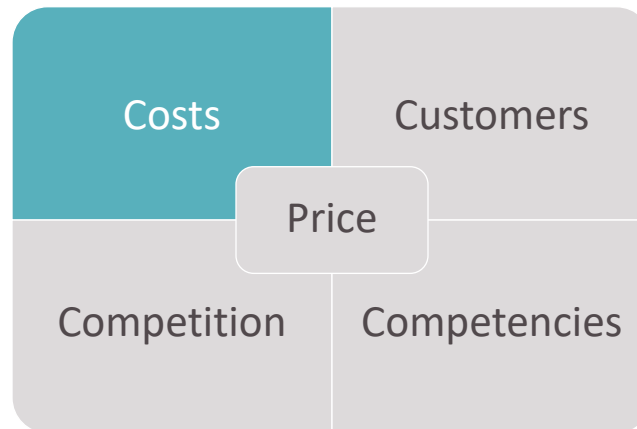
Price



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SETTING RATES



COST FACTOR

- ▶ Set your rates high enough to cover costs.
- ▶ “Costs” include:
 - ▶ Direct costs (e.g., supplies and materials)
 - ▶ Indirect costs (e.g., studio rent, website upkeep, cell phone bill)
 - ▶ Taxes (aim for 30% of net business income)
 - ▶ Paying yourself

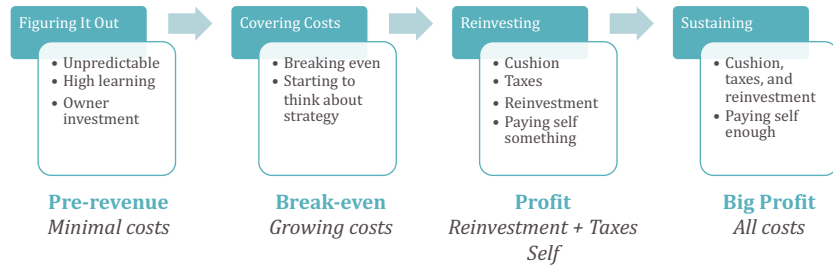


Key Point

These can be estimates... But watch the estimates for inaccuracies.

YOUR COSTS MAY CHANGE

Where am I career-wise?



Key Point

There's flexibility between categories here. They aren't always clean distinctions, but by the second or third level, you probably need something.

PRICING EXAMPLE

What Are My Costs?

Direct Costs	Indirect Costs	Owner's Compensation
Total: \$	Total: \$	Total: \$

Total: \$ _____

Divide by 0.70

= Pre-Tax Total

PRICING EXAMPLE – GOODS

Costs

\$5,000 per month (\$60k per year)

6 events, sell 30 pieces at each event



The Math:

Sell 180 pieces per year (6 * 30)

Divide costs (\$60k) by number sold (180)

$$\$60,000 / 180 = \$333$$

Starting Selling Price is \$335 each.



Key Point

You don't have to earn everything from your art... But you can still model what it would look like.

PRICING EXAMPLE – SERVICES

Costs

\$2,500 per year in business costs

\$42,000 per year in human costs

\$10,000 savings goal

\$12,000 tax goal



The Math:

This person aims to earn \$66,500 per year to cover their costs.

If they want to work 1,440 hours per year (30 hours per week and 48 weeks), they'll need to earn \$46 per hour to cover these costs.

Starting Hourly Rate is \$46.



Key Point

This person's tax costs might be on the low side if all their income is from freelance sources.

BARRIER ALERT

“I don’t know my costs!”

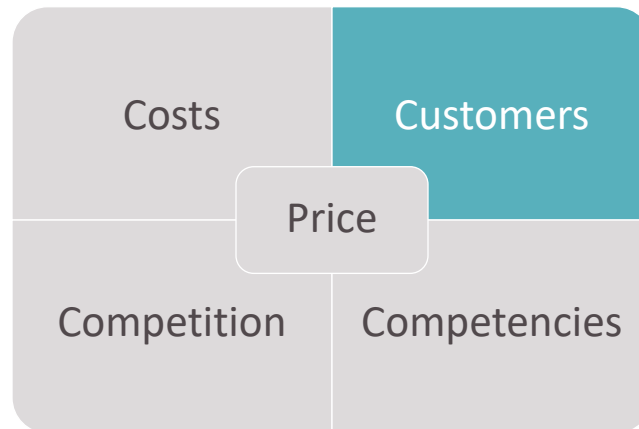
OVERCOME THE BARRIER

“I ~~don’t know~~ can track my costs.”

Keeping books and records demonstrates you are approaching this professionally and ensures you are charging enough to cover your costs.

Getting clear on taxes and savings means you can charge enough to cover those costs too.

SETTING RATES



CUSTOMER FACTOR

- ▶ What are your customers willing and able to pay?



Key Point

You are not your customer! Think from their perspective.

- ▶ Factors to consider:
 - ▶ High-end corporate versus non-profit
 - ▶ If they are willing, but unable, consider other funders

PRICING EXAMPLE

What Are My Customers Willing & Able to Pay?

- ▶ Consider your customer perspective and aim for a range.

PRICING EXAMPLE – GOODS

Costs	Customers
\$5,000 per month (\$60k per year)	Direct sales through high-end markets Some commissions
6 events, sell 30 pieces at each event	Not price sensitive Value uniqueness / support of artist



Key Point

How will these customers perceive this price point?

You. Are. Not. Your. Customer.

PRICING EXAMPLE – SERVICES

Costs	Customers
\$2,500 per year in business costs \$42,000 per year in human costs \$10,000 savings goal \$12,000 tax goal	Textbook companies / brands Start-ups / friends



Key Point

There may be a huge range in your customers, especially as you get started.

BARRIER ALERT

“I don’t know what my customers think!”

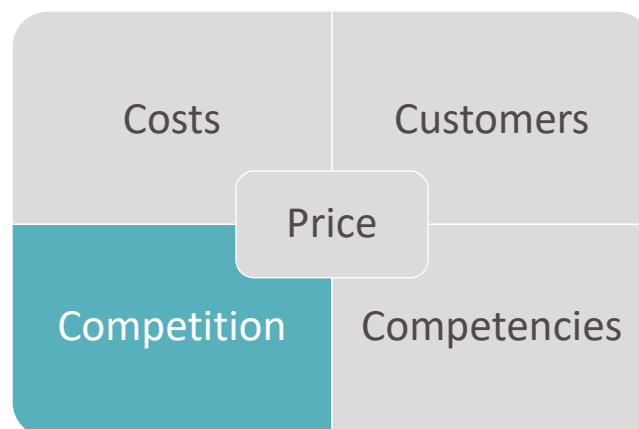
OVERCOME THE BARRIER

"I ~~don't know~~ **can figure out** what my customers think!"

Ask them. Not all of them and not all the time but check in with your favorites now and then.

Or: Be curious and listen carefully to what they say.

SETTING RATES



COMPETITION FACTOR

▶ What are others charging for similar work?



Key Point

"Similar" might be in the eyes of the customer.

▶ Resources:

- ▶ Wage for Work
- ▶ Freelancing Females
- ▶ Teaching Artist Guild
- ▶ California and New York City job postings now must include salary ranges
- ▶ People you know

PRICING EXAMPLE

What Are My Competitors Charging?

Competitor #1			Competitor #2			Competitor #3		
Higher	Same	Lower	Higher	Same	Lower	Higher	Same	Lower

PRICING EXAMPLE – GOODS

Costs	Customers
\$5,000 per month (\$60k per year) 6 events, sell 30 pieces at each event	Direct sales through high-end markets Some commissions Not price sensitive Value uniqueness / support of artist

Competition
Portrait artists (\$4,000-\$5,000) Photographers (\$1,200-\$2,500) Gallerists



The Math:
 There is easily room to increase to a selling price of **\$1,500 each** based on the marketplace.

PRICING EXAMPLE – SERVICES

Costs	Customers
\$2,500 per year in business costs \$42,000 per year in human costs \$10,000 savings goal \$12,000 tax goal	Textbook companies / brands Start-ups / friends

Competition
California Job Postings: <ul style="list-style-type: none"> • Lisa Frank Illustrator: \$20-50 per hour • Disney Storyboard: \$59-69 per hour • Mobile Game Illustrator: \$75k per year



The Math:
 Increase the amount by 30% to cover taxes and benefits.

- Lisa Frank: \$26-\$65
- Disney: \$76-\$90
- Mobile Game: \$97,500 (\$49/hr)

There's room to increase to \$50-60 per hour (and more).

BARRIER ALERT

“People don’t talk about money.”

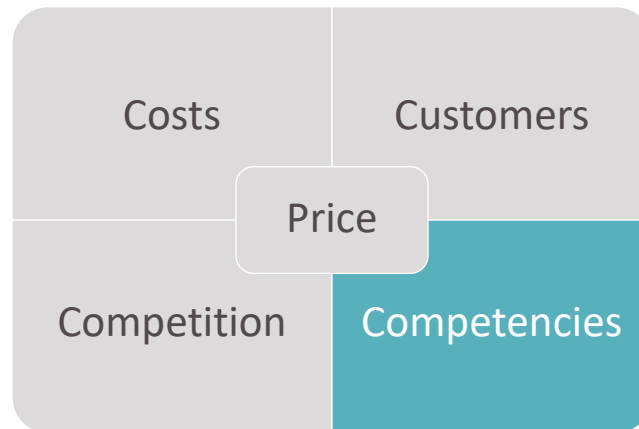
OVERCOME THE BARRIER

“People ~~don't~~ talk about money.”

You’d be surprised. Lean into relationships with your mentors and your closest peers.

Search online for additional information as well.

SETTING RATES



COMPETENCY FACTOR

- ▶ What are the most unique aspects of you or your work?
 - ▶ Creative differentiators
 - ▶ Personal differentiators
 - ▶ Professional differentiators

PRICING EXAMPLE

What Are My Competencies?

- ▶ What adds value to my work?

PRICING EXAMPLE – GOODS

Costs	Customers
\$5,000 per month (\$60k per year)	Direct sales through high-end markets
6 events, sell 30 pieces at each event	Some commissions
	Not price sensitive
	Value uniqueness / support of artist
Competition	Competencies
Portrait artists (\$4,000-\$5,000)	Personalization
Photographers (\$1,200-\$2,500)	Follow-up process video/book to share
Gallerists	Meet-a-collector interview series



The Math:

The competencies add about \$800 of value, making the real value of the work **\$2,700**.

PRICING EXAMPLE – SERVICES

Costs	Customers
\$2,500 per year in business costs \$42,000 per year in human costs \$10,000 savings goal \$12,000 tax goal	Textbook companies / brands Start-ups / friends
Competition	Competencies
California Job Postings: <ul style="list-style-type: none"> • Lisa Frank Illustrator: \$20-50 per hour • Disney Storyboard: \$59-69 per hour • Mobile Game Illustrator: \$75k per year 	Capable and responsive Quick turnaround, meet deadlines



The Math:

The competencies justify nudging the hourly rate or project rate higher.

BARRIER ALERT

“I don’t know what makes me special.”

OVERCOME THE BARRIER

“I don’t know what makes me special.”

Ask folks who care about you what they think:
Peers, mentors, teachers.

Think about nice things people have said over the
years. Is there something there?

PRICING EXAMPLE – GOODS

Instead of selling just enough to cover costs, the
artist has positive net income.

Pricing Example		
Sales	60 @ \$1,500	\$90,000
Costs		(60,000)
Net Income		\$30,000



Key Point

Even after doing the math, \$2,700 felt too high, so this person settled on **\$1,500** as an average selling price, with some marked higher. Her new break-even point is 40 works per year, which enables her to do fewer markets.

PRICING FORECAST - GOODS

The When
When income arrives

Forecast	A	M	J	J	A	S	O	Total
Festival Sales		45,000	90,000	45,000		90,000		270,000
Commissions								
Total								
Goal		15,000	30,000	15,000		30,000		90,000

The What
What people pay you for

The Amount
The rate you charge or collect

PRICING EXAMPLE – SERVICES

Instead of selling just enough to cover costs, the freelancer has positive net income.

Pricing Example		
Income	1,440 @ \$55 / hour	\$ 79,200
Costs	Business & human	(44,500)
Savings	15.1%	(12,000)
Taxes	24.6%	(19,500)
Net Income		\$ 3,200



Key Point

This person's "wiggle room" is about 60 hours of work.

PRICING FORECAST – SERVICES

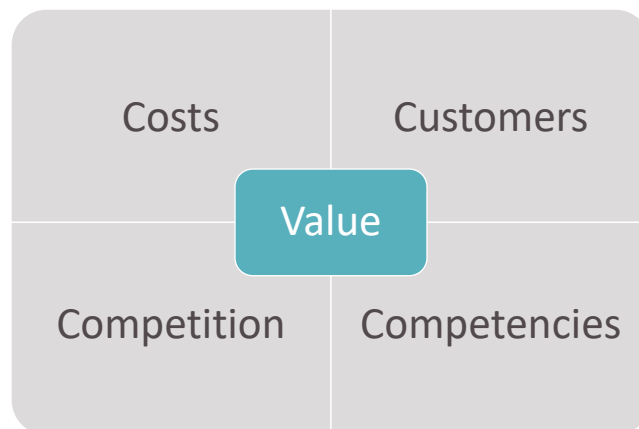
The When
When income arrives

Forecast	A	M	J	J	A	S	O	Total
Billed Hours	120	120	120	120	60*	120	120	1,440
Rate	\$55	\$55	\$55	\$55	\$55	\$55	\$55	\$55
Total	6,600	6,600	6,600	6,600	3,300	6,600	6,600	\$79,200
Goal	26,400	33,000	39,600	46,200	49,500	56,100	62,700	\$79,200

The What
What people pay you for

The Amount
The rate you charge or collect

CAPTURING VALUE



CAPTURING VALUE

Your Assignment

- ▶ Continue refining your pricing strategy.
 1. Revisit your costs to make sure you are capturing everything.
 2. Have conversations with your customers.
 3. Do competitor research.
 4. Reflect on your competencies.

- ▶ Settle on your rates/prices.

HOW DO I TALK ABOUT MONEY?

TALKING ABOUT MONEY

Price Anchoring & Ranges

- ▶ “What’s your budget?”
- ▶ “My normal rate is \$_____.”
- ▶ “Something like that would generally be priced between \$_____ and \$_____.”

TALKING ABOUT MONEY

Discounting

- ▶ Be clear on *why* you are discounting. It is often:
 - ▶ Relationship-based
 - ▶ Volume-based
 - ▶ Intentional loss leader (like razor blades)



Key Point

If you are discounting simply for the psychological value, re-examine your why.

TALKING ABOUT MONEY

Willingness to Negotiate

- ▶ “My normal rate is \$_____, and I’m happy to work with your budget.”
- ▶ “My normal rate is \$_____. Does that work with your budget?”



Key Point

Do you *want* to do the thing? Do you *need* to do the thing?

Both influence your willingness to negotiate, as does the overall financial picture of your business.

TALKING ABOUT MONEY

Negotiation Range

- ▶ Know the minimum acceptable amount.
 - ▶ This can be influenced by other things, but you need to be the one to value those other things.
- ▶ Know how to walk away.
 - ▶ “I’m not a good fit for this, but _____ may be able to help.”

TALKING ABOUT MONEY



Key Point

Once you say yes, the negotiation is over unless something changes.

(Deciding to advocate for yourself later is not a negotiable change. It's a change for a *future* negotiation.)

TALKING ABOUT MONEY

Setting Boundaries

- ▶ “Can I meet with you to pick your brain?”
 - ▶ Are there conditions in which you would say yes?

- ▶ What are your boundaries?
 - ▶ “I have 20 minutes Wednesday afternoon.”
 - ▶ “I’m happy to respond via email.”

TALKING ABOUT MONEY

“No” is an okay answer.

- ▶ “I don’t have the capacity for that right now, but I hope our paths will cross at some point.”

- ▶ Send them resources (if you want).
 - ▶ Pages on your website (FAQs?)
 - ▶ Social media channels

- ▶ Channel them officially (if you want).
 - ▶ “Here’s a link to book time with me.”

THIS IS REALLY HARD.

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THIS IS REALLY HARD.
AND YOU'VE GOT THIS.

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WHAT DID WE MISS?

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WORKSHOP RECAP

- ▶ Review math behind the four pricing factors
- ▶ Sort through numbers to land on a target
- ▶ Review ways of talking about money

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THANKS

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