



The Price of Genius

Millie Jocelyn is a maker of sock monkeys. She started her first craft business, Pink Paper Pinafore, two years ago and recently rebranded under the name Miss Millie. Having been through the process of pricing her creations for both retail and wholesale, she can give first-hand advice on what to expect and how to avoid the pitfalls. At Crafty Business #3, Millie presented "The Price of Genius" and was joined by Lenore Farrelly, owner of Dusk Gallery & Store, for a chat about her experience starting a crafty business.

One subject which is of considerable interest to me and to most crafters I know is how to price our work. Yet it can also seem like one of the most complicated tasks when it comes to the black and white part of "crunching the numbers". The books that are available on how to price your work are not always entirely relevant to crafters and can make the job of pricing your work seem a bit overwhelming.

How much we get in return for our work and what is fair compensation depends mostly on our individual circumstances but no matter whether your dreams are small: for your business to cover its running costs only, or lofty: a giant craft empire employing thousands, the same general rules apply to pricing your work.

No matter what your product or service is there are four main cost components to consider:

- **material costs** – these are the costs involved in buying the raw material used in making your product.
- **overhead costs** – these are the fixed costs associated with running your business, eg. rent, insurance.
- **labour costs** – how much you are paid per hour for your work.
- **profit** (if you plan to make one!) – the amount you make over and above these other three costs.

(For detailed breakdown of these costs and formula for how to price your work visit <http://craftybusinessnz.blogspot.com> and download the handout).

When you start out it's easy to undersell your goods – maybe you feel guilty about the profit margin or you are just really excited that people respond to your work. If you are serious about running a crafty business you'll eventually get over this initial fear and see that what customers are looking for is value and that isn't the same as price.

Placing a price tag on an object you've made is about creating a perceived value for it. Listening to feedback from your customers should confirm that their admiration for your work is to do with its value and not the price. Your customers may compliment your creativity, your skill, your attention to detail, the way your work makes them feel or the positive reaction they got when they gave it as a gift – all of these things are value, not price.

You are a customer too – what do you look for when the roles are reversed? When you shop, are you motivated primarily by price or are you motivated by other factors as well? Did you buy your latest brooch because it was \$30 or because you just loved it and you knew that your life wouldn't be the same without it? If it had cost \$10 more or less would that have affected your decision to buy it? Chances are it probably wouldn't have.

If I continue to use brooches as the example, \$20 – \$50 seems to be the price range on the market for a brooch that doesn't contain precious metals or stone so \$30 strikes a balance between what the market will bear (up to \$50) and what is fair for the product (assuming of course \$30 covered your labour and expenses and left the maker with some margin).

Buyers will have a preconceived idea about what an item should cost so it's up to you to find that happy medium between your margin and market expectations – between what people should pay and what they will pay. Don't be scared to make some profit on your work – in the end it is what allows you to enhance your business, the quality and scale of your work and your working life.

The exception which is worth noting here is retailing. If you plan to sell your work wholesale (ie. sell into stores) do remember that retailers rely on the margin they can make on your work and they will be motivated by price. It costs a lot to run a shop - rent, wages, power, phone, advertising, store fit out, stock purchases, bags, ribbons, gift wrap - and the more they can make out of your work the more likely they are to stock it. This isn't an evil conspiracy by retailers it's just the reality of running a business, so if your ambition is to sell a lot of your work through retailers you should keep the final wholesale price near the top of your priority list and factor it in when considering which products you'll stock in your range.

Like everything, pricing your work gets easier with time. As you gain more confidence you'll feel better about charging accurately for your time and associated costs and you'll develop a bit of a "gut instinct" for accurate pricing. Here's three things which can be really helpful to remember:

- 1 Most of us aspire to having good taste and we acquire a sense of prestige and confidence through our material possessions. The things you make will likely be 'luxury' items which benefit others/your customers in intangible ways – satisfying cultural and aesthetic needs.
- 2 You are not supplying your customers with a mundane, mass-produced item. There's plenty of shops at the mall doing that!
- 3 Customers will assess the value of your work on a range of factors other than price. These factors will include the style and quality of your work, your personal credibility (if you are selling directly to them), and the style with which you present your work – these things, when done well, help to inspire your customers with confidence in the value of your work. If you work hard at these things you won't often find yourself having to justify the price of your creations.

Lenore Farrelly kindly took the time to join us for a chat with Millie about how she started out and how Dusk Gallery & Store came to be. Sadly due to a technical mishap, we don't have an audio file or transcript of Millie's chat with Lenore. Lenore was a fantastic speaker and we were very sorry to discover that our recording of the session this time was unusable, but the following is a slightly creative recounting of what Lenore shared with us.

Can you tell us a little bit about your artistic/crafting background and how you ended up embarking on a career selling your own work?

Returning from London about 5 years ago after an extended OE, Lenore decided she'd done her time in the standard 8-5 office job and there was just no way she could go back to that kind of life.

She had earned a Bachelor of Design (majoring in photography) at Massey University in Wellington a few years earlier and she knew she really did want to pursue a creative form of income.

After attempting to find a stylish New Zealand-themed greeting card and realising the only things on the market featured paua or ferns Lenore identified a market that needed her attention and went out to satisfy it. She took some temping positions to pay the bills but spent most of her other time focusing on getting her own creative business off the ground.

What was the first thing you started selling? How did you first get your work out there?

Lenore started out by hanging some of her photography at a friend's café in Punakaiki.

She received a lot of positive feedback about her work and after her card hunting experience she decided to apply some of her images to greeting cards.

Lenore was forward-thinking right from the start. She knew she wanted her creative work to be her life's work so she enlisted help and advice from qualified contacts right from day one. Not all of the advice she received was blindly supportive. An old boss sat her down (wine in hand of course!) and helped her

crunch the numbers on just how many cards she'd have to sell in order to generate the income she wanted. The numbers turned out to be a staggering 300 + cards every week, and that relied on stockists reordering regularly.

Going back to the drawing board, Lenore looked for other ways to expand her product range. It clearly worked – her range now includes woodblock prints, tea towels, casual bags, coasters, cuff links, cushions and stationery – and she supplies over 30 retailers as well as running her own gallery and shop in Christchurch.

How did you decide on prices for your first items and how has your attitude to pricing changed over the past 5 years?

Lenore priced her first cards based on what was about average in the market. She chose a card size with one very specific criteria in mind – it shouldn't be too large so that you run out of things to say and are forced to sign your name in large letters with a giant kiss or smiley face! She looked around and saw that \$4 – \$6 was about right for a nice greeting card and simply ran with that. It's served her well as she's never had to change the price of her cards.

Lenore also shared a very insightful lesson she learned with a stationery set she created. Often with printing there are significant discounts to be obtained when you print in bulk. Lenore designed a stationery set but admitted to not fully thinking through what the retail price would have to be in order to make the sets worthwhile. Boldly, she admitted to still having many stationery sets unsold but her lesson is our cautionary tale: think through how many units you can realistically sell before you commit to any orders with a supplier. Even if you save \$80 on a bulk order of letterheads – is it worth having \$1000 worth of stationery sitting there unused or not selling when that additional cash could be working smarter for you in some other part of your business?

Do you have a single most important lesson that you've learned about pricing?

It's about trial and error and you really have to trust your instincts. Like all things in life, you get better with practice.

In your retail capacity, how important is the price as a consideration to stocking an item? How often do you find the people under/overprice their work?

People most often overprice their work. Remember that retailers need to add at least 100% (sometimes more and sometimes GST of 12.5% will also be additional to that) so you need to bear that in mind when you approach retailers with your work, the reality being that not all the products you come up with will be viable to sell and make a profit in a retail environment.

It's expensive to run a shop – you have to cover rent, power, phone, wages, stock, advertising and a whole host of other costs – so the quicker stock moves and the more margin there is for retailers the more likely they are to stock your work. If you are really interested in selling a lot of your work wholesale to retailers you should make price a major consideration in deciding what work to include in your range.

Do you have any suggestions for gauging what your work is worth? Would you suggest just asking people?

Lenore is firmly a price-by-feeling type of gal and suggests that asking other people for their opinion on your prices is really just a good way to confirm what your instinct tells you about price is correct (or not!). You probably already have a feeling for what's right for your product based on what it cost you and how long it took you to make. So, if you choose to ask others for their feedback it's likely to either support and therefore confirm what you already think or if you're hearing a lot of feedback that differs to what you think your product should be worth it's probably a good indication you are pricing incorrectly.

What are your thoughts on sales, specials and discounting?

Don't discount. Instead, you may like to offer special deals for bulk purchases. The exception is for stock that doesn't move or that you've had sitting around for a while. Lenore made reference to her Christmas stock which she puts on sale each year after the Christmas season but she advises against discounting just for the sake of it. It just brings down the value of your work.