



Simplified Pricing

This is for the people that do not have access to the Pricing program and for those that have not gone through the pricing program at this point. The best part about this is that you are going through the process while you are performing your jobs and it is not going to take a huge amount of extra time.

Now, that being said, you DO NOT use anyone else's prices lists. You must figure out what the pricing should be for you and you alone. We are going to go through a simple process to help you come up with a simple pricing structure. It is not going to be exactly the same as going through the Pricing Program, but it is going to work for you until you get to that point.

Step No. 1 - First of all, you need to know how much money you need to bring in each day just to pay the bills.

What is included in this.

- Rent
- Payroll-including your paycheck!
- Equipment payment
- Office Expense
- Utilities
- Embroidery Supplies
- Business Insurance
- Internet Expense

Make a list of all of your basic expenses that you pay out on a monthly basis. Now this is going to be an average. If you have figures in QuickBooks already, you can use those. Not everyone has the same ones, but it is important for you to figure it out and get a number that you can use.

- Now that you have your breakeven point per month, divide that total cost by 20 working days per month to figure out what your costs are per day.

- Next, divide your daily cost by 8 hours or however many hours that you work in your business per day to get your hourly cost.
- Next, take your hourly cost and divide that by 60 to find out how much each minute will cost you in your business.
- Lastly, take your cost per minute and divide that by 60 to find out what each second is costing you in your business.

Step No. 2

Make a list of all of the processes that you go through in a day to get a job out. I will give you the basic list that I used when I was running my business. It is quite a long list, but you really do not realize exactly all of the tasks that you go through each day. This makes it easy to figure out each step.

1. Working with your customer taking an order
2. Creating/Setting up or ordering your design
3. Ordering your products
4. Checking to see if you have thread & backing
5. Sewing out your design
6. Sending your design to the customer for their approval
7. Editing design if it is not approved or ready for production
8. Checking in the products when they arrive from the distributor
9. Opening up the boxes of products and laying them out
10. Hooping the garments
11. Loading the design into the Embroidery Machine
12. Threading the machine
13. Sewing out the design on the embroidery machine
14. Removing the backing & topping
15. Steaming the garments
16. Placing garments into size stacks
17. Counting the garments
18. Place each one in the plastic bags if applicable
19. Fill out Packing List
20. Packing garments in boxes
21. Get ready for Shipping
22. Creating the Invoice
23. Talking to the customer when they pick up their order.

Step 3 – Time Your Tasks

Each and every one of these tasks plus many more need to be timed out. In order to do this, start keeping track of how long it takes to do each task. The only

way that you can do this is to take a piece of paper and follow along with each step along the way and write down how long each task took as you were performing it. **Do not try to do it from memory, that does not work.** You must go through the actual process. If you are just starting out and do not have any actual jobs right now, just pretend like you do and go through the process and write down how long it took you to do that task.

As an example, go through the process of hooping.

- Hoop 5 golf shirts - write down your time.
- Hoop 5 caps – Write down your time.
- Hoop 5 jackets – Write down your time.
- Hoop 5 t-shirts – Write down your time.

Add all of your times up and divide this by 20. This will be your average hooping time per garment. Follow this same system for every process.

Do this for several different sized orders or types of garments. You are going to be coming up with an average. Not all garments take the same amount of time to count or hoop. This all depends on the quantity, size, and style of the garments. Keep track of each one. This is going to take you a lit bit of time, so be patient and go through each process.

If you have been charging by the stitch count alone, you will quickly realize how much money you have been losing.

Step 4 –Figure Production Cost For Your Tasks

Now that you know what each minute and second is costing you, you can figure out how much money it is costing you for each task that you do. This is important, so don't overlook it. This is the Production Cost for each task.

Take your task list and add an average production cost for each one so that you have an actual cost per task.

Step 5 –Figure Sewing Out Design Cost

Now that you have figured out your production cost per task, it is time to figure out what the cost is for sewing out your design. You now know how much it is costing you per minute to run your business, this same cost per minutes will be applied to how long it takes to sew out your design.

- First, figure out how long you are actually running your embroidery machine per hour. If you figure out that on an 8-hour day your machine is running a total of 4 or 6 hours, you must divide your total daily breakeven point into the 4 or 6 hours to arrive at your true breakeven cost per hour. Divide that cost up into minutes. You will now have a true cost per hour that you can use to figure your pricing with for an actual stitch count per minute of machine running time.
- You will have to figure out how long it takes to run a design on your machine by the stitch count. Multiply that running time by your cost per minute. When you are timing your designs, do not forget the number of color changes and the number of trims. When those are included, you are figuring the actual total time, start to finish, not just the stitch count run time.
- Add the Stitch Count cost to the non-sewing Production cost. You will now have your true cost per design for however many stitches are in your design. You just cannot figure your pricing on stitch count alone. It does not work and will not make you any money.

Now that you have your combined cost for sewing out the design and the cost for the production, you must remember that this is only how much it is costing you to do the job. There is not any profit in this at all, only your cost.

Step 6 –Add A Profit

If you charge your customer only what it is costing you instead of adding a profit, you are actually paying your customer for doing his work! Unfortunately, so many embroiderers are doing just that.

Remember, you are in business to make money.

Too many embroiderers struggle to make enough money in their business to even pay themselves a paycheck. You need to have your paycheck added to your costs to ensure that you can also get paid for your time.

Above that, you need to be making enough of a profit to help your business expand and grow.

Once you get your basic pricing structure created and add your profit, you need

to keep in mind where your market is. There are basically 3 markets.

- Wholesale – Dealers that resell your embroidery on their garments
- Corporate – Businesses, Schools, and Organizations that you sell both the garments and the embroidery.
- Retail – When the business, school, or organization brings in their own garments and you add the embroidery to it.

When adding your profit, you need to add a min of 25% to your costs for your Wholesale market, 50 to 75% to your Corporate market, and 100% to your Retail market.

Look closely at what you are currently charging your customers and make sure you are adding enough profit.