

PRODUCT PRICING WORKSHEET

How to price your products to be profitable.

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HOW MUCH SHOULD YOU CHARGE FOR YOUR PRODUCTS?

There are different methods for pricing your products. We recommend using a **market-oriented pricing strategy** (also known as competition-based pricing). With this strategy, you set your product's price in the range of similar products sold by your competitors.

Price above the market:

With beautiful packaging and luxury branding, you can price your product above the market, giving customers the sense of a higher-quality or better-performing product. Even if you're not a luxury brand, unique products can be set at the high end of the market because they won't have much competition and people may be willing to pay top dollar to try something new.

Copy market:

Selling your product at the same price as your competition allows you to be both competitive and profitable.

Price below the market:

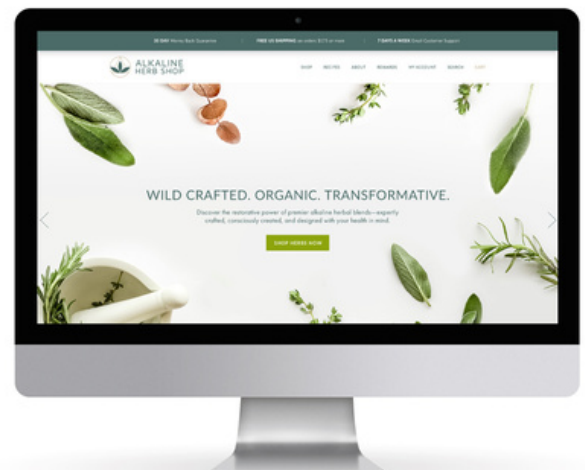
You may choose to price your product below the market to lure customers away from your competitors. Be careful of pricing too low - you need to give yourself room to give discounts for wholesale, promotions, and sales while still earning a profit.



STEP #1 DO YOUR MARKET RESEARCH

With market-oriented pricing, it's important to understand how the quality and uniqueness of your product compares to similar products in the marketplace, as well as the [demographics of your target audience](#). Are your customers comfortable paying a higher price, or are they more cost-conscious?

Use the spreadsheet on the next page to research products that are similar to yours. Keeping a list of the retailers who carry your competition will be helpful when you start selling wholesale. It will also give you an idea of the target demographic your competitors are trying to reach.



MARKET RESEARCH SPREADSHEET

Use this spreadsheet to track your findings as you research your competitors. Record each product's weight or quantity, price, where it is sold, and unique selling points (USP).

USPs are defining features that set a product apart from the competition. USPs could include having impressive certifications, unique ingredients, a handcrafted element, a novel approach, or sustainable packaging. If you are unsure of a product's USP, look for the brand's marketing messages in ads or on their website. A good marketing message will contain the product's unique selling points.

Product Name	Net Weight	Price	Brand	Retailer	Unique Selling Points

HOW DO YOU KNOW IF YOU'LL BE PROFITABLE?

Once you have an idea for what a reasonable price range might look like, you'll need to calculate your costs to make sure you can make enough profit. It's important that you factor in everything that you pay for your products so you don't underprice and lose money.

There are three types of profit margins: gross, operating, and net. Gross profit is the revenue that remains once you have subtracted your cost of goods sold (COGS). Operating profit is the remaining revenue after subtracting both COGS and your operating expenses. Operating expenses include items like rent, payroll, marketing, and office expenses. Net profit also takes taxes and interest into account.



STEP #2 CALCULATE YOUR COST OF GOODS SOLD

Cost of goods sold (COGS) refers to the direct costs of acquiring or manufacturing your products. This includes the amount a manufacturer charges to produce and ship products to you, or the cost of materials if you are doing your own manufacturing. Packaging and labor costs directly related to producing your products are also part of COGS.

COGS Calculation When Working with a Manufacturer

(Manufacturing costs + shipping costs + packaging costs)

(Number of items)

COGS Calculation When Manufacturing Your Own Products

(Cost of ingredients + shipping costs + packaging costs + manufacturing labor)

(Number of items)

WHAT'S A GOOD PROFIT MARGIN?

There is no set standard for what makes a “good” profit margin. Margins vary by industry and even by product. For example, you might sell the [hero of your product line](#) at an above-market price (with a high profit margin) along side lower margin items that are designed to be add-on purchases.

The overall average gross profit margin falls between 40-60%, with the beauty industry at the high end of the spectrum and packaged food at the low end.

Use this formula to calculate your retail price based on profit margin:

$$\frac{\text{Cost of Goods Sold}}{(1 - \text{margin \%})}$$

Let's say that you sell juice, and each bottle costs you \$2 to produce. For a 40% profit margin, here's what your formula would look like: $2 / (1 - 40\%) = \$3.33$
That means that you want to sell your item for a minimum of \$3.33.

For a 60% margin, your formula would be: $2 / (1 - 60\%) = \$5$. In this scenario, your retail price should fall between \$3.33 and \$5. Double check that your price falls within the range of your competitors.



STEP #3 CALCULATE YOUR PROFIT MARGIN

A product's profit margin shows the percentage of the retail price that is considered profit after costs are subtracted. If you have a retail price in mind after conducting market research, you can use the following formulas to determine your profit margin.

Use this formula to calculate your gross profit margin:

$$\frac{(\text{Retail Price} - \text{COGS})}{\text{Retail Price}} \times 100$$

Example: A product retails for \$15. The cost of goods sold is \$5.20. $\$15 - \$5.20 = \$9.80$ gross profit. The gross profit divided by the \$15 retail price is 0.65. Multiply that by 100 and you get a 65% profit margin.

Use this formula to calculate your operating profit margin:

$$\frac{\text{Retail Price} - (\text{COGS} + \text{Operating Expenses})}{\text{Retail Price}} \times 100$$

HOW TO PRICE FOR WHOLESALE

Many product businesses sell directly to their customers, but depending on your circumstances, it might make sense to [venture into wholesale](#).

Selling wholesale gives you the opportunity to sell your products in bulk and to get in front of new buyers. However, you'll be operating on smaller profit margins than if you sell your products directly to customers.

Your wholesale price is what you charge retailers who purchase your products in large quantities. The retailer then adds a markup to earn their profit. You can set a manufacturer's suggested retail price (MSRP) so that your product's price tags don't vary wildly between retailers.

As a general rule, retailers want to double the price they paid for a product (100% markup). This is called keystone pricing. To calculate your wholesale price for keystone pricing, divide your suggested retail price by half.

Retailers' markup expectations will vary. Networking with professionals in your industry or working with experienced sales reps will allow you to learn about markup expectations and prepare to approach the retailers you want to work with.



STEP #4 DETERMINE YOUR WHOLESALE PRICE

In most cases, a good [rule of thumb](#) for setting your wholesale price is to calculate your cost of goods sold plus your operating expenses and then multiply that by two. This formula ensures your wholesale profit margin is at least 50%.

$$(\text{COGS} + \text{Operating Expenses}) \times 2$$

Industries with higher profit margins, such as skincare and cosmetics, may be able to multiply their costs by 2.5 or more.



FINAL THOUGHTS

Doing your market research and using a market-oriented pricing strategy should give you a feasible retail price. But ultimately, your customers will determine whether or not you've priced your products correctly. Don't worry! Your prices are not set in stone, you can adjust them after you launch.

You shouldn't shy away from setting a premium price for your products, but you'll need to make sure your packaging and marketing convey your unique selling points. Customers need to quickly understand WHY your product is worth the price.

Ready to Get Started?

The right packaging design can be the difference between a successful product business and one that fizzles out before it even takes off.

Crème de Mint has specialized in packaging design for over a decade. We know what it takes to make packaging that will have your customers lining up to make purchases.

Next Step: Grow!

Crème de Mint crafts specialty food, beauty, and supplement brands from start to finish, with award-winning packaging design, strategic branding, and cohesive online presence and marketing.

Our Services Include:

- Packaging design
- Branding & logo design
- Website design
- Social media branding
- Marketing & copywriting



I'm Lauren, the founder of Crème de Mint. We love to help businesses grow and thrive. Keep an eye on your inbox for future newsletters from us with more helpful tips for growing your business!

Are You Ready to Grow Your Business?

Schedule a **free 30-minute call** to ask us questions and discuss your needs.

