

HOW TO PRICE YOUR CUSTOM APPAREL



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TRANSFER EXPRESS[®]

The Custom Transfer People



Agenda

- Factors that affect pricing
- How pricing is affected by your marketing
- Pricing strategies
- Testing your pricing
- Overcoming price objections





Importance of Pricing

Frequent question – how much do I sell my finished shirts for?

- Affects how many units you sell
- Affects profits and your bottom line
- At the end of the day, will you be in business the next day?



Mr. Potter asked George Bailey in *It's a Wonderful Life*:
“Are you running a business or a charity ward?”



Factors that Affect Pricing

- Costs – direct and overhead
- Market – location and niche
 - Supply and demand
- Competition
- Your marketing





Costs

- **Direct**
 - Labor and materials (what you paid)
 - Time, transfer, blank apparel, shipping, art, etc.
- **Overhead**
 - Rent, electricity, marketing, subscriptions, etc.

Direct costs + **Overhead** = **Total cost of product**



Calculating Direct Costs

- How to Calculate Labor

- Minutes it takes to complete each shirt (art, cut/weed, heat applying, packaging)
- Wage (how much you are paying your employee or yourself)
 - wage/hour divided by 60 minutes = wage per minute
- Multiply the amount of minutes per shirt x the labor cost per minute
 - Minutes per shirt X labor cost per minute = direct labor cost per shirt

- How to Calculate Materials

- Apparel + transfer + shipping = total material cost
 - Total material cost divided by number of shirts = material cost per shirt


Labor + Material = direct cost of product



Calculating Direct Costs

- Example:

DIRECT LABOR & MATERIALS



Direct Labor Rate Calculation:
Minutes To Complete x Cost Per Minute

Sample:
2 Minutes Per Shirt
\$10 per hour/60 minutes = \$0.167 labor per minute
2 x \$0.167 = \$0.33

Landed Cost of Materials:
Garment with Freight + Heat Transfer with Freight

Sample:
36 Shirts @ \$1.99 each + \$12.92 Freight = \$84.56/36 = \$2.35
36 Transfers @ \$3.89 + \$9.85 Freight = \$4.16
\$2.35 + \$4.16 = \$6.51

Direct Labor & Materials
Manufacturing Labor
Landed Cost of Materials

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- Labor: \$0.33 per shirt
- Material: \$6.51 per shirt
- $\$0.33 + \$6.51 = \$6.84$
- Total direct cost per shirt: \$6.84

<https://www.stahlstv.com/calculating-costs-selling-prices-for-your-cad-cut-materials>



Calculating Overhead Costs

- How to Calculate Overhead
 - Total up all your indirect expenses for a period of time (a month, quarter, year)
 - Total up all your **direct expenses** for the same period of time
 - Overhead rate calculation:
 - Indirect expenses / Direct expenses
 - Multiply the rate by 100 to get the overhead percentage


Indirect expenses / direct expenses X 100 = Overhead percentage



Calculating Overhead Costs

- Example:

CALCULATING ACCURATE COSTS



Overhead Rate Calculation:
Indirect Expenses / Direct Expenses

Sample:
Indirect expenses were \$1,500.00
Your direct expenses were \$10,000.00
Overhead rate = $\$1,500 / \$10,000 = .15$
Overhead percentage = $.15 \times 100 = 15\%$

Overhead (indirect expenses)
Accounting and legal expenses
Administrative salaries
Depreciation
Insurance
Licenses and government fees
Property taxes
Rent
Utilities

Direct Costs x Overhead Rate = Overhead Amount

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- Direct cost: \$6.84 per shirt
- Overhead rate: 15% per shirt
- $\$6.84 \times .15 = \1.03
- Overhead per shirt: \$1.03

<https://www.stahlstv.com/calculating-costs-selling-prices-for-your-cad-cut-materials>



Calculating Total Cost of Product

CALCULATING ACCURATE COSTS



Direct Labor & Materials
 $\$0.33 + \$6.51 = \$6.84$

Overhead
 $\$6.84 \times .15 = \1.03

Total Cost = \$7.87

Heat Transfer Film Workbook

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<https://www.stahlstv.com/calculating-costs-selling-prices-for-your-cad-cut-materials>

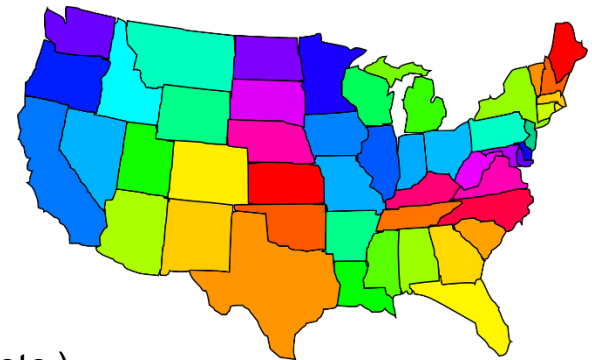
Direct Cost + Overhead Cost = Total Cost of Product

$$\mathbf{\$6.84 + \$1.03 = \$7.87}$$



Factors that Affect Pricing: Your Market

- Location
 - Geographically (example: LA vs. Cleveland)
- Niche
 - Do you specialize? (example: hunting t-shirts)
 - Require licensing? (example: sports teams, colleges, etc.)
- Competition
 - How many others are in your space selling? (example: supply and demand)
 - How do you differentiate? (example: 1 color vs multi color)





Factors that Affect Pricing: Your Marketing Strategy

- Price must align with the rest of your Marketing Mix strategy
- 4 P's of Marketing – Product, Placement, Promotion, Price
 - Product: what is your product and how is it different?
 - Placement: how are you distributing your shirts, where/how are you selling them?
 - Promotion: how are you communicating that you have a product to sell?
 - Price: where does price fit in with the rest of your mix?



Price = perceived value



Pricing Strategies

How do I get a selling price?

- Based on Cost
Starting point equation – will vary by market/product
 $(\text{Cost of shirt}) \times 2 = \text{selling price}$
- Brand popularity or capacity of shop
 $\text{Cost} + \% \text{ desired margin} = \text{selling price}$
- Competitive pricing
Based on research of the market pricing
“Profit per piece & Market value”



Pricing Strategies

What would you charge for...

Quantity of 10

- Shirt - \$2.45
- Transfer - \$4.32
- Shipping - \$2.40
- Labor - \$0.17
- Overhead (15%) - \$1.40
- Total cost - \$10.74

- 1 color print, basic cotton t-shirt



Quantity of 50

- Shirt - \$2.14
- Transfer - \$1.99
- Shipping - \$0.80
- Labor - \$0.17
- Overhead (15%) - \$0.77
- Total cost - \$5.87

Quantity of 250

- Shirt - \$2.14
- Transfer - \$1.04
- Shipping - \$0.12
- Labor - \$0.17
- Overhead (15%) - \$0.52
- Total cost - \$3.99



Pricing Strategies

What would you charge for...

- 2 color print, raglan tri-blend tee, 2 printed areas

Quantity of 10

- Shirt - \$7.74
- Transfer - \$7.91
- Shipping - \$2.40
- Labor - \$0.34
- Overhead (15%) - \$2.76
- Total cost - \$21.15



Quantity of 50

- Shirt - \$6.78
- Transfer - \$3.42
- Shipping - \$0.80
- Labor - \$0.34
- Overhead (15%) - \$1.70
- Total cost - \$13.04

Quantity of 250

- Shirt - \$6.78
- Transfer - \$1.72
- Shipping - \$0.12
- Labor - \$0.34
- Overhead (15%) - \$1.34
- Total cost - \$10.30



Test Your Pricing

- Promotions
- Bundles
- Discounts
- Psychological pricing strategies

- Track your sales with notes of promotions, etc.
 - Compare month-to-month, month over month
 - Compare year over year

- With enough time and results, you can see which works best

- Do your homework – research and test



Test Your Pricing

Psychological Pricing

- End in 9 – Brain sees first digit and perceives at that dollar amount
Example: \$29.99
- End in 0 – Buyer is driven by feeling and can make quick decision
Example: \$30
- BOGO (Buy one, get one) – **use this as a concept**
Example: buy 10 shirts, get a free cinch sack
- Comparative (model of good, better, best)
- Price anchoring
- Perceived value
- Visual
 - Simplicity - \$1,299.00 vs. \$1299
 - Displayed – show sale price next to original, different size, color
- **TEST! TEST! TEST!**





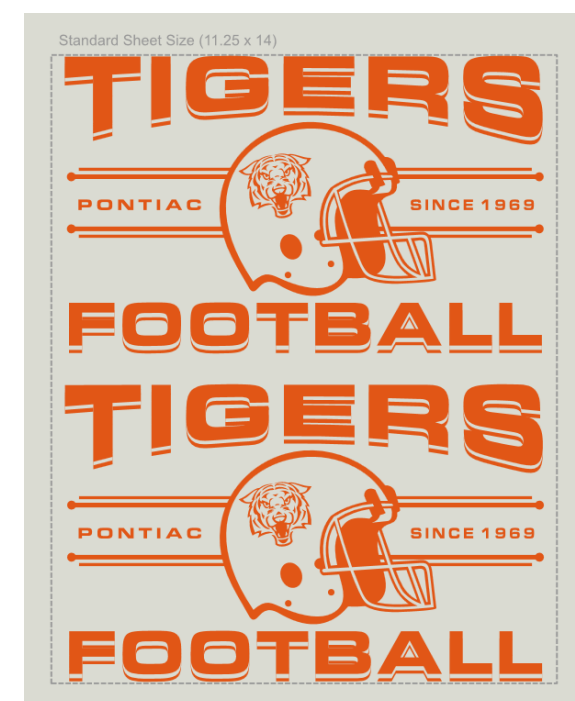
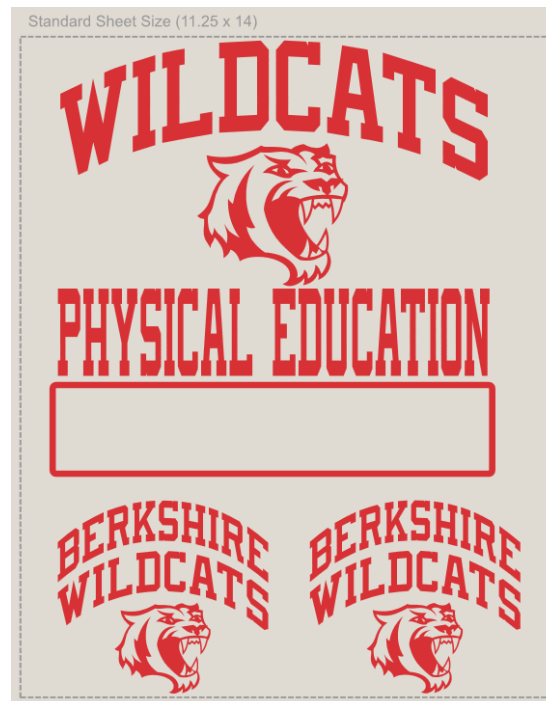
Overcome Price Objections

1. Know your audience/market
 - What do they value?
 - Offering – apparel styles, art
2. Define budget upfront
 - Craft an offer that meets that budget
 - Weed out requests that are unprofitable
3. The price is _____.
 - There is no negotiation.
 - Price grids/breaks in print.
4. Create an economy option.
 - good, better, best
 - Start with the “better” version
5. Make sure pricing is the actual objection



Reduce Costs to Increase Profits

- Screen printed transfer sheet pricing
 - Fill your sheet for the same price



- Example: You need 100 images
 - 1 per sheet: need 100 sheets - \$1.55 per sheet / \$1.55 per image
 - 2 per sheet: need 50 sheets - \$1.99 per sheet / \$1.00 per image



Reduce Costs to Increase Profits

- Where do you get your artwork?
 - Draw from scratch – costs time/money
 - Hire an artist – costs time/money
 - Buy art as needed – costs time/money
 - Pay for a subscription art service – costs time/money

- Easy View® online designer
 - Free designer with 12,000 pieces of art
 - Customize to make your own designs
 - Design and order easily and quickly
 - Save time and money





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