What's Your Price?

There are product categories where you establish the retail price. The factors are cost, quality, and the purpose for carrying the item. Here are a couple of exercises to help you think through the cost factors and your profit margin to help you then pick a price.

You'll learn the difference between a "mark-up" and "margin". These terms are used in the book and gift industries.

1) Deluxe Tote Bag with Bookstore Logo

Tote Bag with 1 color on 1 side - $5.80 each (for purchase of 100)
Screen charge (one-time): $35 / color
Art charge: $40 set-up
Shipping: $35 est.

Total cost per bag: $_____
Retail price: $_____
Difference between cost and retail price: $_____

Margin _____%
(Difference / Retail price)

Mark-up _____%
(Difference / Total cost)

2) Remainder or Bargain Book (publisher overstocks available through bargain book vendors)

Cost of book: $2 each
Shipping: $0.25 each

Total cost per book:$_____
Retail price: $_____
Difference: $_____

Margin _____%
(Difference / Retail price)

Mark-up _____%
(Difference / Total cost)

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Art charge: $40 set-up
Shipping: $35 est.

Total cost per bag:	$ 5.80 + .35 + .40 + .35 = $6.90		
Add:	$7.10 / $8.10		
Your price:	**$14.00 / $15**		
Margin	50.7%	54%	(Amount Added / Your price)
Mark-up	102.8%	117.4%	(Added $ / Total cost)

What other factors are involved in pricing logo items?

Some treat logo items as loss leaders, pricing them closer to cost because they act as advertising for your business. If you want people to use your logo totes, make them more affordable. Conversely, if you have a quality bag and a gorgeous logo, it may be a fashion item worthy of a higher retail price.

Some retailers use tote bags as a premium ("Buy $xyz and get a free tote bag"). In this case the cost is charged to marketing, not inventory. If you're both selling your logo item and giving some away, split the invoice when you code them into your bookkeeping system.

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2) Remainders or Bargain Books

Cost of book: $2 each
Shipping: $0.25 each

Total cost per book: $2.25

Add:	$2.74	$3.74	
Your price:	$4.99	$5.99	
Margin	54.9%	62.4%	(Added $ / Your price)
Mark-up	121.8%	166%	(Added $ / Total cost)

Where will you merchandise copies of this book?

If this is a book you'd carry at full price, consider selling it at the regular retail price and enjoying the extra margin. It will help you sustain the business when you can get extra margins when you can. Books like this can be regional books, classics, craft books, journals, and books in categories important to your shop.

How else might you use this book in your marketing?

Promote it as a loss leader! If you are in a market where people are price-sensitive, promote lower-priced bargain books to let people know they can find bargains at your bookstore. Many readers expect that prices will be higher at an independent bookstore, so many are delightfully surprised when they find a book on sale.

You may also consider using a bargain book as a premium ("Buy $xyz and get a free copy free").

Bargain books are non-returnable, so know how you'll use or sell the product before you commit to carrying remainders and bargain books.

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