



## Cultural Enterprise Factsheet

### Pricing Your Work

Pricing your work is notoriously difficult, but if you want to run a serious creative business that you intend to make a living from, you must be realistic about how much your work is worth. There are a number of ways to reach a price for your work – by calculating your costs and overheads, by calculating how much you need to earn in a year, or by researching how much your competitors charge. The most reliable way to develop a pricing structure is to use a combination of these methods to ensure that you are able to sell work at a reasonable price which enables you to make a living. The correct price, however, is the price the customer is prepared to pay.

#### Calculating the cost of production

To calculate the cost of an item, all materials and overheads should be taken into account, including:

- Materials; keep good records of all the materials used, including suppliers, prices, invoices, discounts, etc.
- Utilities; the use of electricity, water, rent, transportation, etc.
- Time/Rate per hour; record the number of working hours spent completing the job, if necessary differentiating between design time and production time. Charge these hours at your rate per hour (see details below).
- Outworking/subcontracting; any specialist work done by others.
- V.A.T; any VAT you pay on materials is simply passed on to your customer. Businesses only need to register for VAT if their annual turnover above £60,000.
- Markup; the percentage profit added, which usually ranges from 60-100%. It is good practice to maintain a retail price, so if you sell direct to a customer and you also sell the same or similar work in a through an agent/gallery/dealer, you should maintain the same price so as not to undercut the agent.
- Marketing; the cost of marketing the product and yourself as a creative practitioner.

The following formula can be used to calculate the cost of your product;

MATERIALS + TIME + (OUTWORK / V.A.T.) = PRODUCTION COST  
If applicable

+ MARKUP (%) = WHOLESALE PRICE + MARKUP(%) = RETAIL PRICE



Once you have established a 'feeling' for the price of your work you may not always need to apply this formula, however it is a good idea to check occasionally to be sure that you are maintaining satisfactory margins.

### **Calculating a Rate**

If your practice is service based rather than product based, or you tend to work on commission, it may be more effective to calculate a daily or hourly rate. The method used to do this takes into consideration many of the same factors as working out the cost of production, but takes as its starting point the amount you need to earn in a year as opposed to the cost of each item.

Start with a realistic required annual salary that includes your living costs and divide this figure by your number of working hours in the year (remember that there may be some periods where you can't find work). Annual Expenses might include (amongst others); Rent/Mortgage, business rates, insurance, utilities, equipment expenditure/maintenance, stationary, postage, marketing, travel, pensions, exhibition costs, subscriptions, and professional advice (e.g. accounts, lawyers, etc).

A number of professional bodies have developed pricing guides to help ensure good practice amongst freelance practitioners, for example, a fees toolkit, which provides a step-by-step guide to calculating an individual daily rate and prepare quotes for freelance work is available on the AN website (<http://www.a-n.co.uk>); (see the links section below for further information).

The following formula will also help you to calculate an hourly/daily rate;

Total annual expenses ÷ number of working weeks (e.g. 48) ÷ number of working hours per week (e.g.40) = rate per hour

If you find your rates are too high, it might be worth developing another income stream alongside your professional practice, such as teaching, part-time administrative work, providing technical services to other practitioners, etc.

### **Commissions**

When working to commission you will need to estimate the cost of material and time. Always add a 20% contingency; it is much better that your final price works

out below the estimate then have charge your customer more or absorb the extra costs yourself.

Remember a quotation is binding; you have to deliver for that price. An estimate is what it says, but always inform the client as soon as possible if you are going over price and negotiate new figures. If the client insists on quotation build in contingency. Make sure all correspondences are in writing and draw up a commission agreement that both parties sign. Information on contracts can be found at <http://www.a-n.co.uk>, <http://www.artquest.org.uk> and <http://www.itc-arts.org>.

### **Researching the Market**

Researching the market is a way of discovering if your prices are competitive and reflect your experience. The price of creative products can be based on the creator's reputation and experience as well as practical considerations. This means that you have to be honest with yourself about where you are in your career; a recent graduate cannot expect to sell their work at the same price as a practitioner who has spent twenty years developing their reputation.

By visiting galleries, retail shops, websites, etc, you will soon develop a pricing scale and be able to locate your product/service within this scale. Once you have done this, you will be able to ascertain if your intended market would be able to afford this price. If your production costs or rates are too high for the market you may have to consider changing or adapting your product/service, for example, by;

- Reducing material costs
- Changing design / production methods – you may be able to reduce costs dramatically by 'batch production' methods rather than 'one off'
- Changing to a market place that will support higher retail prices
- Not making the item at all

As your practice develops, you will be able to increase your prices. Reasons for doing so might include consistence critical acclaim, collectors buying your work, demand exceeding supply, or inflation.

### **Final Tips**

- Be realistic about your place in the market – who are your contemporaries?
- Always ensure that you can afford to sell a product/service – how many will you have to produce a week to cover your living expenses?
- Identify who your customers are – will they be able to afford your product?
- Remember to include all your overheads in your prices, for example, utility bills, marketing costs, and equipment maintenance.
- Keep your prices in line with industry suggestions

## **Further sources of information**

<http://www.a-n.co.uk> – recommended rates of pay for visual artists and craftspeople

<http://www.theaoi.com> – recommended rates of pay for illustrators

<http://www.bectu.org.uk> – recommended rates of pay for broadcasters and animators

<http://www.equity.org.uk> – recommended rates of pay for actors

<http://www.itc-arts.org> – recommended rates of pay for performing arts organisations (developed in association with Equity)

<http://www.musiciansunion.org.uk> – recommended rates of pay for musicians

<http://www.ism.org> - recommended rates of pay for musicians

<http://www.writersguild.org.uk> – recommended rates of pay for writers

<http://www.thedesigntrust.co.uk> - a downloadable business start up guide which includes pricing and costing information

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