

# How to Calculate a Product's Price

Setting the right price point for a product can make or break your bottom line. Too high and you won't move enough units. Too low and you'll go out of business. This worksheet will guide you through different scenarios so you can make informed decisions about what to charge for your goods and services.

## STEP 1. COST

Before you set a price, you have to know your cost.

1. What is your purchase price or materials cost, per unit? \$ \_\_\_\_\_

2. What do you spend on shipping, per unit? \$ \_\_\_\_\_

3. Any additional costs (customizing details, etc.)? \$ \_\_\_\_\_

**TOTAL COST PER UNIT** (add 1-3 above): \$

## STEP 2. EXPENSES

Estimate the percentage of your overall business this product will occupy. Is it an impulse buy (~1% of your business), a staple item (~10%), or your sole offering (100%)? \_\_\_\_\_%

Now calculate the total cost of running your business for one month. This includes all your big expenses: rent, utilities, insurance, wages, etc. (Read "[How to price a product profitably](#)" on the Clover blog to learn more). \$ \_\_\_\_\_

### NOW CALCULATE:

$$\begin{array}{ccccc}
 \$ \text{  } & \times & 0.\text{  } & = & \$ \text{  } \\
 \text{Expenses (per month)} & & \text{Percentage of business} & & \text{Expenses (for total product)}
 \end{array}$$

$$\begin{array}{ccccc}
 \$ \text{  } & \div & \text{  } & = & \$ \text{  } \text{ b} \\
 \text{Expenses (for total product)} & & \text{Number of units sold per month} & & \text{Expenses per unit}
 \end{array}$$

## STEP 3. COST PLUS PRICING MODEL

Using the information above, create a pricing structure starting with a 20% profit model.

$$\begin{array}{ccccc}
 \$ \text{  } \text{ a} & + & \$ \text{  } \text{ b} & = & \$ \text{  } \text{ c} \\
 \text{Cost per unit} & & \text{Expense per unit} & & \text{Break even price per unit}
 \end{array}$$

$$\begin{array}{ccccc}
 \$ \text{  } \text{ c} & \times & 0.20 & = & \$ \text{  } \text{ d} \\
 \text{Break even price per unit} & & \text{This is your 20\% profit} & & \text{Profit per unit}
 \end{array}$$

$$\begin{array}{ccccc}
 \$ \text{  } \text{ c} & + & \$ \text{  } \text{ d} & = & \$ \text{  } \\
 \text{Break even price per unit} & & \text{Profit per unit} & & \text{SUGGESTED PRICE TAG}
 \end{array}$$

You can adjust this price by calculating different levels of profit, or by examining Competitive Pricing and Demand Pricing models. Learn more by reading [How to price a product profitably](#) on the Clover Blog.

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