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THE EMBROIDERY COACH

How To Price Embroidery Price List Preparation Module 1

How do I figure pricing for my embroidery is a question that is on every new embroiderers mind and a question that seems to have a lot of different answers depending on which expert you talk to in the embroidery industry?

I teach from my experience, my own 20+ years of having my own multi-head embroidery business and then another 20 years that I have been training and helping other embroidery professionals start and grow their embroidery businesses. I have had the privilege of helping many embroiderers become very successful as a result of working through this program and gaining the confidence to charge exactly what they are supposed to be charging, not what they think the market will bear!

This is a huge struggle for so many embroiderers, but great pricing is the one area within your business that will help to take you from constantly struggling to becoming comfortable! This is what I want for all embroiderers. It is my hope and dream that every embroiderer that goes through this pricing program will create the pricing structure that will help them move to that next level within their business that will take them out of the struggling mode.

Before starting this program, it is very important that you take it step by step. Do not skip around. Start with the very first module and with this very first video. After watching this video, go on to the next video of Developing the Right Mindset. The right mindset is extremely important in creating your pricing structure and running your entire business.

Before you can create your pricing structure, you must become organized and get all of your expenses together. In the video, **The Expense Spreadsheet Workbook**, I show you exactly how to do that.

Inside of this **How To Price Embroidery** program, I teach you how to take those expenses and add them to your **Pricing Structure Workbook** and it will give you what you need to break even in your business. I also teach you how to build in expenses within your Workbook for future growth. Your business cannot grow if you do not have it built into your original pricing structure. It just keeps you in that constant struggle. Until I learned this and accomplished it, I was on a constant merry-go-round that was taking me nowhere!

You may have heard my story of how I almost lost my business because of underpricing. I did what most embroiderers do; I gathered everyone else's price lists and averaged them out to create my own price list! Sometimes I would give the customer the lowest price around just to get the business and this was a huge mistake! So many embroiderers start out doing exactly the same thing that I did and that is a practice that must stop!

Embroidery businesses from all over the world fall into one of these categories:

- Single head or multi-head shops in the home
- Small shops in retail locations
- Retail sporting goods or gift stores offering embroidery as an add on service
- Multi-head shops offering only contract embroidery
- Manufacturing firms that include embroidery in their products
- Internet based shops offering gift items with embroidery

Whatever category your embroidery business falls into, this program will help you create a profitable pricing structure.

The best scenario, of course, is the shop whether it is a single head or multi-head, that will offer both embroidery and garments. Being able to create a profit center with both is by far the best kind of business to be in! It is tough to survive on embroidery service alone!

We are going to concentrate on the scenario that embroidery is your primary business and that is what you are deriving most of your revenue from. Obviously embroidery is a service business and sometimes it is a tough service business!

Many decorating apparel shops offer other services as well as embroidery, this does not include selling the items that are embroidered. They offer services such as making banners, twill sewn on sports uniforms, heat press transfers, DTG printing, sewing services or even screen printing. No matter what other services you offer, this program will help you create your pricing structure for each one of them.

Myths That Stand In Your Way Of Pricing What You Are Worth!

There are many myths that stand in the way of creating a pricing structure that allows an embroiderer to charge what they truly should charge for their products or services. The main ones that I want to talk about are:

- **My prices must be lower than the competition!**

This could not be farther from the truth. In today's competitive business climate, it often seems that price is the customer's most important reason for buying. If this were true we would be very limited in our choices and there would be no high-end products available in the market place. People are looking for choices; convenience, quality and image, not just low prices. Many people start out trying to build a business by lowering their prices and think that they will raise them as soon as they build up their clientele. This is a very difficult way to build your business and you will be struggling forever trying to stay ahead of the competition. There is always someone that is going to try and undersell you even for a few pennies. Long term success comes from offering more than low prices.

Is there a service or a process that you can offer your customers that they cannot get from any of your competition? What is it that you can do to be more efficient than the competition? It is usually better to focus on being different in a particular market rather than trying to compete directly. Find a unique strategy or a way to position your products or your business differently in the marketplace.

Perhaps you can offer a faster turnaround time, even while they wait. This is usually not possible, but in some locations it is very possible. Fast turnaround time is huge in a lot of markets. The average turnaround time today in shops is two to three weeks. It is getting

worse instead of better. If you can offer a faster turnaround with quality service, you can definitely charge more.

Spend some time educating your customers about the benefits, services and value that they will be receiving by doing business with you.

Offer the best customer service that you can possibly afford. Everyone loves to be treated special. People will pay a premium for such service.

- **Cost plus desired profit margin is the final selling price!**

Using this method is quite simple, but this is only true if you want to go out of business quickly. This does not allow for any type of cushion to work with and nothing for growth. There are many factors involved when you are creating your pricing structure, but we will discuss that a little later.

- **Low prices will create loyalty!**

Always rewarding my customers the lowest price will surely create loyalty! With this type of customer, the loyalty ends as soon as the next embroidery shop offers a lower price. This type of customer is constantly price shopping and is not the type of customer you want to do business with. They are a large disruption to your business and will bleed you dry.

A classic example of a customer of this type will promise you that they are going to be bringing in a large job or many large jobs and will want you to quote on those large numbers. Of course, their first job is only a small one, but since they are going to be bringing in a lot of work, they expect the low price for this first one!

I recently had a client that worked very hard to give their largest customer lower prices because they were constantly feeling threatened by this customer. Other embroiderers were trying to get their work and kept promising lower prices. My client kept lowering their prices until it was truly costing them to do this customer's work.

This large customer brought in larger jobs, and my client had to hire extra help that dramatically increased his costs. It was a losing situation

all the way around. Keeping track of all of your costs associated with each job gives you data that you can measure and evaluate. Once my client started keeping track of their costs with each job using a **Production Tracking and Timing Form** it was a proven fact that they were truly losing money working with this customer. They were also losing a lot of money on artwork and design preparation because this customer was demanding **FREE** setups. He could get **FREE** setups someplace else.

Through much evaluation, my client discovered that working with this customer was not a good business decision, so he let this customer go. It is OK for you to choose not to do business with someone that is not profitable to you. It does not make good business sense to continue doing business with a customer on the basis that the situation will change or maybe if you can hang on for a while, you can raise your prices. This way of thinking does not work.

This company is now in the position of rebuilding what they have lost in volume and is working with smaller customers. By working with smaller companies, they are able to charge more for their work and increase their profit margin with a lighter work load.

Many times, customers like to play games with you. They go from shop to shop looking for the lowest price. Even if they know that you have a good price, they still want to try and get a lower one. They are truly a waste of your time and energy!

Focus your efforts on the customers that are loyal and give them the best value that you can. Sometimes a job will take less time than you had planned. You can then reward this customer with a discount or even give him something that he did not ask for. This could be an extra shirt, an additional service or even free delivery! This will pay off in huge dividends.

- **I have money coming in every day, it pays the bills!**

There is a big difference between money coming every day to pay the bills and making a profit. Many times, we just fool ourselves into thinking that everything is OK and Yes, we are making a profit. After

all, I am paying my bills or most of them. Answer truthfully the following questions:

- Are you able to pay all of your bills as soon as they come in?
- Are you able to take advantage of all of the discounts from suppliers?
- If you are using credit cards, is the total balance paid off at the end of every month?
- Are you paying yourself a salary? Is it the kind of salary that you want, or it is just enough to get you by?
- Is there enough money set aside for the lean months?
- Is all of your equipment paid off?

You will know that you are making a profit when your income is greater than all of your expenses!

- **Drop your prices if sales are lagging!**

If sales are down, drop your prices and sales will automatically increase. I see this over and over, especially at the time of year when sales are slow. It may be

true, but with this approach to lagging sales, all that you are accomplishing is leaving money on the table and lowering your profit margin.

Lowering your price can many times bring you a lot of work, but it is not always the kind of work that you are looking for and you may have to hire new employees to be able to handle the increase in your work load. This will lower the profit margin even more. Training new employees is very costly and many times mistakes are made that also lower the profit margin.

You must evaluate your whole situation before you even think about lowering your prices and if you are keeping track of all of your job costs you may discover that lowering your price is impossible. It may be time to look at other aspects of your business to see how you can decrease your costs or gain more add on sales through your current customer base.

- **I just started my business; my prices have to be lower so that I can get the work!**

You feel like you are charging your customers for your education and in all reality, you worked for a long time studying the competition, learning your

trade, setting up your shop and creating samples.

Lacking confidence in your pricing creates the feeling that you need to start out with the lowest prices and then you can raise your prices after you are in business.

Once you are ready to start your business, your prices should reflect your costs and what you want to charge not the price of your competition. Your cost of doing business is not the same as that of your competition. There is no way that

you can base your prices on any one else's. You do not need to start out with lower prices to get the business. You need to offer a quality product with good service to get the business.

- **With my new software, I can create designs faster, so I do not have to charge as much!**

Time is money, but so is the investment that you made in upgrading your software or any new technology. Each upgrade or seminar class is another investment and it takes a certain amount of time to recover your investment.

This does not mean that since you have received more knowledge or software enhancements with the main purpose of allowing you to work faster that you should now charge less. If anything, you should charge more! You have invested more into your business and as is in any business, you must recover your costs before you can start to see any profits.

Pricing is as Individual as your Business

Your pricing must be developed for you as an individual and for your business. Your pricing is based on all of your business expenses, the profit that you want to make, your business growth, your market niche, perceived value and your geographical location.

Business Expenses - These are all of the expenses that it takes to operate your business on a daily basis.

Profit or Markup - This is the amount that you are adding to your breakeven point to create your profit.

Business Growth - This is the amount added for growing your business such as adding new equipment, moving into a larger space, add employees etc.

Market Niche- In the embroidery world you cannot survive by trying to serve the same market that everyone else is serving. Most of the embroiderers that start their new business are in the corporate market, hats, golf shirts, t-shirts, sweatshirts, jackets and etc. You must find a market for yourself that other people aren't willing to service or find a way to set yourself apart from the other embroiderers in the same market.

Perceived Value- Many products or items of service can be marked up higher than others because of the perceived value, such as a cap. A cap can be marked up 2 or 3 times what the cost is to you, but you would generally not mark up an expensive leather or wool jacket or golf shirt 2 or 3 times unless of course you were in that type of market niche. You may be in a high-end market such as gift shop in a resort location that caters to one segment of the population.

Your geographical location- If you are in a Mall your pricing is usually perceived to be higher than if you are in a small shop in a strip mall. If you have a shop that is located in an affluent neighborhood, your prices will also be perceived to be higher or because of higher rent, your prices must be higher. Again, if you are in a resort location, you can automatically charge more for your items.

You cannot charge according to what the business across town is charging. Many embroiderers make this mistake and do not stay in business very long because they are not making a profit.

Everyone has different wants, needs, expenses, markets, situations and equipment. Your formulae must be created using your numbers and yours alone.

Does anyone have a magic formula? I don't think so! There have been many articles written about pricing in the trade magazines and every article has a different approach, but it always boils down to the fact that you have to know what your true costs are each and every month before you can begin to establish a good pricing structure. You and you alone can create the pricing structure that will work for you and your business situation.

Before you can start creating your pricing structure, you need to know a little bit about working with spreadsheets. If spreadsheets are unfamiliar to you, I

have created a video showing you how to work with spreadsheets. Go through this video before you start to work with your spreadsheets if you have not done that already.

If you do not have Microsoft Excel you can download a free program called [Open Office](#) and start using that. It works the same as Microsoft Office. The program inside of [Open Office](#) that you will be using is “Spreadsheet.” You can open up each one of these spreadsheets in Open Office.

Pricing Structure Workbook

Inside of Module 2 I will be giving you the **Pricing Structure Workbook** and I will be going over each page. Make sure that you have your Year-End Workbook with the Expense Spreadsheet inside filled in with all of your expenses before going on to Module 2. This is very important. Each module is dependent on the previous module. You cannot work in Module 2 until you have module 1 completed.

Thank you so much for watching Module 1. In Module 2 I am going to go over the different spreadsheets within the Program and explain each one.

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