Pricing for PROFIT Blueprint
or…
How to Make $$$ with your Embroidery Machine

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Pricing is one of the topics we cover the most often with NNEP members and new embroidery professionals. Many embroiderers & apparel decorators are not sure where or how to set their pricing. Many new embroidery business owners guess, hoping for the best… You will never have to do that after today! ☺

Here is a blueprint to help you develop a pricing structure for your embroidery & apparel decoration business. Hopefully, this exercise will prove to be informative for you, by either confirming your existing pricing, or by motivating you to refine your prices so that you are indeed making the profit in your business that you desire.

If you are new to the embroidery & apparel decorating industry, you will in fact have to guess to determine some of the numbers on this worksheet. If you have been in business for at least 6 months, you should have enough information available to make educated estimates. If you have been in business for a while, you might find that using this blueprint helps you achieve the profit goals you have.

There are many ways to approach pricing for your business. To ensure that you are actually making a profit, it is essential to know your costs of doing business. Complete the following exercise and you may learn a great deal about your business!

FYI – there are many excellent business management/pricing products available for embroidery & apparel decoration business owners. I am presenting this exercise merely as a starting point, to address the basic (yet eternal) question, “What should I charge?”

COST-BASED PRICING BLUEPRINT for Embroiderers & Apparel Decorators

	FILL IN	RESULTS
A. Fixed Overhead/ Hour	_____A	
B. Labor/Hour	_____B	
C. Materials, Supplies, ETC./Hour	_____C	
D. **A+B+C= PRODUCTION COST per hour**		_____D
E. Sewing Speed per Minute	_____E	
F. Stitches in Design (Include 75 stitches per trim)	_____F	
G. Set Up Time for New Job in Minutes	_____G	
H. **F ö E = SEWING TIME in Minutes**		_____H
I. Loading Time Between Runs in Minutes	_____I	
J. Color Changes, Thread Breaks, Misc. Lost Time in Minutes	_____J	
K. **H+I+J= RUN TIME in Minutes per Run**		_____K
L. **60 ö K = RUNS PER HOUR**		_____L
M. Number of Heads on Machine	_____M	
N. **L x M = UNITS PER HOUR**		_____N
O. Number of Units in Order	_____O	
P. **O ö M = # OF RUNS TO COMPLETE ORDER (Round up to Next Run)**		_____P
Q. **(P x K) + G = TIME TO COMPLETE ORDER in Minutes**		_____Q
R. Q ÷ 60 = TIME TO COMPLETE ORDER in Hours		_____R
S. (D x R) ÷ O = COST PER UNIT		$_____S
T. **(S ö F) X 1,000 = COST PER 1,000 STITCHES – *no profit yet!***		$_____T

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COMING UP WITH THE NUMBERS FOR THE **COST PRICING BLUEPRINT**

A. FIXED OVERHEAD/HOUR- Take an average year of expenses and divide by 50, the number of workweeks in a year, and then divided by the average number of machine running hours per week. For this use, fixed costs include: Rent or mortgage, (home based businesses should include at least a couple hundred dollars per month- if you ever intend to leave the home), equipment payments, insurance, company vehicle, office expenses (pens, paperclips, copy machine, computers, etc.), utilities, professional fees, advertising, postage, telephones, annual maintenance and repair fees, loan payments, salaried staff wages and benefits (that means YOU!). One thing many embroiderers do not account for when establishing costs and setting profit margins is their own salary. An embroiderer's salary is not what is left over after all the bills are paid. Be sure to include a base amount in the equation for your time. These are the expenses that you will have whether you open the doors or not.

B. LABOR/HOUR- Production wages and benefits. Include all actual costs for employees. Generally, 130% of hourly wage includes workers comp, unemployment, taxes, etc. and benefits.

C. MATERIALS & SUPPLIES/HOUR-This is easiest to calculate as a percentage of your labor costs, as it changes as the hours of production change. The percentage varies greatly. It can range form 10%-150% of the costs of your labor/hour. This covers the cost of thread, needles, backing, bobbins, spray, etc.

E. SEWING SPEED- The sewing speed varies form job to job. Use the speed at which you normally operate your machines to create quality embroidery.

F. STITCHES IN DESIGN- Include 75 stitches per trim as a base line. Excessive trimming, like in lettering, can double the sewing time on a job!

G. SET UP TIME- This is the amount of time consumed from when you say "This job is next," until the first run is actually sewing. It may include: threading, pre production sample, changing hooping systems, loading the design, programming the machine, and unpacking, inspecting, backing and hooping the inventory.

I. LOADING TIME BETWEEN RUNS-The time it takes form the end of one run to the start of the next run.

J. COLOR CHANGES, THREAD BREAKS, MISC. An estimated down time per run for bobbin changes, rethreading, etc. Include at least 2 minutes as a minimum.

K. RUN TIME-see equation. This is your actual "start" to "start" time to run the job.

L. NUMBER OF RUNS TO COMPLETE ORDER- This is the total time from set up time to order completion, assuming that trimming was done while the order was being stitched.

R. HOURS TO COMPLETE ORDER-This is helpful for scheduling production time and staff for reruns and similar orders.

S. COST PER UNIT-This is your break even cost to produce the embroidery. Your profit is what you charge **above** This number.

T. COST PER 1000 STITCHES-This is necessary to know –but remember this is your **COST!** You have to charge more than your cost to make a PROFIT!

This equation is based on the assumption that all trimming is completed while the job is being run. It does not include time for folding, bagging or tagging products. These fees must also be included in the equation when appropriate. Add the additional time to (R) in the equation to get a correct number of hours to truly complete the job. Some people also believe that if you take the total machine hours and double it, that will give you a true feel of total hours required to complete a job, from "This job is Next" to "This job is ready to be picked up." If you are using this method, change the machine running speed from 300-400 spm to your average spm speed. **Are you charging enough to be operating a profitable business?**

EXAMPLE CALCULATIONS

	1 HEAD BUSINESS	4 HEADS	6 HEADS	12 HEADS
A. RENT/UTILITIES/MAINT.	**8900**	**1200**	**1500**	**1900**
EQUIPMENT LOAN	**13000**	**15000**	**20000**	**30000**
INSURANCE	**2000**	**2400**	**2800**	**3500**
COMPANY AUTO	**1400**	**1600**	**1800**	**1800**
OFFICE EXPENSES	**1400**	**2700**	**7000**	**7000**
ADVERTISING	**900**	**1300**	**3000**	**3000**
EQUIP MAINT./REPAIR	**1000**	**1300**	**2000**	**2800**
DUES/SUBSCRIPTIONS	**500**	**1500**	**2500**	**2500**
TRADE SHOWS/CONF.	**800**	**800**	**800**	**1600**
PROF FEES-	**325**	**500**	**500**	**1000**
LEGAL/ACCT.				
SALARIED STAFF	**10000**	**15000**	**20000**	**35000**
TOTAL	**40,225ö50 WKS**	**54,100ö50 WKS**	**75,400ö50 WKS**	**107,200ö50 WKS**
	ö **30 HRS= $26.81**	ö **30 HRS=$36.07**	ö **40 HRS=$37.70**	ö **60 HRS=$35.74**
B. LABOR	**0**	**0**	**25500/$12.75**	**35500/$11.84**
C. SUPPLIES	**1400/$.93**	**2000/$1.33**	**2600/$1.30**	**4200/$1.40**
D. PRODUCTION COST	**$27.74/HOUR**	**$37074/HOUR**	**$51.75/HOUR**	**$48.98/HOUR**
E. SEWING SPEED	**300**	**300**	**400**	**400**
F. STITCH COUNT	**6000**	**6000**	**6000**	**6000**
G. SET UP TIME-NEW JOB	**25**	**25**	**25**	**25**
H. SEWING TIME	**6000ö300= 20 MIN.**	**6000ö300=20 MIN**	**6000ö 400=15 MIN**	**6000ö400=15**
I. LOAD TIME BETWEEN	**1**	**2**	**2**	**3**
J. COLOR CHANGES/LOST	**2**	**3**	**3**	**5**
TIME				
K. RUN TIME	**20+1+2=23 MIN**	**20+2+3= 25 MIN**	**15+2+3= 20 MIN**	**15+3+5=23**
L. RUNS PER HOUR	**2.6**	**2.4**	**3**	**2.6**
M. NUMBER OF HEADS	**1**	**4**	**6**	**12**
N. UNITS PER HOUR	**2.6**	**9.6**	**18**	**31.2**
O. QUANTITY	**12**	**12**	**72**	**144**
P. RUNS TO COMPLETE	**12**	**3**	**12**	**12**
Q. MINUTES TO COMPLETE	**301**	**100**	**265**	**301**
R. HOURS TO COMPLETE	**5.02**	**1.67**	**4.42**	**5.02**
S. COST PER UNIT	**$11.60**	**$5.25**	**$3.18**	**$1.71**
T. COST PER 1,000 ST.	**$1.93**	**$.88**	**$.53**	**$.29**

The numbers shown above are for illustrative purposes only.

Do this cost pricing exercise with YOUR numbers to determine your cost of doing

JOB PROFITABILITY CALCULATOR

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YOUR RESOURCE FOR SUCCESS

INCOME (Prices charged for product + embroidery or decoration)

$_____Total charged for item_____ x _____# of items = $_____

$_____Total charged for item_____ x _____# of items = $_____

$_____Total charged for item_____ x _____# of items = $_____

OTHER INCOME:

$_____Charged for digitizing = $_____
$_____Charged for art = $_____
$_____Charged for freight = $_____
$_____Charged for _____ = $_____
$_____Charged for _____ = $_____

TOTAL INCOME of the order = $_____(A)

COSTS:

Cost per item $_____x_____# of items _____ = $_____
Cost per item $_____x_____# of items _____ = $_____
Cost per item $_____x_____# of items _____ = $_____
Actual hours to complete job _____ x $_____/hour* = $_____
Actual cost for digitizing = $_____
Actual cost for freight = $_____
Actual cost for _____ = $_____
Actual cost for _____ = $_____

TOTAL EXPENSES of the order = $_____(B)

PROFIT EARNED (A) $_____ - (B) $_____ = $_____

*Your hourly rate to exist as a business, including your overhead, labor, insurance. If you do not know this amount or how to calculate it, complete the Pricing for Profit Blueprint from NNEP.

Notes and pricing recommendations for re-orders:

_____
_____
_____
_____
_____
_____
_____