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WESST Helps Artisans Get the Right Price

By Kim Blueher, Director of Lending, WESST

WESST is a statewide small-business development and training organization that works with many small-scale entrepreneurs who have never accounted for all the underlying costs of getting their product or service to market. Some haven't asked themselves how to know they're operating at a profit and how few sales they can make and still break even.

An example is a well-known ceramist who sought help from WESST because her healthy sales at arts and crafts fairs weren't covering her basic living expenses. When WESST guided her through a price evaluation for her product, she discovered she was only charging about \$2 more than what it cost her to make her ceramic dishes: She had neglected to add the time of her own labor to her costs.

Adding Up the True Costs

Most entrepreneurs are highly skilled and passionate about their work, yet many resist calculating the actual costs of doing business. If they did, they would realize they are operating at a loss.

Rather than blaming poor cash flow and trying to finance the business through credit card debt and small-business loans, the entrepreneur should first understand all production costs, including intangibles like time. He should then determine the appropriate price for the product or service — a tricky task, as pricing is an art and a science.

The variables to consider when setting price are competitors' prices, the relative quality of a product or service, the convenience the product provides and customers' emotional buying habits. If the price is too high, some customers will settle for something else, while others may be convinced the expensive product is a better one. Lowering the price sometimes generates larger sales volume, but if the price is too low, the business won't be profitable.

Once an entrepreneur knows her costs and her potential price, she can set the break-even point and adjust the price based on expected volume to achieve profitability.

The Best Investment

WESST once worked with two women who wanted to open a dance studio. After performing a break-even analysis, the women realized they would need to conduct six or seven full classes

each day just to cover their costs. This unrealistic scenario convinced them to change directions.

This illustrates how taking the time to truly understand the pricing model of a business is one of the best investments a business owner can make. Such financial savvy can help him navigate the rough waters of the economy and changing markets.

WESST supports hundreds of artists and craftsmen through workshops held at its New Mexico training centers in Albuquerque, Rio Rancho, Las Cruces, Roswell, Farmington and Santa Fe. It also supports clients through events such as this year's Winter Craft Fair, where more than 40 New Mexico artists will offer their products at the Santa Fe Incubator, 3900 Paseo del Sol from 3 to 7 p.m. Dec. 14. For workshops, visit www.wesst.org and click on the events tab.

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