



An introduction to setting your prices and considering where you are pitching yourself in the market

Welcome to the Being Finance Savvy for Busy Creatives factsheet (Part Two), summarizing the key points from the Workshop session delivered as part of the Flourishing Barnstaple Programme. This guide will provide you with an overview of how to cost your products & services, factoring in your overhead costs and valuing your creative time. It will also look at assessing whether you are creating low value/high volume items or high value/exclusive goods, or a mix of both.

What to consider when setting your prices? When setting the price for selling your products or services, you need to ensure you are charging enough to cover the cost of production in addition to the amount of time spent creating or producing them. You also need to factor in all marketing and selling related costs as well as the administrative costs of running your business. Ideally you want to incorporate a reasonable level of profit, and the resulting price has also got to be acceptable to your customers.

Cost plus vs Value-based Pricing? The traditional method of pricing goods, known as 'Cost Plus' is usually used for tangible products and is based on applying a percentage mark-up on top of the direct production costs to cover the fixed costs and make a profit. The alternative approach is to set a price based on what you think the market will bear and is often affected by factors such as fashion, convenience & market share.

What is the difference between Direct Costs and Overheads? The costs incurred in running a business generally fall into two categories: Any costs incurred solely in the process of making/creating your 'stock in trade' or providing a service to your customers are known as 'Direct Costs' or 'Variable Costs' as they are directly linked to the product or service you are selling, and they fluctuate with the quantity or volume of sales.

All other costs incurred by the business outside of the creative process and which need to be paid regardless of whether you make any sales. These are referred to as 'Overheads' or 'Fixed Costs'.

How do you calculate Direct Costs? Direct costs are unique to each business and need to be assessed for all stages of production. For an artist, this could include physical items such as paints, thinners, masking tape, canvases, frames and mounts. It could also include the time taken to research the subject matter, plan the design, create outline sketches, or travelling to visit different locations.

There may also be costs associated with hiring props or paying a model for their time and there is then the actual time taken to create the finished artwork. Once completed, there may be additional costs associated with crating or packing it up and shipping it to the customer, (i.e. packing materials, carriage costs, insurance, etc.)

In theory, this is probably the most straightforward element to calculate and is simply a matter of monitoring the materials used to create a product which is to be sold. Ideally, take a 'typical' example of your work and write down every cost element involved in its creation.

How do you identify your Overhead Costs? The way to identify which costs fall into this category would be to think about what bills would still need to be paid even if you sat in your studio or workshop without producing anything. On a Profit & Loss Statement, these are the costs that are listed after the Gross Profit and before the Net Profit. They will include routine bills such as electricity, mobile phone, marketing, insurance as well as things like membership fees & subscriptions, course fees and cleaning materials, repairs & renewals.

How do you put a value on creative time? This is going to vary from person to person and will depend on a number of factors, such as how much time is spent working in the business and what other demands are made on your time. If you work full-time in your business, assuming an average of 40 hours per week spent working in the business, and allowing for, say, four weeks' holiday, this equates to 1,920 hours per annum (40 x 48)

Not all of these hours will be spent undertaking income generating work: quite a bit of time will be taken up with administrative tasks. Using the formula suggested by the Scottish Artists Union, based on a 65%/35% split of time, this would indicate that approximately 1,248 hours are spent engaging in income-generating work activities over the course of a typical year (1,920 X 65%).

Having worked out that we spend an average of 1,248 hours p.a. engaged in income generating work, we can now apportion the overhead costs accordingly (i.e. Total Overhead Costs ÷ 1,248) to give you an hourly rate that you can use as a starting point. You then need to determine a reasonable level of personal income that you would like to generate from the business.

The National Minimum Wage was set at £12.21 per hour with effect from April 2025 although, according to global data gathering organisation statista.com, the median rate for full-time employees in the South West was £17.67 per hour in 2024. By comparison, the Scottish Artists Union alluded to previously, have suggested rates ranging from £28.30 per hour for new graduate artists, rising to £44.00 per hour for artists with 5+ years' experience (although these rates already include an allowance for overhead costs).

This results in a very broad range for potential hourly earnings of £12.21 to £44.00 and you will need to consider the affluence of your target market to strike a balance between valuing your skill and experience and ensuring that your work is affordable for your customers.

Is your work 'Low Value/High Turnover' or 'High Value/Exclusive'? Once you have established how much it costs to create your products or artworks, you need to think about how much customers are likely to be willing to spend. Are you creating high quality artworks that would belong in a Fine Art Gallery? Or are they more artisanal in nature, and likely to be sold at a local craft market?

If your artworks are more exclusive in nature, you will be looking to add a premium to the prices to reflect their popularity and expected demand (you will also need to allow for the studio or gallery commission charges). On the other hand, if you are looking to appeal to the local tourist market, you may need to keep your pricing down to attract the attention of people buying on impulse – potentially even considering 'pocket money' rates.

These are, of course, over-simplified examples and it is more likely that your work will sit somewhere between the two or, maybe, even include examples from both ends of the spectrum!

Is a mixture of 'exclusive' and mass-produced okay? It is certainly possible (and, potentially, quite a prudent move) to sell items pitched at different levels, so that you broaden your target market and capture the best of both worlds. However, you do not want to risk undermining the perceived value of your 'high-end' products by selling similar items at bargain prices. Also, if you are selling through a well-respected gallery, they will not be too impressed if they are exhibiting a painting priced at £2,000 and you then start selling very similar pictures for £300.

One way around this might be to use separate channels for selling different styles, for example exhibiting Fine Art portraits and still-life paintings in a high-end gallery and supplying a selection of seascapes to local tourist gift shops. It might even be possible to take this a stage further and sell low-cost prints of the seascapes, or create merchandise such as coasters, calendars, greetings cards or similar.

How do you create 'Exclusivity'? It is important to be able to differentiate the different aspects of your business and it may even be appropriate to create distinct 'brands' to minimize any risk of cross-over.

Depending on the nature of your work, it may be possible to create a small seasonal collection of particularly well executed items, ideally with a unifying theme. For a painter, this could also include a limited edition run of prints which are no longer available after the season has ended.

A similar principle could be adopted for artisanal craft-wares, such as a range of jewellery, pottery, ceramicware or turned wooden designs. Over time, regular customers will want to collect the latest designs and will start to look out for the launch of each new season's range.

The important thing is not to then undo that exclusivity by selling off any unsold 'end-of-season' items at a knock-down price. Instead, consider putting them into storage and sticking to the principle of not selling them after the season has ended (with something like jewellery, you could even melt them down and re-use the materials for making next season's items!) If that is not an option, maybe individual 'back catalogue' items could be offered to the market a few at a time, e.g. 'last chance to acquire' or 'unique opportunity' (possibly at a higher price than when originally sold?)

Useful Website Addresses:

Please note, the following sites are maintained by third party organisations and neither North Devon Council nor North Devon Plus are responsible for the accuracy of any information they contain. You should exercise the usual security precautions when viewing external websites.

Statista.com – wage statistics: <https://www.statista.com/statistics/416097/full-time-hourly-wage-uk-by-region/>

Art Business Info website – calculating profits: <https://www.artbusinessinfo.com/calculate-profit-from-selling-art.html#:~:text=%E2%80%8BDIRECT%20COSTS%20are%20the,with%20the%20artwork%20you%20produce d.&text=Direct%20costs%20are%20variable%20in.use%20art%20media%20and%20supports.>

Scottish Artists Union – suggested pay rates: https://www.artistsunion.scot/rates_of_pay_2024

Artquest – selling through a Gallery: <https://artquest.org.uk/how-to-articles/gallery-commission/>

Folksy – pricing your handmade product: <https://blog.folksy.com/2013/11/14/pricing-your-handmade-products>

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