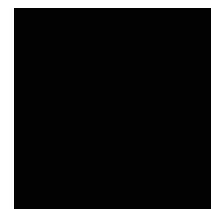




# Guide to costing and manufacturing



# Pricing your product

When you are developing a business, deciding about manufacturing and pricing can be challenging. It requires planning and negotiation, but once you know the key points and have found reliable suppliers, the process is straightforward.

Term	What is it?	How to calculate	Example
<b>Cost price</b>	How much does it cost to produce 1 item covering business costs	Add all costs including overheads/hours and materials	£50
<b>Wholesale price</b>	Price you charge retailer to buy product	2 x cost price	2 x cost price = £100
<b>Retail price</b>	Price customers pay to buy your product	200%-300% of your wholesale price	2 - 3 x wholesale price = £200 - £300
<b>Consumer/Direct to consumer price</b>	Price you sell product to end consumer	150-200% of wholesale price	1.5 – 2 x wholesale price = £150 - £200, so around £175

## Margins and Mark-Ups

The price you sell a product must be more than the cost to make it, in order to make a profit! Knowing the difference between margin and mark-up is essential to calculate accurate prices:

- **Margin:** Also known as gross margin, is sales minus the cost of goods sold. For example: If a product sells for £100 and costs £70 to manufacture, its margin is £30. In other words, a 30% margin (calculated as the margin divided by sales)
- **Mark-up:** Is the amount that the cost of a product is increased, in order to drive the selling price. For example: A mark-up of £30 from the £70 cost yields the £100 price. Or, stated as a percentage, the mark-up is 42.9% (calculated as the mark-up amount divided by the product cost).

## Pricing and Market Positioning

Make sure the price and sales levels set for your products, will allow business to be profitable. Research the competition to check where your brand stands. If you think prices can be changed, work from your ideal selling price to determine cost price.

- Understanding the difference between cost and value can increase profitability



Tanikha and sketchbooks. Image: Alys Tomlinson

- The cost of your product or service is the amount you spend to produce
- The price is your financial reward for providing the product or service
- The value is what your customer believes the product or service is worth

## Calculating your costs

The main costs to take into consideration are:

### Raw Materials

Raw Materials represent at least 50% of total cost. The main fabric is usually the largest raw material cost. To calculate it, add the cost of:

- Fabric use (how many meters per garment you need)
- Fabric printing (if you are not working with plain fabric)
- Linings
- Trims
- Placement prints or embroidery (it is the case)
- Interlining
- Labels and swing tickets
- Hangers and polybags
- Thread (usually provided by factory)



Screenprinting. Image: Alys Tomlinson

# Make Cost

The cost to make a product accounts for approximately 30% of the total. This may vary depending on the type of services the manufacturer provides: CMT or FPP

- **CMT (Cut-Make-Trim) price:** This service enables full control over the design and packaging process. It is up to you to provide everything they need to make the garment. In the UK most garments are produced using this method. use this calculation to reach your cost:  $\text{Time} \times \text{charge per hour} = \text{CMT}$
- **FPP (Full Production Package) price:** This provides a full service, from assisting in designing styles and patterns, to supplying raw materials, to producing the final garment. It is usually more expensive than CMT production, but works well for new businesses. Overseas factories usually use this method, partnering with designated suppliers in what we call 'vertical manufacturing'

Always try to do a preliminary cost at development stage, by roughly estimating if the design is viable within the cost range. The factory will only give you the price after making a sample. Samples will help you establish whether the feel and look of the clothing is right and the quality is suitable. Later, the final sample will need to be checked before committing to a final run.

The price quoted is the production cost, not the sample cost. This will typically be double the production cost. The time for production will depend on the number and complexity of manufacturing processes needed For example seam types, lining, placement prints or embellishments. If you think the price is still high, ask for a breakdown and negotiate. Evaluate if amendments can be made, to bring down the price without compromising the aesthetic.

Always set a realistic timeframe with your manufacturer for making. Keep open communications to ensure everything goes to plan. Establishing a good relationship is beneficial for everyone and as a new business, it can help you build solid foundations in the industry.

## Tools to Product Cost

These tools will help to analyse and keep track of your costing:

- **Lay Plan:** Helps you to work out how much fabric is needed per garment as it contains all the pattern pieces, placed on the fabric in the most efficient way to minimize waste.
- **Tech Pack:** Translates your design to the manufacturer by providing detailed information such as measurements, colours and fabric type.
- **Bill of Materials (BOM):** Whether your product is fully factored (FPP) or CMT, it is necessary to know what goes into it. The BOM is essential for costing your





Dyed textiles. Meminatu Barrie. Image: Alys Tomlinson

garment or having it ordered correctly. You should list all the components (colours, embellishments, sizes, quantities etc) required to make it in there.

- Cost Sheet: A document, usually an Excel spreadsheet, detailing the cost for each component in a garment.

## Duty Rates

Goods imported into the UK must pay duty. Each item is classified with a commodity code, which must be included on shipping documents. For textiles, duty rate is determined by the fiber cotton, category (men's, women's) and details, for example, Men's Overcoats, Cotton, Parka, exceeding 1kg. Logistic companies can help you with rates but you can always check the [Government Tariff Codes and Duty Rates website](#)

## Freight Costs

Think about your profit margins and the speed of delivery, when deciding which freight method works better. The most common ones are delivery by truck, air or boat but taxi cabs and even Uber can work in some cases! Remember to account the cost of shipping fabric to factory, if you are not working in a fully factored system.

## Where to Manufacture?

The decision to manufacture home or overseas will have a direct impact in your pricing.

- **Cost:** Sourcing overseas can lower raw material price but can increase freight costs.
- **Quality:** Some countries are renowned for their craftsmanship and know-how so depending on which niche you are targeting, selling higher quality products will be essential to your brand image.
- **Volume:** Beware of minimum order quantity (MOQ's) when negotiating an order. Some manufacturers only accept large scale orders. If you are starting out, a smaller company may be more convenient.
- **Lead Times:** Depending on your market category (fast fashion/slow fashion), your lead times between designing and production can vary.
- **Sustainability, social impact and traceability:** Consumers are demanding more transparency from brands. Research manufacturers that can track their environmental and social impacts.

## Finding a manufacturer

Finding a manufacturer can be a difficult task, especially when you are starting out. Talking to suppliers and industry professionals is the best way to get recommendations, but you can also try these tips:

- **Industry events:** Attending networking events and trade shows will help you meeting people with connections and/or experience working with different manufacturers.
- **Directories:** Well-known online directories like [Makers Row](#) (for the US market), [Sgetch](#) (Europe) and [Kompass](#) (worldwide) are great options to find companies.
- **Search Engines:** Google can be a good resource to find a manufacturer as many of them advertise on the platform. Shortlist the most suitable ones and get in contact, to learn further details about their work.
- **Facebook Groups:** There are many groups on Facebook targeted at the fashion industry, including [LCF Fashion Network](#), where you can get useful recommendations.

# Useful Links

- [Clothing Production Terminology](#)
- [Guide to Bill of Materials](#)
- [Guide to Tech Pack](#)



Two piece clothing by Young Hwan Yang. Image: Alys Tomlinson