

Getting

THE

BY Sharon Elaine Thompson

price right

Karen Good of Michael Good Designs in Camden, ME, once asked an industry mentor for advice on pricing. "He said he sat down, figured out the costs, and added the formula for overhead," she recalls. Once he had a price he would "look at the piece and say, 'Ummm, too much,' or 'Ummm, too little,' and adjust it." Although Good was dubious about the value of the advice, that, in a nutshell, is just about how many manufacturers determine their prices.

In any piece of fine jewelry there are three hard, inescapable costs: metal, labor and, frequently, gemstones. The cost of stones in particular can be a significant factor in the final price of a piece. In fact, when gemstones are used, metal cost is often secondary, says Phyllis Bergman, president of Mercury Ring Corp., an Englewood, NJ, manufacturer of semi-mounts. "The diamonds in the semi-mount determine the price point," she says. The small stones set in the semi-mount, in turn, may be only a small part of the final retail price when the center stone is set.

The quality of the stones, as well as their size, contributes to the price the piece sells for. At Jacor Products Group-Jabel, Inc. in Irvington, NJ, the company may use only the top 5 percent of the stones suppliers show them. "We try to maintain high-end color," says Jacor president Lyle

Rose. As a result, "my prices are a little pricier than comparables, but when you look closely, there's a difference in the quality of the materials."

Labor is often a less visible cost than metal and stones. Direct labor costs include stone setting, shooting waxes, spruing, investing, casting, and clean up. Because these costs can vary, and are usually spread out across many mountings, small or inexperienced manufacturers and designers may ignore them, forget to add them into their price, or not add enough to cover them. If there are stones present, for example, the most obvious type of labor is setting. In calculating the labor cost, though, the manufacturer must keep in mind that setting charges vary by setting style, such as prong or bezel, and stone type. While diamonds are usually standard in shape, color can be slightly out of shape or lumpy, adding to time and labor costs in the setting process.

While direct labor in the production of a piece of jewelry is unlikely to escape the notice of experienced manufacturers, one of the biggest hidden costs in manufacturing is product development, explains Rose. From idea to artist rendering to model-making to dies, "it's a great upfront expense," Rose says. "Hopefully you can turn enough units to make a profit."

Bob Lynn of Lynn's Jewelry in Ventura, CA, who manufactures his own designs, agrees. For example, he recently designed a piece that requires a very expensive die. Pricing the pieces at \$300 each, "I have to sell 300 pieces just to recoup the die, and

Every designer and
manufacturer shares
GOLDBLOCKS' DILEMMA:
how to make sure
their product is
priced not **TOO HIGH,**
not **TOO LOW,**
but **JUST RIGHT.**

another 250 pieces to recoup the material in the first 550 pieces," he says. "That is my break-even point."

Then there are costs that are even less obvious than product development. These are a manufacturer's overhead: utilities, rent, taxes, bookkeeping, office supplies, postage, consumables (such as wax, investment, burs, buffs, and other equipment), and computer cost and maintenance, among others. "Every time somebody has to touch a piece of paper or go into the safe, it costs money," says Rose. These costs must be redeemed by the markup you put on your goods. If your markup is too low, you might quickly find yourself in the red.

There are different ways of accounting for those costs. "[Those costs are] pretty much taken out of the hourly wage that I charge," says artist-jeweler Sara M. Sanford of Portland, OR. "[But] I know that some of my peers add 10 to 20 percent into their prices to cover that."

To see if you're making enough, says Bergman, add up all your expenses for the previous year: cost of goods (metal, stones, findings), payroll, supplies, equipment, utilities, rent and so on. Then figure your projected sales (based on previous experience) at a certain markup. If the projected sales figure is less than what you project your expenses will be, you have to increase your markup. "The only thing that changes that is the number of turns you get on your goods," says Bergman. "Sometimes [a higher turnover rate] works out better than a higher markup."

Most people say they use some type of formula to figure their markups, but they also agree that the "formula" markup

is not usually applied evenly to every piece of jewelry in their lines, or even to every component in a piece of jewelry.

"You try to get the markup where you can," says Bergman. "A more intricate piece calling for more labor [and] stones you made a good buy on, you can mark [up] more." Standard solitaires with simple stones are subject to lower markups because they require less labor and less overhead expense in administration and production, says Rose.

Pieces that face stiff competition from other manufacturers require a smaller markup. "If a customer throws gold [pieces] on a scale, you know that in that area, you can't put that much [markup] on," says Bergman. "But if you have a stone that people don't know much about, you know you can put more [markup] on that."

Items that are a greater risk for damage or destruction during production also require a higher markup. "On more expensive soft stones, we have to consider breakage," says Rose. "There might be an extra part of a percentage in there to absorb the cost of damage."

"If you can get the cost of the labor down, you can put a bigger markup on the labor," adds Bergman. "You can get more for 18k or platinum because of the mystique. There's a little less competition."

Estimating costs for a product that has a sales track record is one thing. But what about new products?

Some manufacturers shoot from the hip, which doesn't always work. "Sometimes the piece doesn't sell," says Rose.



If pricing is complex for large manufacturers, it can be even more challenging for designers creating one-of-a-kind pieces, observes Kristen Kampsula of St. Paul, MN, who designed this pin/pendant. "It's really easy to leave out things like shipping charges and how much time you spend on the phone," she says. "That makes it difficult for small designers to be sure they're making

the profit they thought they would." Kampsula says she usually doubles her base cost to allow for design time, and then considers such factors as the cost of the unusual stones she works with, the amount of time it takes for her to select the right stones, and whether the sale is to a retailer or to a consumer—retail sales have a higher markup than wholesale transactions. Finally, she con-

siders how the price fits the piece's market value, a factor even more difficult to pinpoint precisely. "How do you price your creativity?" she asks, comparing her one-of-a-kind pieces to paintings. "How much is your customer going to love it? Customers are buying [my pieces] ultimately for the artistic value. They're not asking themselves, Did I get a good buy on that tanzanite?"