

How to Price Your Soaps for Success

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Tips first, then we will break down how to price your soaps: This is for small businesses to price your soaps to help you achieve success. If you are just starting I suggest buying in small quantities online or at the grocery store. Once you decide you want to do this as a business, then there is much to consider when pricing your soaps so that you make a good profit and don't sell yourself out of business. We will go over that here.

Buy in bulk, and buy as much as you can at one time to bundle shipping costs. Although, you will probably run into needing to buy one thing and have it shipped. We will take everything into account.

I use Soapers Choice for buying my oils in bulk. I don't do the big drums, but if you have a really large soap company you probably are. I haven't found any better prices and shipping costs that beat them yet. Please do your own research though especially if you are not in the US. Decide on your suppliers now, and have a backup. Note: prices change so you will need to reevaluate your costs when your suppliers cost change. You need back up suppliers because undoubtedly your main supplier will be out of stock of something you need when you need it. Being prepared saves you time and money.

Anytime you need to purchase an item research the best prices, shipping costs, and quality. You want quality ingredients at the best prices. I want to know exactly what's going in my products, so that I can assure my customers are getting the best quality possible.

One of the biggest things you need to do first is research and survey your target market, and see what they want... and then give it to them. I have a target market workbook in the files as well that includes branding information. If you research first this will save you so much money and headaches and products that don't sell. Also do market research...

If you plan to just start locally, you need to know your market and research it. If your soaps have really expensive ingredients and you want to sell them for \$12, and you try to sell at a farmer's market and you don't make any sales then this is not your market. There is a market for everything though, you just need to find it. There are some really expensive soaps out there, and they sell for \$140 or more. They cater to a very specific market though. So it's very important to know who your target market is (also called your avatar).

Facebook ads are a great way to specifically target your unique market, but can be costly if done wrong. This is something we will go over later on. But if you are interested Rick Mulready and Amy Porterfield are your Facebook ad experts... you can follow them and read blogs and listen to podcasts. (If you are unfamiliar with Facebook ads, these are completely different than sponsored posts, and they are created in your Facebook ad manager)

You aren't trying to sell to everybody, or make soaps for everybody. You are going for a specific market.

I know after all my years in business that I will not be everybody's cup of tea, and I don't need to be. I'm telling you this, so that you won't be disappointed or think less of what you are doing if someone doesn't understand why you sell handmade soap for the price you choose to.

Your goal in business is to attract your lifers, serve them, and blow their minds with outfreakingstanding customer service. Treat your best customers with even better treatment. I know it may sound like favoritism, but these will become your brand advocates and bring more money to you.

Remember, you are in business to serve.... So always stay humble and kind. People buy from people they like and trust. You can attract the right people for the right product and the right price. Also remember what I've said before... people don't buy products they buy benefits. They buy what the product does for them or how it makes them feel.

When you are first starting I highly recommend starting small and reinvesting your earnings back into the business. I also highly recommend you have a separate business checking account to keep track of your earnings.

What I suggest is after you've decided on your supplier you write down all the prices of everything, and the shipping for each individual item. If you break it down with shipping for each item, it'll save you if you have to order individual items. And you won't be undercutting yourself.

If you want to do this with Excel or with a craft calculator you totally can, but I want you to know how to break all this down and do it by hand. I've always taught you have to learn everything the right/long way then you can take shortcuts. It's very important to understand each aspect of this to be able to plug it in to excel or a calculator.

On Soapers Choice a 35 pound cube of Olive Oil is \$99.05 and shipping is \$13.69 for a total of \$112.74. We will break this down to price per ounce. This equals 560 ounces, so we have 112.74 divided by 560 and we get \$.20 per ounce.

So if you have a recipe with 30 ounces of olive oil, you know that cost is \$6.

So you break down every ingredient you use with shipping per ounce, and this includes essential oils, fragrances, water, lye, herbs, colorants, and anything else you put in your soap (sugar, yogurt, sodium lactate). You also need to break down your packaging and labeling costs. Keep in mind that your supplier's prices may change and you may need to update your numbers as you go.

I'll give you an example after I walk you through everything we need to consider.

After you break down your ingredient cost you need to consider your labor cost. This includes how long it takes you to make the soap, bevel/plane, and package it. If you create your own labels you need to factor that time in as well. I wouldn't go any lower for yourself than \$20/hour. If you delegate some tasks to others or have employees, then you need to add that cost in too.

Then we need to figure overhead costs. Overhead includes equipment, utilities, rent, taxes, insurance, website fees, advertising, market fees, (disposable gloves if you use them and paper towels) etc... Most people run overhead costs from 10-20% of the product cost. If you have a brick and mortar, I'd go with 20%. Most will need to add 15% to the cost. It's up to you and your situation, but run the numbers to see what works for you.

After you do all the math you have your total COGS... Cost of Goods Sold. Then we need to figure out the profit/markup. We will go over that in a bit.

Another huge part to success is keeping track of inventory. There are excel sheets, google sheets, or apps you can use. You might also want to check out Craftybase, which is a cloud storage system that works for both PC and Mac. It also has a monthly fee and options that work for you.

You also have options like Soapmaker 3, which is only for PC. If you have a mac you can run the Parallels program to use Soapmaker 3 on it. There is also Price-O-Matic from Lucky Break Consulting, but it's got a \$199 price tag. You have some options to research to see what works for you.

I recommend only buying what you need for supplies and what will last before the expiration date. Avoid overbuying, because if you don't use it up before it expires that's a loss. Keeping track of inventory of supplies and your products will help you so much in staying on target for growth. This will help you keep your prices down and help your profits grow.

One thing you can do to help with inventory is to plan before ordering in bulk. If you figure out how many soaps you will make in 6 months or a year (depending on your needs), then you can calculate how many ounces of each oil you need to buy for that specific time period (of course this may only be a guesstimate). This includes essential oils and other ingredients you'll need. So if you figure you only need 1 pound of sweet almond oil throughout the year then, that's all you need to buy. If you need 500 ounces of olive oil, then you'll know what you need to buy. This way you'll only buy what you need, and not lose money on unused supplies. This will help keep your costs down. If you do custom orders too all those supplies can be guesstimated as well. Even if something comes up and you need something else (like it usually does), you'll have your suppliers and back ups ready.

Let's break down the numbers...

Sample Recipe Price Calculation... I will break this down with 2 different suppliers for one recipe to show you the difference. Bonus!... Free Recipe 😊

2.5 oz Castor Oil

5 oz Cocoa Butter

10 oz Coconut oil

26 oz Olive oil

5 oz shea butter

8 oz Palm oil

7.7 oz lye

18.6 water

.5 oz clay

1.7 oz lavender essential oil

My packaging \$.27/ organza bag

Label \$.10/ one label

These Oil Prices are from Soapers Choice (bulk prices) (Each oil price was added to the individual shipping cost and then the ounce cost was found)

Castor Oil \$.15/oz... \$.38

Cocoa Butter \$.33/oz.... \$1.65

Coconut Oil \$.14/oz.... \$1.4

Olive Oil \$.20/oz.... \$5.62

Shea Butter \$.21/oz... \$1.05

Palm Oil \$.10/oz.... \$.80

Water \$.0075/ oz... \$.14

Lye (from my local hardware store) \$.25/oz.... \$1.92

Lavender 40/42 essential oil (Bulk Apothecary 16 oz) \$3.34/oz... \$5.6

Purple Brazilian clay (Brambleberry) \$2.56/oz ... \$1.28

Batch cost \$19.84 which is 13 bars which is \$1.52/bar

Ideally you want your cost to be around \$1.50. These are mostly organic bulk prices, so if you use non organic your cost will be lower. And if you don't use colorants or essential oils your cost per bar will be a lot lower. Your cost will vary depending on what you use, and I'll give you a section to work your own numbers.

Now let's add up the rest...

\$1.52 plus packaging and labeling \$1.89

Let's do 2 hours of labor to do 52 bars of soap... and this includes making and packaging time.

$2 \times 20 = 40$

40 divided by 52 = .77

So we add \$.77 to every bar... This equals \$2.66

Now let's add 15% overhead and this equals \$.23... So our total cost with labor and overhead is \$2.89 per bar.

You can see the more soap you can do at once the better off you are, which is why wholesale soapers require a lot more soap.

I also checked the prices for lavender 40/42 with 8 suppliers, and Bulk Apothecary had by far the best price.

Let's go over Profits and your markup. You'll see that many people recommend to multiply your cost x 2 for wholesale, and then x 2 for retail. This is where your market research needs to come in (You don't have to focus on your local market... you can span your reach with social media). As per the example... If you can get \$12 a bar go for it! You can also just decide to do a percent markup like 200% or 300%. For me, I like to keep things simple and uniform, and I like to keep my costs about the same that way my markups don't vary, and my soap prices are the same. This is about you figuring out what works best for you, and to help you set up a system to work for you... so that your business grows and you make a profit.

Let's talk competitor pricing.... I don't recommend you use competitor pricing as a guideline for your business. I recommend you do your own research and run your own numbers, and target your specific market. Do you... because no one else is you and no one else will do it how you do. It's good to know price ranges in general, but be you!

A good recommendation is to at least sell at \$1.50 an ounce. If your total cost is around \$3 like the example and you sell a 5 oz bar for \$7 to \$8 that's pretty good. Wholesale prices are usually around \$4 a bar, but this can vary too.

Let's go over this recipe using Brambleberry's bulk prices to show you the difference. This is why it's so important to run numbers on several different suppliers to give you the best prices. I used their biggest amounts for most of the oils. This is just give you an idea. The oil cost was added to the individual shipping cost like before.

Castor Oil \$.21/oz... \$.52

Cocoa Butter \$.75/oz.... \$3.75

Coconut Oil \$.15/oz.... \$1.50

Olive Oil \$.26/oz.... \$6.76

Shea Butter \$.41/oz... \$2.05

Palm Oil \$.15/oz.... \$.1.2

Water \$.0075/ oz... \$.14

Lye (From Brambleberry + shipping) \$.69/oz.... \$5.31

Lavender 40/42 essential oil (Brambleberry 15 oz) \$4.37/oz... \$7.43

Purple Brazilian clay (Brambleberry) \$2.56/oz ... \$1.28

Batch cost \$29.94..... and it's \$2.30 for the ingredient cost per bar.

Let me say that I love Soap Queen, and it's a great teaching tool. But it's geared more for hobbyists and beginners, not for those in serious business. I do recommend buying from them in the beginning, because you probably don't want to buy in bulk at first. When you are ready to buy in bulk, start checking prices.

Now it's your turn to check your prices on the next sheet.

Price Check! (remember to add in the individual shipping cost, and I've left blanks for you to fill in all your oils and additives

Lye _____

Water

[illegible]

Packaging

Labor _____

Overhead _____

Your batch cost _____

Your total cost per bar _____

Your Mark-up_____

Your Retail Cost_____