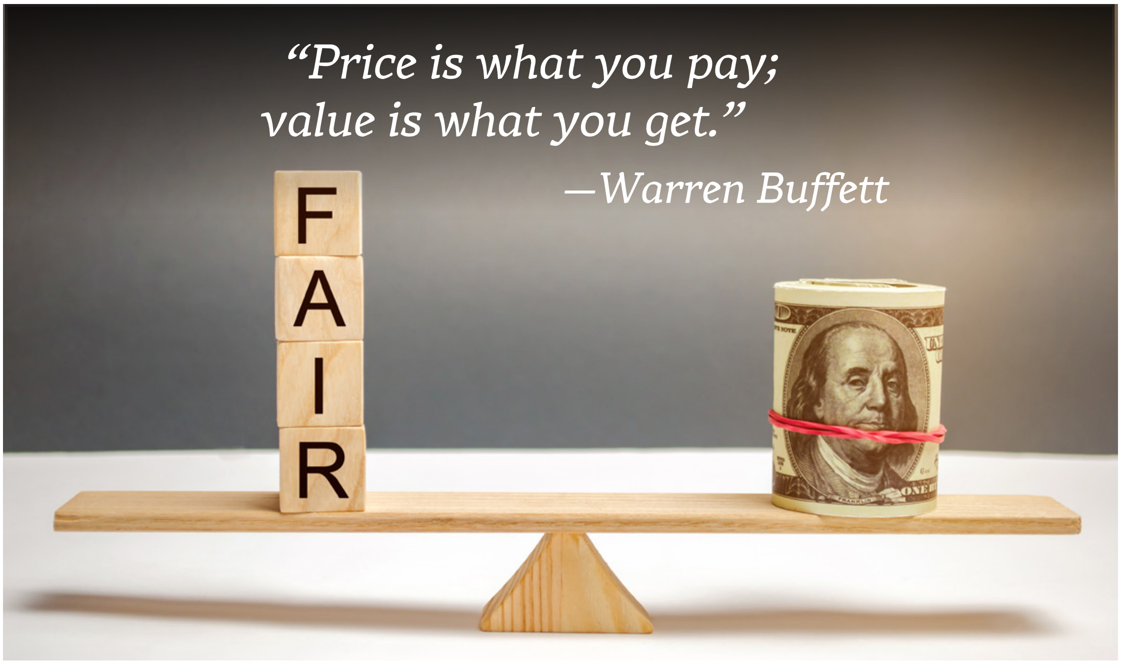
Fair Pricing

Two Key Factors for Sustainability and Competitiveness

By Jonathan Kuuskoski



Pricing one's work can feel frustrating at best, icky at worst. How can one possibly attach the intangible value of a musical performance or educational offering to a fixed dollar amount? And one might worry that, after tabulating up all the bundled value on offer, a fair price might be unreasonably high for most consumers. But assuming there is no such thing as a fair price for our work is tantamount to asserting there is no way to earn a fair living in the arts. Not so.

Fair pricing is attainable, but it must account for two factors: the market rate (which is a range, *not* a fixed price) and the costs we incur for providing the product or service. Anytime you buy something or hire someone to provide a service you will pay not only for the material costs and applicable overhead, but also for the labor involved. And any trustworthy business should be able to break down for you, upon request, what the labor costs versus the material costs are for any offering.

The good news is the math behind fair price calculations is simple. For reference, I recommend composer Dennis Tobenski's take on equitable sheet music pricing (Tobenski 2014). Below, I adapt some of his key principles that also apply to independent music educators as they formulate sustainable pricing strategy.

First, account for your expenses. Make a list of your Costs of Doing Business (CODB)—the fixed and variable costs that go into your teaching, performing and/or other work. You've probably already done this, so it should be pretty straightforward. Here is the catch: Your expenses don't just include the material/overhead costs (teaching materials and supplies, bills to keep the lights on, etc.) and other variables like transportation to and from your engagements. They also include the labor—as in, your *time*—that goes into preparing and delivering your products and/or services. You must determine how much you want to earn per unit created (or hour worked) and ensure your pricing accounts for that amount. Setting your price, therefore, requires an equation similar to the one below (Tobenski 2014):

Costs (C) + Discount (D) + Profit (P) = Price (X)

or

C + D + P = X

Finding your price means solving for X. Of course, setting an appropriate rate for your labor is specific to various scenarios and requires market research. But, just for simplicity's sake, let's say you estimate your material/overhead costs per hour of teaching, averaged over a fixed period, is $5. And let's also say you want to pay yourself $35 per hour of your labor. In this example, your Costs = $40 per hour of work (teaching).

Let's also say you want to be able to offer a discount of 10% as an incentive, e.g., for a client who signs up for an entire semester at once or as a special flash sale to motivate new clients, etc. That means your Discount = 0.1X.

We are now ready to solve for Price (X):

40 (C) + Profit (P) = 0.9X

If you want to earn $5 fixed profit on each unit (say, per lesson), solve this way:

40 + 5 = 0.9X
45 = 0.9X
50 = X (Your Price)

This means at $50.00 per lesson you could still offer a $5.00 (10%) discount, without impacting your ability to cover your $40.00 costs and $5.00 profit. Your target price would

change depending on the amounts you set for your costs, discount and profit. Sometimes you will want to calculate your profit on a percentage basis instead of a fixed number, such as when you have a number of different products and services at very different price points. Either way, this formula insulates you from constantly dipping into your own earnings to remain competitive. It can also have a tremendous impact on your ability to build and sustain healthy margins (Hayes and Singh n.d.).

At the end of the day, pricing fairly means more than making your offerings affordable. It also signals the respect you place in your work, rejecting the assumption that the only way to compete is by lowering client costs. If we are strategic in bundling value to make our offerings stand out, setting a price point that encapsulates and communicates that value can be essential to helping clients see the particular benefits of working with us. ■

References

Hayes, R. and R. Singh. n.d. "Pricing for Profitability: Understanding the Pocket Margin." *Wall Street Journal*. https://deloitte.wsj.com/cfo/pricing-for-profitability-understanding-the-pocket-margin-1449637286.

Tobenski, D. 2014. "Fair Trade for Sheet Music." *New Music USA*. February 12. https://newmusicusa.org/nmbx/fair-trade-for-sheet-music/.

Jonathan Kuuskoski *is director of the EXCEL Lab and chair of the Department of Entrepreneurship and Leadership at the University of Michigan, where he oversees all aspects of their arts entrepreneurship and career development programming.*

NFMC

NATIONAL FEDERATION of MUSIC CLUBS

Fund for the Advancement of Musical Arts

FAMA grants are designed to support music projects, promote music education, and strive to increase public knowledge and appreciation of music.

Dr. Ouida Keck, Chair
keckouida@gmail.com

DEADLINE: MAY 15

$5,000	Michael Edwards Graduating Senior Performance Award
$2,250	Veteran's Composition Awards
$2,000	Dr. Ouida Keck Professional Development Award
$1,500	Lana Bailey Piano Concerto Award
$400	Dance Awards

and many more….

DEADLINE: MAY 1

For more details, please go to nfmc-music.org/competitions-awards