



ETSY 105: HOW TO PRICE YOUR STUFF

BY CRAFTRANKER, LLC
AND FOURTH WAVE APPAREL

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INTRO

One of the top questions Etsy sellers (new and experienced alike) have is, “How should I price my products?” It’s a good question, and it plays a pretty important role in your sales. Many sellers automatically assume that the answer is “as low as possible”; however, that’s one of the biggest misconceptions about pricing. In fact, a race-to-the-bottom pricing approach can actually HURT your sales.

In this mini course, we’re going to give you a solid foundation for how to price your products. And to do this well, it helps to understand how Etsy is positioned in the global ecommerce marketplace.

BACKGROUND

As a platform, Etsy is growing. It’s becoming quite well-known and supports sellers across the globe. Etsy’s performance is similar to the other large online sellers like Amazon and Walmart, Overstock.com and Wish. And because of this, far too many sellers try to compete in price with similar products outside the Etsy universe.



BUT, and this is vital: Etsy is not Walmart or Amazon (more on that in just a bit). Etsy has a reputation as a market of mom-and-pop shops selling handmade goods. And because of this reputation, customers go to Etsy looking for something they can't get on Amazon or Walmart—high-quality, handmade, unique items from sellers they can connect with in a personal way. And (this is the important part for pricing), *they'll pay for that.*

So, how exactly can you figure out the perfect price for your item? Let's get to it!

DO YOUR RESEARCH

To get your bearings, it's always a good idea to check out what other Etsy sellers are doing. This can at least give you an idea for the right price range to shoot for. But, as I said above, some sellers are selling themselves short or are selling cheaply made, mass produced products that really belong on Amazon and are often a turnoff to Etsy customers. So don't set a price as low or lower than the lowest you see. I promise, it won't work.

When you're looking for comparables, make sure the shop vibe and aesthetic line up with your own (or your aspirational vibe!) Choose four or five comparable shops that appear to have the same product quality, product type, and aesthetic. Create a price range based on those comparables.

A FORMULA FOR SUCCESS

Once you have that range determined, the next step is to determine your set costs (the costs you'll need to subtract from the price you charge your Etsy customers, a.k.a., your profit margin). Here's a basic formula for calculating how much you need to charge in order to make a profit.

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- Calculate the cost of your materials and fixed expenses per item as accurately as possible (including,, Etsy fees, packaging, and shipping costs if you offer “free” shipping). We’ll talk about Etsy’s fee structures more in the next section.
 - Add up any yearly shop expenses and divide by 12 to portion those expenses out monthly (e.g., any equipment or materials you purchase infrequently, yearly subscriptions, insurance costs).
 - Add up all your average monthly expenses (e.g., rental space, utilities, and those portioned out yearly expenses) and divide those expenses by the average number of products you sell per month.
 - Figure out exactly how much time you spend creating your item (labor) and pay yourself for your work (I usually estimate around 10-12 dollars an hour).
 - Add everything up and multiply by 1.15 for wholesale (15% profit margin) or 1.30 for retail (30% profit margin). For newbies, wholesale is the price you offer for someone who wants to order in BULK then turn around and sell your products in their own venue. Retail is the price you’ll charge to an end-consumer who is purchasing your product to enjoy themselves.

You’ll generally offer your *wholesale price* only if someone wants to buy 50+ items. Your *retail price* should be the displayed price on your typical Etsy listing. Use this formula as a starting point, and compare it with the price range you calculated after looking at your #shopgoals competitors.

If your production costs mean that you would have to charge more than your competitors by a significant amount, it’s time to look at your materials and sourcing (and check out Etsy 304). If your number is significantly lower, congratulations! You might have a high-margin item. Some products are very easy and cheap to produce, but people will pay significantly more than 30% markup. Don’t be afraid to charge what the market will pay, if the situation allows.

ACCOUNTING FOR FEES AND ADS CHARGES



To accurately determine your profit margins, you need to understand Etsy's fee structure for listings, transactions, and ads. Here's what you need to know:

Listing, Transaction, and Processing Fees

Like I mentioned earlier, you'll need to consider Etsy's fees when you determine your pricing because these fees apply to every sale you make.

Here's the breakdown of Etsy fees.

- Etsy charges \$0.20 to post a listing for four months. (And if you offer a quantity of more than 1, you'll be charged \$0.20 each time your product sells and your listing renews automatically.)
- When your item sells, Etsy charges a transaction fee, which is 6.5% of your sale price (including shipping costs).
- Etsy also charges a payment processing fee when an item sells—3% + \$0.25.

So, let's say you list a handmade coat for \$100, shipping included. You'll be charged \$.20 when you list the item. When it sells, you'll be charged \$6.50 in transaction fees, and \$3.25 in processing fees. So, you need to account for \$9.95 in Etsy fees for each \$100 coat you sell.

Fees for Offsite Ads

In addition to these basic fees, small sellers have the option to participate in Etsy Offsite Ads, which comes with fees of its own (don't worry, we'll tell you ALL about offsite ads in [Etsy 205 on Advertising](#)). Sellers who make more than \$10,000 a year in sales are actually automatically enrolled in this program (but it's not a bad thing, really).

But back to the fees. When a customer buys a product from an offsite ad, Etsy charges you 15% of the sale price. (Sellers making more than \$10,000 a year are charged a discounted rate of 12% of the sale price for offsite ads.) So, if you're small and want to participate or if you have to participate like us, make sure to take these higher fees into account. These are sales you likely wouldn't make without the ad (Etsy is fronting the cost of advertising your item beyond Etsy's marketplace), so any profit you can glean from them is something to celebrate!

So, back to that \$100 coat you sold. If the coat was sold as part of an offsite ad, you're out an additional \$15. So, in total, your fees before shipping would weigh in at \$23.45 even before you calculate for the cost of materials and shipping.



Fees for Native Etsy Ads

All sellers also have the option to participate in Native Etsy Ads. Somewhat confusingly, this program is different from Etsy Offsite Ads. Like the name implies, these ads are shown within the Etsy universe, instead of offsite on Google or other websites.

With Etsy Ads, there is no set percentage in fees. You decide how much you want to spend per day between \$1 and \$50 and Etsy will advertise your listings each day until your budget is gone. Again, check out our Etsy 205 Mini Course for more on Native Etsy Ads. Just know that the fees for Native Etsy ads will depend on how heavily you want to hit them.

ETSY PRICING STRATEGY: DON'T BE WALMART!

One of the most important parts of your Etsy pricing strategy (after you've accounted for all your fixed costs) is this: You are a handmade goddess/god. You are NOT Walmart. And you should price accordingly.

In other words, don't price your stuff too low. Now, Walmart and The Dollar Store definitely have their place in our culture, but there's really no place for cheaply made, disposable, mass-produced items on Etsy. Don't undercut yourself. Most sellers find that they make more sales if they up their prices a bit. For each product, there's a sweet spot, and once you find it, I guarantee your sales will jump considerably. Here's why:

Customers not only don't mind paying a little more on Etsy (than they would at Walmart or the Dollar Store), they actually expect to pay more, which means you can actually do your sales a lot of harm by pricing your items too low. Because if customers see you acting like Amazon or Walmart in terms of price, they'll often associate you with lower quality, mass-produced goods in a race to the bottom. Don't undersell yourself. Price your products with pride, while taking into account solid principles of pricing.

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FINDING YOUR PRICING SWEET SPOT THROUGH TESTING

Okay, so you've taken a good look at your fees, your production costs, and you've seen what your competition is doing. You feel the power of being a handmade creator running through your veins and you know you shouldn't undersell yourself. How do you find that exact pricing sweet spot, though?

There's always the "pick a number that feels right and see how the item sells over the next 30 days" method, which is what a lot of sellers do and what I did at first too. You can look at that list of comparables you made earlier and see where the TOP sellers are pricing their items and just go with that. This works pretty well for niche products, but less so for broad category items like earrings or abstract art, where pricing can be all over the place.

While both of the above methods will likely land you eventually on the right item price, you can get there faster by using Marmalead's price tool (check out Marmalead [here](#)) or by doing A/B testing within your shop. Marmalead offers a free 14-day trial and then charges month-to-month (\$19/month) after that and is worth it for the hours it'll save you, especially if you're just starting out.

When you type a keyword into Marmalead, it will give you the average price across Etsy of items ranking for that keyword. For example, Fourth Wave largely sells "feminist shirts," and Marmalead's price tool gives me a good idea of what the average "feminist shirt" is selling for on Etsy.

A/B testing within your shop is also a good way to test prices more quickly than the "guess and wait" method. Duplicate a listing (Etsy will allow you to copy a listing exactly) and list it twice, changing only the price and then watch both listings for 30 days to see which sells better. If the higher-priced listing is selling better, you can adjust both listings up and watch for another 30 days. This will help you hone in on the pricing sweet spot more quickly.



Warning: There are some downsides to duplicate listings. Customers may see both side-by-side in search results, which looks a little strange and can make customers see your shop as less professional. Also, if a customer does venture into your shop proper and sees a lot of the same listings over and over, they might be turned off by that as well. Once you start seeing views and sales for a listing, it's probably a good idea to get rid of any duplicates and focus on whichever (A or B) listing is performing better.

SHOULD YOU OFFER "FREE" SHIPPING?

Etsy's big thing in 2019-2020 was offering free shipping sitewide. They really really want to compete with Amazon on this. And it's a little frustrating, because, as I've said before, Etsy is not Amazon or Walmart or the The Dollar Store. It's supposed to be more like a craft bazaar or an art fair. Nonetheless, Etsy is really encouraging sellers to offer free shipping, and they'll reward you for it not only with a boost in rank for listings with free shipping, but with a label across the bottom of your listing that says "free shipping" to entice buyers.

That said, Etsy's push for "free" shipping is rooted in sound psychology. Buyers are more likely to purchase a \$30 product with "free shipping" than they are to purchase a \$25.50 product with \$4 shipping. Something about skipping that extra step, feeling like they got a freebie, and the simplicity of the price is enough to tip the scales.

So, here's what you do. Go ahead and offer free shipping to domestic customers, but raise your prices to cover the average shipping cost. For us, this meant pricing our shirts up about \$3-4. It ended up being a good move—our number of sales didn't drop (or go up) despite the small price hike and we've had fewer abandoned carts. Chapter 17 talks in detail about the logistics of shipping and product fulfillment, so definitely jump over there if you want to learn more!



STAY COMPETITIVE ON PRICING OVER TIME

It's important to remember that Etsy is an ever-changing marketplace. Shifts in the economy, the job market, and other trends affect how likely someone is to buy on Etsy (and at what price). So your perfect pricing sweet spot won't stay the same forever. When I started Fourth Wave, there were approximately zero other shops selling feminist shirts on Etsy, and my products sold no matter how I priced them (within reason, of course). But as the market shifted, feminist and political shirts became much more common, which means I've needed to be more competitive in my pricing.

Regularly Pretend You're a Customer Visiting Your Shop

Etsy is constantly changing how it sorts and displays items to customers. I mention this because a little over a year ago, Etsy added a checkbox under the search criteria for "items under \$25." I had been pricing my shirts at \$25, so to qualify for this box, I set my shirt prices at \$24.99, and, you guessed it, my sales jumped. With a click of a checkbox, a customer could eliminate a large portion of my competition, making it much more likely that person would find and purchase a shirt from my shop. So, it's a good idea to roleplay a customer coming to your shop and see what options they have for weeding out competitors based on price.

Etsy adds new checkboxes all the time, to encourage buyers to hone in on the exact product and price range they want. Make sure you stay in the loop on these changes that can drastically affect your pricing strategy.

ESTIMATING SHIPPING COSTS



Shipping costs are going to differ depending on where your shipping from and to. I'm only going to talk about shipping from the US or Canada because Etsy has specific tools for both countries, so if you're not based in one of those two countries, this section may not help you much. You'll pretty much need to calculate your own shipping costs through whatever carrier you use in your country.

If you are a US or Canada based shop and want to know exactly how much it will cost to ship a single item, you can use Etsy's handy "Price Your Postage Tool."

It's a great tool for getting an idea about your shipping costs, but you don't want to have to use it for every item you ever ship. It's easier to estimate the average you'll be spending on shipping in future weeks or months in order to get a good idea for how much to budget for shipping. Here's what you need to know:

- Etsy gives sellers who ship through their platform a discounted rate (somewhere between 15%-30%), so it's almost always cheaper to create your labels and ship through Etsy rather than take everything to the post office.
- For USPS, package shape will affect your shipping cost. There are three categories: Letter, Flat, and Parcel. Etsy-calculated shipping pretty much assumes everything is a parcel, so if you sell cards, posters, or something like face masks that can be pressed flat inside a mailing envelope, you will need to use the custom shipping option or take stuff to the post office for accurate pricing. I've found that for cards and flat (squashable) items (like face masks), it's cheaper for me to use stamps rather than purchase labels through Etsy. Canada Post doesn't have a flat-parcel option, but if you sell cards or something similarly flat, definitely check out the pricing options for letters vs. parcels (Canada Post) to decide how best to send your items.
- Etsy costs for parcels are largely dependent on weight, approximately \$0.30-\$0.40 USD per ounce (the price per ounce goes down as the item gets heavier). The heaviest package you can ship is 70lbs through USPS and 30kg through Canada Post. (If you sell really heavy stuff like furniture, I'll give some suggestions for cost-effective shipping below.)
- Package size can factor into the cost if your box or mailing tube is very large or unusual in shape. If your packaging is unusual (say, very long and thin or very large and flat), use the Price Your Postage Tool I mentioned above to get an idea of your shipping costs.
- If you sell educational materials from a shop in the US, you can take advantage of Media Mail prices. Take a look at the full list of items that qualify for Media Mail.



Takeaway: For averaged-sized items, you can estimate your shipping costs at \$0.30-\$0.40 per ounce (under a pound is closer to \$0.40/ounce and 3lbs or more is closer to \$0.30/ounce). These are better prices than you will get at the post office because Etsy shipping gives you a discount of “up to 30%” (again, larger items get closer to the full 30% while items under a pound get closer to 15% discount).

SHIPPING REALLY BIG ITEMS

Takeaway: For averaged-sized items, you can estimate your shipping costs at \$0.30-\$0.40 per ounce (under a pound is closer to \$0.40/ounce and 3lbs or more is closer to \$0.30/ounce). These are better prices than you will get at the post office because Etsy shipping gives you a discount of “up to 30%” (again, larger items get closer to the full 30% while items under a pound get closer to 15% discount).

Furniture is probably the most common example of the large items available on Etsy, and as you can imagine, shipping it can be daunting. Here are some tips if you ship furniture or something else too large to use Etsy’s calculated shipping options:

- Keep in mind the type of customer that shops on Etsy. This person wants a very specific custom or hand-crafted piece, something they can’t get at their local furniture store or on Amazon, and they’re not only willing to pay more for it, they’re happy to pay the hefty fees to have it shipped to them. In other words, if your shipping costs are in the \$300’s, don’t freak out. Your customers will be okay with that.
- Get quotes from several carriers. Fast shipping carriers (FedEx, UPS, etc.) will generally charge more and slower carriers less. It’s nice to offer customers options when you can: “Pay more to get the piece right away or less to receive it a few weeks out.” For example, there are services like White Glove Shippers that offer shipping discounts but may only pick up items once a month for shipping, meaning money savings but shipping times of 5-6 weeks.

- Another tip is to use Etsy's option "fixed shipping costs" to enter an average price, but ask customers to message you for a precise shipping quote before they purchase. That way, you can adjust the cost based on where you're sending the item and charge the customer accordingly.
- Or offer free shipping, and adjust your price up \$300 or so. You may want to wait until you've sold several pieces before trying out the free shipping option. The potential for losing money on shipping is a lot higher with very large items.

STUFF WE LEARNED THE HARD WAY

Don't set your prices too low: Like many Etsy sellers, I priced my stuff WAY too low at first. I was so worried about turning off my potential customers that I didn't realize I was turning them off through the very way I hoped to win them.

When I finally raised my prices (and improved my shop aesthetic and keywords to match and inspire customer confidence that my prices were well-warranted), I saw my sales increase significantly.

Do the math: I also (like many Etsy sellers) have made the mistake of choosing pricing points on new products without doing my due diligence by looking at comparables first. It can be really tempting to choose a "gut-based" price, but if you choose wrong (and you probably will unless you are a genius), you'll send bad signals to Etsy's algorithms and your customers. Which means that your listing will earn negative points that aren't so easily erased even if you update your pricing strategy. Start things off on the right foot with your listings and price smart from the START.

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PRICING WORKSHEET

This pricing worksheet goes into the math of how to find the MINIMUM price you'll need to set for your product, the price that covers your costs and still makes you a profit. If you find you can charge more (because you sell a high-margin item!) or less (maybe later once you've honed your supply chain and process), that's awesome! This worksheet aims to give you a place to start.

Material Costs for ONE Item

For each material, you'll want to figure out how much of that material you use and how much *that amount* costs. For example, if you buy a package of 40 beads for \$6 but only use 10 beads to make your item, the material cost for the beads will be \$1.50. This applies also to packaging costs.

Cost of Material A = _____

Cost of Material B = _____

Cost of Material C = _____

Cost of Material D = _____

Cost of Packaging = _____

Cost of Shipping (if you offer "free" shipping) = _____

Determine Your Yearly Fixed Costs

(Equipment + yearly subscriptions + insurance costs + other YEARLY expenses). Divide your total yearly costs by 12 to turn your yearly costs into monthly costs.



Determine Your Monthly Fixed Costs

(Workspace Rent + Workspace Utilities + A month of your yearly fixed costs + Other Monthly Expenses)

Determine Your Per-Item Fixed Costs

Now determine the number of items you sell each month (or hope to sell each month) and divide that number by your monthly fixed costs.

Determine Your Labor Costs

\$12 x Number of Hours (or Fraction of one Hour) it takes you to make ONE item = Labor Costs

Calculate Your Retail Price

(Material Cost for 1 item + Fixed Cost for 1 item + Labor Costs for 1 item x 1.30 = Retail Price (RP))

Calculate Etsy Fees

Retail Price (RP) + \$0.20 + (0.065 x RP) + (0.03 x RP) + \$0.25

Set the Minimum Price for Your Etsy Listings

Retail Price (RP) + Etsy fees

Next: Etsy 106 - learn how to navigate Customer Service