



Chapter 7

Pricing and Delivery

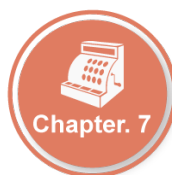
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[Link to Chapter 07 Grown in Totnes Case Study](#)



If you've never worked in food retail, or for a food producer such as a bakery before, it's helpful to understand the needs of the retailers and food outlets you are trying to serve. You might assume that everyone will want to buy your product, but knowing about the pricing structures and storage limitations of food businesses, as well as customers' cooking and eating habits, can help you to get your products on to shop shelves and in to the kitchens of restaurants and shoppers - because in order for a local mill to be viable it must of course have enough customers. There are also logistical obstacles and costs to getting your grains and pulses to your customers. Collaboration with others can help find ways around this but you may also need to be realistic in how you grow your distribution geographically.

7.1 What Does it Cost You to Make and Sell Your Product?

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Do you know the unit cost of your product?

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Do you know how many units you need to sell to make a profit?

Have you accounted for the following:

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- Packaging costs - e.g. flour bags, tape to seal the bags, labels for the flour bags

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- Design Costs – will you have to pay a graphic designer?

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- Marketing

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- Delivery, if you're not going to charge it on top

The cost of producing your product:

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- How much does it cost you to produce a kg of flour? Include the farmer's cost,

cleaning, drying and storage costs

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- How much does the labour cost to process your product for processing, bagging, labelling, delivery and sales etc?

General costs of running your organisation

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- overheads - utilities, rent, insurance, rates etc. If you don't know then guess and at least put something!

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- staff costs other than those from directly making the product e.g. sales, administration, bookkeeping etc

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7.2 Designing and Choosing Your Packaging

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Get samples and quotes for the packaging you think you might like to use

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Design and acquire packaging for your final wholesale and/or retail products, ensuring you have accounted for this in your costs and it doesn't push up your final price beyond what is realistic

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Get quotes for printing labels or printing directly onto packaging – costs are likely to be different depending on how many colours you use or the type of printing used or how many units you order. [Here](#) is a useful link to the different types of printing available for packaging

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You may want to use flexible packaging that you stamp, add a label to, or write details on in order to separate different products from one another

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Ensure that your packaging design meets legal requirements for food labelling. (See [8.3.1 Legal Requirements Required on the Packaging](#) and [8.3.2 Trading Standards Regulations](#))

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Use a logo, fonts and colours throughout your "brand" to help make your products

familiar and recognisable

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7.3 Pricing Your Products

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Are you clear how much it costs you to make your product? (See <https://www.grownintotnestoolkit.co.uk/ch-7-pricing-and-delivery>) Have you accounted for your overheads in your pricing? E.g. a portion of rent, electricity and rates (See 7.1

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Do you know where you want to sell your finished products and in what quantities? Be specific. If you'd like to sell to more than one type of customer, for example both shops and restaurants, do you have priorities within these options?

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Have you researched your competitors prices and what people are willing to pay for similar products? (See [1.3 Market Research](#))

Work out what you can and need to charge by assessing the pricing chain for your products, from farm to shelf

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- your costs

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- your profit

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- the profit retailers need to make

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- whether customers will realistically pay the final price you end up calculating

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If intending to sell wholesale to retailers make sure you understand what mark-up* retailers usually add to wholesale prices to get their retail price. For ambient this is often around 30% margin that they aim to make. Play around with an online calculator such as [omnicalculator](#) to work out your wholesale and recommended retail prices

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- To understand the difference between Markup* and Margin* [this document](#) provides a useful explanation

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Calculate your profit margin, i.e. how much money you will make on each <https://www.omnicalculator.com/finance/margin> or bag of finished product, such as a bag of rolled oats. You can use online calculators such as [omnicalculator](https://www.omnicalculator.com/finance/margin) to help you do this

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Create a price list with both retail and wholesale prices of your product to send out to your customers

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7.4 Distributing Your Products to Your Customers

If you want to use a courier consider:

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- do you meet minimum volumes for dispatch to use a courier?

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- how much will couriers charge?

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- what should your minimum order quantity be for wholesale orders?

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- How many units of your product, e.g. bags of flour, do you need to send at one time in order to make enough money to absorb the delivery costs?
e.g. if sending on a pallet costs £60 and you send 50 bags of flour, that adds $\text{£}60/50 = \text{£}1.20$ per bag to your costs.
 $\text{£}60/200 = \text{£}0.30$ extra cost per bag for you to account for in your costing

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Is your product protected against damage in transit?

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Will your products need extra packaging to protect them?

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- will this add to your costs and environmental impact?

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If you intend to offer an online shop and e-commerce to reach customers directly, how much of the postage/delivery can you absorb and still make a profit and how much can you pass on?

Consider using distributors & wholesalers to get your products to shops e.g. Marigold/Essential/Suma

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- do you understand the price structure of doing so?

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- are the distributors willing to list your products?

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Can you collaborate with other local producers to distribute your products?

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- do you share customers or could a collaboration help both parties to gain new customers?

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Can you distribute locally yourself - by van or bike? What will this cost in staff time and fuel?

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Are there local food hubs you can work with?

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