

Pricing Cost Analysis Class
Presented to Southern Ontario Longarm Operators (SOLO)
September 20, 2020
By Cindy Roth
Longarm University, Inc
www.longarmuniversity.com
Copyright 2020

When you purchase a quilting machine, whether it's a longarm or midarm machine, a question which is usually asked is, "Are you going to quilt as a business?" For many people, starting a machine quilting business IS the only way they can afford a quilting machine. No matter which quilting machine you have, if you are going to quilt as a business, the other question asked is "How much do you charge for your quilting services?" Pricing for your machine quilting can be one of the most difficult things you have to decide at the start of your professional machine quilting business and it can be a difficult issue to confront if you have been in business for a while.

Note: for this article, a **professional machine quilting business** is defined as a "legitimate" business that has all required local, county, state and federal licenses. The professional machine quilting business also documents, reports and collects all appropriate sales and other taxes. For this article I am assuming that your quilting machine is located in a home studio.

Many times, when starting a new professional machine quilting business, the quilter will call other professional machine quilting businesses in their area and find out what they are charging. The new quilter will think, "I'm the new kid on the block and I have to charge less." The new quilter (and many experienced quilters) has no idea of how much it actually costs to put a quilt on the machine, nor do they have any idea of how long it takes to quilt each quilt that comes into their business!

I hope to show you a different way of figuring out your pricing so that you, as a professional machine quilter CAN make a profit while working in the business you love!

Before we can figure out what to charge for your quilting, you need to know how much it costs (expenses) to put a quilt on to your quilting machine. You may ask why is it necessary to know this. The simple answer is: If you don't know what your expenses are, you may be LOOSING money on every quilt you complete – even though you may have cash or a check in your hand!

Here is a quick Expense Equation that you can use: Business expenses + cost of machine + taxes = total expenses per quilt BEFORE quilting.

Business Expenses - To figure out how much it costs to put a quilt on to the quilting machine, we need to start with a list of business expenses. If you have been quilting for a while, you should be able to find out what your expenses are from your accounting system. If you are a new quilter, you may have to make some assumptions about your potential expenses or track your business expenses for a few months for an accurate amount.

Pricing Cost Analysis Class
Presented to Southern Ontario Longarm Operators (SOLO)
September 20, 2020
By Cindy Roth
Longarm University, Inc
www.longarmuniversity.com
Copyright 2020

Here are some of the business expenses you may have:

Computer Charges – the monthly fees for an online service, software expenses

Bank Charges – monthly service charges, over limit fees, credit card processing fees (if you accept credit cards), NSF fees, etc.

Dues and Subscriptions – Guild dues, magazine subscriptions

Fabrics – not related to a specific project, but fabrics to be used in your business. Fabrics for personal use should not be in this category.

Use Taxes – talk to your tax professional about this

You purchase items wholesale and don't pay tax on it. Then you use some of these items for your personal use. The Use Tax is paid on the items that you personally used.

Example – you purchase a bolt of 108 inch wide backing fabric to be used in your business and sold (at retail prices) to your customers. You use 3 yards of this material on a quilt you are making as a gift for a relative. You should pay the Use Tax on this material.

Talk to your CPA / tax person on how to track this. Each state is a little different and has different Use Tax rates

Meals – you are out delivering quilts or at a quilt related meeting, you get hungry and buy a sandwich or lunch.

Business Insurance – note: most homeowners insurance **does NOT cover** home based businesses. Talk to your insurance person about this **NOW!!** Each insurance company and each state have different requirements.

Insurance things you need to know about –

Is my machine and other equipment covered? Only on premises? Find out!!

Example – my business insurance covers my machine only when it is inside of my property lines. If I take my machine off the table and transport it to be fixed, I need to call my insurance person to get extra coverage while it is off my property.

Is your machine covered if damaged from weather?

Example - My neighbor has a HUGE fir tree. If that tree falls, it will obliterate half of my house, along with my quilting machine and studio. Do I call my insurance person when there is a nasty windstorm about my coverage, just to be sure? **You bet I do!!!!**

Pricing Cost Analysis Class
Presented to Southern Ontario Longarm Operators (SOLO)
September 20, 2020
By Cindy Roth
Longarm University, Inc
www.longarmuniversity.com
Copyright 2020

Many insurance people think a quilting machine is a big sewing machine. You may have to invite your insurance person to see your machine and studio. That is what I did with my insurance person. (He was shocked by how big my machine was and how much quilting related "stuff" I had in my studio!)

Many insurance people don't know how to cover a machine quilting business. I have found the "magic words" you need to say to an insurance person are – **INLAND MARINE**. I have **NO clue** what they mean, but to an insurance person it means something.

Are your customer quilts covered? If so, for how much and is there a \$\$ limit.

Example – Your customer quilts are covered for up to (let's say) \$5,000 **total** replacement costs – which are determined by the insurance provider. You have 20 quilts waiting to be quilted.

What if... Your house burned down and all the quilts were destroyed. Will that \$5,000 be enough insurance to cover the cost of the quilts? If not, will YOU be responsible to pay the added \$\$\$\$

Types of Business Ownership

Disclaimer – I am NOT a CPA, lawyer or anything other than someone who has a little bit of business knowledge. The information below is for your **information ONLY**. **YOU** must do the research and make the decisions about the type of business ownership you need for your business and your family situation.

If you start a business and do nothing other than getting all local, state and federal registrations, taxes, etc., set up – your business is considered a **Sole Proprietorship**. As a sole proprietorship, there is **NO boundary** / distinction between your personal assets and your business assets.

Your business can also become a **Limited Liability Corporation (LLC)** or an **S Corp**. The important thing about an LLC or S Corp is that they provide boundaries between your personal and business assets.

Here is what I recommend –

Talk with a CPA or tax person who is / should be familiar with your whole family financial situation. (The big picture view) This includes your spouse's income if your married and any assets that are jointly owned by you and your spouse and your tax situation. Ask your CPA / tax person what form of business they recommend. Each person's tax situation is different.

Pricing Cost Analysis Class
Presented to Southern Ontario Longarm Operators (SOLO)
September 20, 2020
By Cindy Roth
Longarm University, Inc
www.longarmuniversity.com
Copyright 2020

Take your CPA / tax persons recommendation to your lawyer and have them set up your business. Unless you are VERY legal savvy (maybe a para-legal) do not do this yourself! Yes, it will cost \$\$\$\$. In the long run, this will be some of the "cheapest" money you will ever spend! Trust me on this!!!

If your tax person "poo-poo's" you and says that you will not make enough \$\$ to warrant doing an LLC or S Corp - **FIND ANOTHER TAX PERSON!!!!** Even if you have been using this tax person since the dinosaurs roamed the earth **FIND ANOTHER TAX PERSON!!!!**

Here is my assumption – you are a person (female) of a "certain age." You and your husband / spouse have worked many years and have some, if not a lot of, assets – house(s), cars, retirement, etc. You are looking for **PROTECTION of your assets**, not that you will be making a million dollars a year from quilting!

Here is where things get scary!!!

An elderly customer comes to your home studio to pick up her quilt. She is standing in your studio and you are having a wonderful conversation. Suddenly, she is laying on the floor with a broken leg! (She does not trip, the floor is clear, there are no animals in her way, etc. One moment she is standing and the next she is on the floor!)

You call 911 and, as she is being wheeled away, you hear her say "Don't worry dearie, I won't sue you!"

Here is where things get very interesting and **VERY, VERY SCARY!**

Let's say she is true to her word and she does NOT sue you. But ..., her alcoholic son and his drug addicted kids drive by your place. They like what they see - Your place is MUCH better than their place ever was! - and they think they have won the lottery! **THEY** might sue you!!!

Or, maybe they are wonderful people – they don't sue you. But..., the physical therapy clinic where your customer had her physical therapy done at hasn't been paid by the (medical) insurance. The physical therapy clinic can sue you!!!

This can be like dropping a rock in a pond and the ripples keep moving outward!

Let's get back to the worst case scenario where you get sued by the family.

Your business is a sole proprietorship – with **NO boundary** between your personal and business assets, you could loose **EVERYTHING** you – and your spouse – have worked for! Possibly including your retirement(s). Remember, many states are community property states. Even if

Pricing Cost Analysis Class
Presented to Southern Ontario Longarm Operators (SOLO)
September 20, 2020
By Cindy Roth
Longarm University, Inc
www.longarmuniversity.com
Copyright 2020

you don't live in a community property state, both you and your spouse could be liable! (Check with our lawyer on this.)

You took the time and effort to set your business up as an LLC or S Corp. There **ARE** **boundaries** between your business and your personal assets. Your personal assets are protected!

Again, I am **NOT a lawyer!** This is for information only and you **NEED** to talk to a **PROFESSIONAL** about all of this! I am "planting the seeds" in your brain and in your thoughts. **YOU** need to make the decisions about your business.

FWIW – Longarm University is an S Corp! and I DO have business insurance!

Professional Fees – CPA, Accountant, legal fees

Note – a good tax person is priceless!! If you can, find a CPA / tax person who

works well with women owned businesses
works with small, home based businesses
works with artists or craftspeople

Marketing – Christmas Cards, small gifts for your best customers, imprinted pencils or pens

Miscellaneous

Books and Patterns – we need our patterns/pantographs and books which are directly related to the quilting process or our business

Copies

Small Equipment – usually one time fees, such as a digital camera, new gadget for your machine, new fax machine or equipment that is too inexpensive to depreciate.

Studio and quilting supplies – costs directly related to having a Longarm quilting business; needles, marking utensils, rotary blades, pins, etc.

Office Supplies – computer paper, printer cartridges, paper clips, pens, etc.

Telephone – you may have a dedicated phone line or cell phone for your business.

Rent and Utilities - especially if your business is in a retail location or away from your home.

Vehicle expenses or Mileage – for example, when you are driving to and from business meetings, guild meetings, delivering quilts, etc., keep track of your mileage in a notebook that you can keep in your vehicle. Some vehicle expenses such as fuel, repairs and vehicle insurance may be included. Again, talk to your CPA/ Tax Professional about this.

Pricing Cost Analysis Class
Presented to Southern Ontario Longarm Operators (SOLO)
September 20, 2020
By Cindy Roth
Longarm University, Inc
www.longarmuniversity.com
Copyright 2020

Note: I am not including batting, backing fabrics or threads in this expenses list. These items, in my opinion, should be sold separately and are considered inventory and they are accounted for in a different part of an accounting system.

Let's assume that your expenses total \$5,400 per year. To find the average expenses per month divide \$5,400 by 12 (months) = \$450 worth of average expenses per month. We want to break this number down even further to find how much this would be per quilt.

Number of Quilts per Month

Let's assume that you want to have \$500 cash or check(s) in your hand after a week (40 hours) of working in your quilting business.

You can quilt -

10 Queen Size quilts per week at \$50 per quilt

Many new quilters assume that they can quilt 10 quilts a week. Some quilters may be able to do this, but for the most part, a 10 quilt per week schedule is a **BRUTAL** schedule. You will have to complete each quilt, from start to finish, in about 4 hours **or less**. This leaves very little time for anything but the most basic pantograph patterns. There is usually no creativity to this type of quilting and the quilter usually has only a few patterns to choose from with few or no thread color changes. With this type of schedule, in my opinion, you "have no life" except getting those quilts "out the door."

5 Queen Size quilts per week at \$100 per quilt

This type of schedule is more "do-able" but there is no "wiggle" room for even the slightest variation from the schedule. Suppose a friend calls and asks you to go to lunch with her. Will you be able to go with her or will you have to decline because of your quilting schedule? What if you or a family member becomes sick? What if a quilt has problems and takes more time than you allowed? Will you be able to "make up" the quilts you didn't quilt when you were ill? You may have a little more creativity in pattern selection and thread changes with this schedule, but not a whole lot. Remember, you **MUST** get one quilt done each day! This type of schedule gives you a "little more life" but not much. In my opinion, it is still a brutal schedule.

2 Queen Size quilts per week at \$250 per quilt

This is becoming a better to good schedule. It leaves you about 2 ½ days to finish a quilt and it does give you more time to be **a more creative quilter**. It gives you more time to have lunch with friends, volunteer or have activities with family members. If you finish the two quilts in less than five days, you can always "work ahead" on more customer quilts. Or you can take this "extra" time to work on new patterns and techniques which will upgrade your quilting skills, or you can work on your own quilting projects. To me, this schedule is the best!

Pricing Cost Analysis Class
Presented to Southern Ontario Longarm Operators (SOLO)
September 20, 2020
By Cindy Roth
Longarm University, Inc
www.longarmuniversity.com
Copyright 2020

1 Queen Size quilt a week at \$500 per quilt

This is the best option yet! Not every quilter will feel comfortable charging \$500 or more for a Queen Size quilt, but if the quilting is going to be dense, detailed and complex, yes, you **CAN - and SHOULD** - charge \$500 (or more) per quilt.

Even though the information above is about quilts per week, determine how many **quilts per month YOU comfortable quilting.**

Once you determine how many quilts per month you are comfortable quilting, we can now work on calculating your average business expense per quilt.

The chart below shows the average expense per quilt if you completed 10, 12 and 15 quilts per month.

Quilts per Month	Business Expenses per Month	Average Business expenses per quilt
10 quilts	\$450	\$45
12 quilts	\$450	\$37.50
15 quilts	\$450	\$30

If you complete more or less quilts per month, your average business expenses per quilt will change.

As you can see from the chart above, for the first part of the Expense Equation, depending on the number of quilts you complete, \$45 - \$30 of the price of each quilt you complete is needed for the expense of doing business.

Note: I find that completing 10 Queen Size quilts per month allows me the time to be creative with my quilting and also enough flexibility to "have a life" at the same time. You may complete more or less quilts in your business. If you are a new quilter, I would recommend using a lower number of quilts completed per month in your calculations. If you complete more quilts per month then this is a bonus to you and your financial situation.

Pricing Cost Analysis Class
 Presented to Southern Ontario Longarm Operators (SOLO)
 September 20, 2020
 By Cindy Roth
 Longarm University, Inc
www.longarmuniversity.com
 Copyright 2020

Cost of the Quilting Machine - The second part of the Expense Equation is recovering the cost of your quilting machine. This is not an IRS depreciation, (you need to talk to your CPA/Accounting Professional about this) but a way of "getting back" the money you spent on your machine. Let's assume that your quilting machine cost \$20,000 (if applicable, include total interest costs in this number) and you would like to recover the cost of your machine over 8 years.

Here is the math: \$20,000 divided by 8 (years) = \$2,500.00 per year, divided by 12 months = \$208.33 per month. For ease in calculation, I am rounding this number to \$208. The chart below shows the cost of your quilting machine per quilt if you completed 10, 12 and 15 quilts per month.

Quilts per Month	Cost of Quilting Machine per Month	Average Cost of Quilting Machine per quilt
10 quilts	\$208	\$20.80
12 quilts	\$208	\$17.33
15 quilts	\$208	\$13.86

If your machine cost more or less, or, if you want to recover the cost of your machine in a longer or shorter amount of time, your numbers will be different.

As you can see from the chart above, the second part of the Expense Equation, depending on the number of quilts you complete, \$20.80 - \$13.86 of the price of each quilt you complete is needed to recover the cost of your quilting machine.

Taxes - You need to include taxes into the Expense Equation. These taxes are self employment taxes and any other taxes that are not sales taxes. (Sales taxes, if collected by your state, are usually added when the quilting is completed.) I am not a CPA or authority on taxes and cannot give specific information about your tax situation. This is something you **NEED** to talk to your CPA/Tax Professional about this. For this example, I am going to add \$15 for taxes in our expense equation. Again, this number will be different for each person and you need to do the research for your own business situation.

Pricing Cost Analysis Class
 Presented to Southern Ontario Longarm Operators (SOLO)
 September 20, 2020
 By Cindy Roth
 Longarm University, Inc
www.longarmuniversity.com
 Copyright 2020

The chart below shows the completed Expense Equation if you completed 10, 12 and 15 quilts per month.

Quilts per Month	Average Business Expenses per quilt	Average Cost of Quilting Machine per quilt	Taxes per quilt	Expense Equation Total per quilt
10 quilts	\$45	\$20.80	\$15	\$80.80
12 quilts	\$37.50	\$17.33	\$15	\$69.83
15 quilts	\$30	\$13.86	\$15	\$58.86

According to Chart 3 above, every time you put a quilt on the machine, it will cost \$80.80 to \$58.86 in total expenses **BEFORE the quilting process even begins!**

There are many ways to figure the price of your quilting services. For this article, I am going to give you a very simplistic way to calculate your quilting price per each quilt.

A Simple Pricing Equation - Amount of \$\$ needed each month, divided by number of quilts completed per month + total expenses = suggested price per quilt.

Amount of \$\$ needed per month – How many \$\$ do you need per month to earn? If you are a full time professional quilter who supports themselves, and possibly their family, with their quilting business, this number will be higher than someone who is a more “casual” professional quilter. YOU need to determine how much YOU want to make per month. Let’s assume you are a full time quilter and you NEED to earn \$3,000 per month with your quilting. The chart below shows the minimum price you should be charging per quilt to earn the \$\$ you need.

Earnings needed per month	Quilts completed each month	Earning needed per quilt	Expense Equation Total per quilt	Minimum Price per quilt
\$3,000	10 quilts	\$300	\$80.80	\$380.80
\$3,000	12 quilts	\$250	\$69.83	\$319.83
\$3,000	15 quilts	\$200	\$58.86	\$258.86

With the information from the chart above, you will need to charge a minimum of **\$380.80 to \$258.86 PER QUILT** to cover your expenses and bring in the \$\$ you need.

Pricing Cost Analysis Class
 Presented to Southern Ontario Longarm Operators (SOLO)
 September 20, 2020
 By Cindy Roth
 Longarm University, Inc
www.longarmuniversity.com
 Copyright 2020

Let's assume you have a more "casual" quilting business and you need to earn \$2,000 per month. The chart below shows the minimum cost per quilt you would need to charge to cover your expenses and earn the \$\$ you need.

Earnings needed per month	Quilts completed each month	Earning needed per quilt	Expense Equation Total per quilt	Quilting Fee per quilt
\$2,000	10 quilts	\$200	\$80.80	\$280.80
\$2,000	12 quilts	\$166.66	\$69.83	\$236.49
\$2,000	15 quilts	\$133.33	\$58.86	\$192.19

With the information from Chart 5 above, you will need to charge a minimum of **\$280.80 to \$192.19 PER QUILT** to cover your expenses and bring in the \$\$ you need.

I know that this is a very simplistic way of determining what to charge for your quilting services and does not take any variables, such as size of the quilt, complexity of the quilting designs, the time needed to actually complete the quilt, nor does it include thread, batting, backing fabrics, binding, etc. These are all things that need to be taken into consideration and they need to be addressed in future articles.

As one professional quilter to another, I urge you to look at your pricing structure, do the research for your business (taxes, insurance, etc.) and see if your pricing comes close to meeting your monthly income needs for your business.

Please feel free to contact Cindy Roth at longarmu@aol.com if you have any questions, comments, or need more information.

 FWIW Information –

Let's say a Queen size quilt is 90 x 108 inches, the size of a packaged batting. That size equals 9,720 square inches. If you divide \$300 – the cost of quilting labor only – by 9,720 it equals .0308 cents per square inch.

If we round this down to .03 cents per square inch, the labor cost of a Queen size quilt is \$291.60.

If we round this up to .031 cents per square inch, the labor cost of a Queen size quilt is \$301.32.