

# Cindy Drozda

"The Fine Art of Woodturning"

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## Page 2

### Worksheet for calculating your "Shop Rate"

The Shop Rate is what a business charges the customer for the time spent making a product or performing a service. It takes into account all the overhead cost involved with making the product, but usually does not include materials cost. To set a wholesale price for your product, multiply the shop rate per hour by the number of hours it takes to make the item and add the materials cost and any desired profit.

A business that does custom work will use their shop rate to figure their bids.

Shop rate is usually figured per hour, but it can be figured per minute, day, week, month, year, etc.

Knowing your shop rate can also help you see whether a particular product is profitable or not.

#### Step 1 - Figure your physical overhead costs:

Expense	Cost	per Time Unit	Avg / Month
Space Rent			
Utilities (gas, elec, water, trash)			
Telephone, Cell, other Office expenses			
Insurance			
Supplies (sandpaper, finishes, small tools, packaging, display, etc)			
Services (Accounting, Maintenance, Sharpening, etc)			
Photography, Promotional materials			
Advertising			
Promotional Travel			
Materials			
<b>Physical Overhead Total per Month</b>			

<b>Physical Overhead per Day (Overhead per Month divided by # of work days per month)</b>	
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#### Step 2 - Figure your time overhead:

Hours spent "at work" per day =	
	-divide by:
Billable hours worked per day =	
	-equals:
Overhead multiplier	
	-multiplied by:
Desired hourly wage	
	-equals:
Time overhead per hour	

#### Step 3 - Figure your Shop Rate per hour:

Physical overhead total per month	
	-divide by:
Billable hours per month	
	-equals:
Physical overhead per hour	
	-add to:
Time overhead per hour	
	-equals:

**Daily Shop Rate: Expected Daily Wage + Physical Overhead per Day = Daily Rate**

<b>Your Shop Rate per hour</b>	
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