

Nonservice Price Quote

Here is the computation to find a price quote using markup:

$$(\text{Desired Markup} \times \text{Total Variable Costs}) + \text{Total Variable Costs} = \text{Price Quote}$$

Let's use ABC Clothing as an example. ABC has been asked to quote on a job to produce 100 shirts. Based on prior experience, the owner estimates the job will require 100 labor hours of direct labor and five hours of supervision from the plant manager. The total material costs based on quotes from suppliers will be \$40 per dozen. If ABC Clothing seeks a markup of 42.9 percent on all orders, it would use a markup table (like the one below) to calculate the price quote.

	Hours/ Dozen	Cost/ Hour	Cost/ Dozen	No. of Dozens	Total Cost
Labor	1.00	\$7.00		100	\$700.00
Supervision	0.05	\$20.00		100	\$100.00
Total Labor Cost					\$800.00
Fabric			\$35.00	100	\$3,500.00
Sewing Thread			\$2.50	100	\$250.00
Buttons			\$2.50	100	\$250.00
Total Materials Cost			\$40.00	100	\$4,000.00
Total Labor & Materials Costs					\$4,800.00
Desired Markup					0.429
Price Quote to Customer					\$6,859.20

What if you are a new business owner and don't have any experience to base an estimate on? Then you need to research material costs by getting quotes from suppliers as well as study the labor rates and manufacturing prices in the area. Below is a price quote work sheet you can use in your own business.

	Hours/ Unit	Cost/ Hour	Cost/ Unit	Number of Units	Total Cost
Labor		\$			
Supervision		\$			\$
Total Labor Cost ¹					\$
Material Items #1			\$		\$
Material Items #2			\$		\$
Material Items #3			\$		\$
Total Materials Cost ²			\$		\$
Total Labor, Materials & Other Variable Production Costs ³					\$
Desired Markup⁴					%
Price Quote to Customer⁵					\$

¹Depending on the type of service business, there may be many more labor contributions. All should be considered.

²Depending on the type of company, there may be many types of materials used to produce a product. All should be considered.

³Derived by adding together Total Labor Costs & Other Variable Costs.

⁴Stated as a percentage markup on the production costs. In some businesses, this may be as low as 5% (0.05); in others it might be 100% (1.0) or higher.

⁵Price Quote computed as follows:

Total Labor Costs + Total Materials Costs + Other Variable Production Costs + ([Total Labor Costs + Total Materials Costs + Other Variable Production Costs] x Desired Markup)