

## **STEM - a modern approach to pricing**

Many artisans and resellers rely on an overly simple method of determining what to charge. They just add a fixed fee or percentage onto their costs. This is usually inaccurate and rarely relates to the actual cost of producing the item or the cost of selling it. A more accurate way is the S.T.E.M. method. By considering the four factors that determine cost (Space, Time, Effort, and Money) it's possible to more accurately calculate the true cost of business.

### **SPACE**

The amount of space required either to produce the item or to store and display it for sale. A small item uses less space than a large one, so costs less for the space it uses.

### **TIME**

Some things take little time to make or to sell, while others take longer. Something that sells quickly costs less to handle than something that takes a long time.

### **EFFORT**

Some things require more work to make or to sell. The more work that's required, the more it costs.

### **MONEY**

This is the financial cost of providing the capital to make or to sell the product. Essentially, it's nothing more than the interest on borrowed money.

Most artisans and resellers fail to consider all the factors that determine their real costs. If they just take a fixed percentage markup from either the cost to make it, or the cost to acquire it, they are considering only the MONEY factor and ignoring all others. This failure leaves them at a disadvantage to any competitor that relies on the more complex, but more accurate, STEM method.