

How to Price Your Cakes



I Don Get Alert- Godwin

Today we are talking about money. This is quite a long post, because I know pricing is one of the more difficult aspects in a cake business.

What is the use of going into business, if you are not making money. In this session, I am going to show you, how to price and sell your cakes so you have a profitable business.

If you're aim is to have a profitable business, and the key word here is **profitable**, then you need to charge the right amount for your cakes. Otherwise, it doesn't matter how many cakes you sell or how wonderful your cakes look.

Without getting the right price for your cakes, you will find out that hours spent baking and decorating are just wasted and that will bring just frustration.



True Story

When I first started [Three Sisters Cake & Pie Company](#), because I was never really at ease talking money with clients I always undercharged for my cakes because I felt I didn't want to lose the sale and I lacked confidence in my cake making abilities. Then at the end of the month I will be so depressed because I was not making enough money to cover my expenses. I then realized that I had to increase my prices at least to cover my cost and make some profit. Yes, I did lose some sales but I noticed that serious customers did not mind my prices because my cakes were of good quality.

I always love looking at cake postings online and see what they charge. And I always nearly come up with the same conclusion. They all undercharge!

Most times the reason home based bakers undercharge is lack of confidence. They feel they are just starting and not experienced yet or lack of confidence in their cake decorating skills. Or they say it's just a hobby or I'm just building up my cake portfolio or getting experience

Please do not do this. People will **PAY** for **YOUR** cakes. Believe that. You are in business and you need customers who pay. You can still take photos, build a portfolio of cakes, and practice your cake skills while still making money selling your cakes.

I love the below post. It has been shared on social media a lot of times. It really illustrates the actual costs of making a cake (it is not very clear picture wise, but you will get the general idea).

How Much??

Isn't it "Just a Cake?"

*I know how often I, as well as many other decorators get asked this question.
So for an example of WHY a custom designed, custom made, hand created, lovingly
baked cake centrepiece costs more than the mass produced, preservative filled options you can pick up at your local
supermarket, please see below.*

Baking - 3 hours, 35 min

This is the amount of time it takes to bake the 5 cakes it takes to make a cake like this. This includes measuring ingredients, mixing ingredients, lining pans, baking cakes, washing up all the dishes.

Ganaching & Carving - 1.5 hrs

Believe it or not, cakes do not just fall out of tin in this shape. They need to be hand carved, and then smothered in layers and layers of chocolate ganache.

Decorating - 5 hrs, 10 min

I have been making cakes for years. This is how long it takes to decorate a cake like this with MY skill level. I pay huge amounts of money to complete courses to bring my skills up to this level. Every inch of this cake is hand painted and hand modelled. Some parts have to be completed a week in advance for it to be dry enough to use.

Ingredients

This cake was a White Chocolate Mud cake with Layers of Oreo Ganache.

As I pride myself on my cakes, and their taste as much as their appearance, I only use ingredients I would feed to my own children. This cake includes (and is not limited to) Free Range Eggs, White Wings Flour, Couverture Chocolate, Western Star Butter, Pure Cream, Vanilla Extract, Baking Soda, Caster Sugar, Oreos

Ingredients for the 4 x 7" and 1 x 5" cakes : \$39.70
PLUS 1.6kgs of Couverture Chocolate used to make the Ganache : \$18.10
PLUS the fondant (1.47kg) : \$9.62
Plus the board, board covering and its transport box : \$7.10



TOTAL TIME : 10 hours, 15 min. TOTAL MATERIALS COST : \$74.52

This is not a basic cake, but nor does it have complex and time consuming details such as animal or people figurines, or flowers (did you know that some flowers can take up to 4 hours each to create!). Items like these will add hours, and therefore cost to your cake.
I pay myself a rate of \$22 per hour.....yes.....\$22..... I'm pretty sure most people would expect to be paid more than \$22 for every hour they miss of their kids growing up.....\$22 for every hour working, some nights sitting at the bench working on a cake till 3am.....
There is no overtime in our world!
Therefore, \$22 x 10.25 = \$225.50.....plus the \$74.52 in materials....GRAND TOTAL....\$300.02
This cost does NOT factor in such things as the time taken to quote, send through pictures, draw up sketches, type up cake agreements, electricity, water, council, business registration and insurance fees, appliances, tools, individual materials for a cake, advertising, delivery fees.
So yes... a cake like this will cost you \$300...and so it should.
So next time you contact a Cake artist for a quote, remember what you are really asking for
these are time consuming works of Art.....These are never "Just a Cake"

Think about everything you will put into a cake -



- Ingredients
- Decorations
- Cake Board and Tools
- Packaging
- Time baking, cleaning, decorating
- Answering phone enquires, responding to emails and so on
- Time spent shopping for ingredients, researching decorating techniques, looking at the internet for cake ideas and designs
- Time & fuel delivering the cake!
- Time spent away from your family making that masterpiece of a cake

Ask yourself "Do you know what your skills are worth?" To price a cake you must have the mindset that no one can bake a cake quite like you or decorate a cake like you. We all have our individual styles.

Tips On Pricing



- Research prices in your local area;
- Write down the actual Cost Per Cake;
- When quoting on a cake for a customer, check with the attached price guides and come up with a number. Make sure you are satisfied with this price before you call back the customer and give the price to the customer, (don't feel pressured to give a quote on the spot. Ask to call/email back in them back in 5-20 minutes.) you are the one going to be spending hours making this cake, so make sure you are making a profit.

- Be Open & Honest With Your Customers
- Tell your customers about what they are paying for. They generally aren't aware of everything that goes into a cake and it is our job to inform them!
 - For example -
 - 'You offer original and customized designs for every customer'
 - "Spend time to find out what each client wants"
 - "you use only fresh and quality ingredients"
 - "you offer free cake samples and delivery"
 - 'your Cakes are baked fresh from scratch'
 (all these distinguishes you from the 'Cakes and Creams' of this world)

So ask yourself and write it down. What is unique and different with your business?

So how do I calculate and know how much to charge for my cakes?

Here is what I use to calculate my cake prices which I am generously sharing with you:



- **Call other Cakes Shops to have an idea what they charge.** Try and find out the prices of both buttercream and fondant cakes of cake shops and also for other home bakers in your area
for example a local bakery in Lekki charges ₦5,200 for an 8 inch buttercream cake and ₦7,000 for fondant, while a cupcake sells for ₦400. Keep that in your reference booklet, while a home baker will charge N7,500 for an 8 inch buttercream cake and ₦8,000 for fondant and ₦700 for a cupcake.
- **Calculate your direct cake cost.** You do not need to do this for every cake recipe. Just pick one that falls in between your costing.
For example my costs for buying cake ingredients such as

flour, butter; eggs, milk, baking powder and sugar cost me around ₦4,150 to make an 8 inch cake.

If I am making buttercream I will need to calculate the cost of butter and icing sugar which comes to around ₦1,500

I can then just change the amounts based on the size of the cake.

When I have a client I just refer to my folder, be it vanilla sponge, caramel or lemon cake; I have my basic pricing and can give a quote instantly.

I also do the pricing for all my sugar art ahead too.

It really helps to do your homework well as it takes away the stress from pricing and looks professional too.



- **Calculate the indirect cake cost:** This would include the oven, gas, electricity, your cake tools and even decorations like sprinkles. Indirect costs also includes all cost that you associate with your business but are not used directly on each cake. Even your business cards and advertising costs are part of this. You can take a rough estimate of how much you think you should charge for this, or to be more professional make a more detailed analysis.

Some cakery actually go into much detail about calculating the electricity used, gas per unit and so on. I am not very good in math's, so I just give a rough estimate for indirect cost, say ₦2,000.



- **Hours** - how much do you think you should be paid for your time, effort and skills? This is where your earlier comparison between the local bakers and home bakers comes in.

Say for example you decide to charge ₦800 an hour. How long would it take you to decorate a simple to a more complicated 8 inch cake? If you said 2 to 4 hours then your price would range from ₦1,600 to ₦3,200; right?. Don't forget cleanup time! We've all seen what our kitchens and work area look like after a big cake!



- **Extras** - These usually would include things that are unique to every cake, like fondant decorations, flowers or ribbons. Sugar models and other sugar art are priced on your skills not on cost. So if you made a figurine, how much you charge is based on how much time you put into it and what you think your figures are worth.



Is there a simpler way to calculate cake price?

Luckily yes. Another way to charge is whatever your direct cost is; you just add a percentage, for example if you choose to make 50% profit on all your cakes. Add the direct costs and 50%.

For instance for an 8 inch cake:

Direct Costs - ₦4,150

Extras - ₦500

Hours- 2 hours (₦1,600)

Total- ₦6,250 × 50%

= ₦9,375

Using both methods, you roughly come up with approx. the same amount.



Note:

Delivery and set up are also to be included in your pricing. If you offer free delivery you will need to do the costing in your indirect cost. If not, it will be added to your extras.



For your convenience and because I'm nice like that, I have actually conducted research on cake prices within the industry and I have attached (to this email) a quick reference Pricing Guides for you to use, so you don't have to spend much time calculating and figuring out sums. I have done the work for you. Yay!

This will help start up cake business in the meantime until you are more settled in your business.

I based my prices on the cost of ingredients time spent, skill level and decorations.

Later.

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