

# **Wholesale Calculator - How to Price Your Products**

Wholesale price calculation is not an easy job for the business owners because of the enormous competition. Consumers have various options in all sorts of business sectors and thus pricing the goods to compromise your profit margin is the best offer for the retailers looking to buy your goods. You also want your consumers to be loyal and buy products only from you, and that can only happen when you find a balance between your profits and customer satisfaction.

## **What is Wholesale Price?**

Wholesale price is the amount charged by a business to another business, usually retailers who sell the products on retail value.

## **Challenges a Wholesaler Faces to Decide a Price**

Most wholesalers are always stressed about Pricing, and many think that lower prices can lead to increased sales. However, it's a big misconception that you always price your products to its worth considering your liabilities and the amount of profit you want to earn to stay in the game.

So let's understand how to price your product and tackle the challenge of overpricing or underpricing.

## **Understanding Wholesale Formula – Wholesale Price Calculator**



To Calculate the Wholesale price and Recommended Retail price (the recommended price set by the manufacturer for the products to be sold in retail), you need to sum up the total cost price that is the total price in which you have bought the goods.

The Total Cost Price (TCP) is generally the sum of all the product costs.

1. The cost of raw materials
2. Labor cost
3. Overhead expenses

The most basic formula to get the wholesale price is:

$$WP(\text{Wholesale Price}) = TCP(\text{Total Cost Price}) + \text{Profit Margin}$$

Also,

$WP \times 2 = \text{Recommended Retail Price (RRP)}$ , the publisher's price, or the manufacturer.

## Wholesale Pricing Methods



## Differentiated Pricing

Differentiated Pricing hugely depends on the demand for the product to calculate its wholesale price. A product's price is never kept constant and is changed according to its demand. It is generally the pricing system followed by most of the wholesalers.

If you have a product with high demand and less competition, then the Pricing should be done to get the best profits out of it.

In places where there is huge competition, the product is priced reasonably to generate huge sales to generate the required profits.

## **Absorption Pricing**

Absorption Pricing considers all the costs incurred to decide the final selling price. Let's see how to use absorption pricing to calculate the wholesale price of your product.

Firstly, find out the Total Cost Price.

Total Cost Price(TCP) = VCP(Variable Cost of the Product) + (( Overhead Expenses + Administrative costs) /Number of Units )

Variable cost is the oscillating cost of the product that changes when the demand of the product changes.

Now, as the basic formula suggests, calculate the Profit Margin.

Profit Margin is the ratio between the Net Profit and the Revenue.

NP (Net profit) = Revenue - Cost.

So,

Wholesale Price = Total Cost Price + Profit Margin

And,

Wholesale Price x 2 = Recommended Retail Price (or RRP)

## **Conclusion**

The best method to determine a wholesale price is when you take care of the customer's needs and think of building a long-lasting relationship. Never think of earning too much profit by compromising the trust and never compromising your earnings too much in the competition of reaching your customers' trust. It's a thin line, and make sure you are fully conscious of that.

## Essential Resources

- <https://www.launchgrowjoy.com/how-to-price-your-products/>
- <https://www.tradegecko.com/free-tools/wholesale-price-calculator>