

# HOW TO PRICE YOUR BOOK

Book Publishing Tip Sheet

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# BOOK PUBLISHING Tip Sheet

## How to Price Your Book

The elements under your control are the Retail Price, Author Profit, and Trade Discount. Since these numbers are interrelated, all three are controlled simultaneously, meaning as you increase one, the others go up accordingly.

Each of the pricing elements is discussed below in more detail.

### Base Price

This is the per-copy author cost of the book for the author (in quantities of 5 or more).

This figure is not directly in an author's control since a book's base price depends upon the format (paperback/hardback), publishing package, and page count of the book. The One-Click Suites and Ultimate packages offer the lowest base prices.

### Retail Price

This is the suggested price of the book that the retailer should charge the reader. Of course, retailers have the discretion to charge whatever they want. However, the author's profit will be based upon this Suggested Retail Price, not the actual sales price.

A book's retail price depends upon the base price, author profit and trade discount. As any of these increase, they all increase. As any of these decrease, they all decrease.

Therefore, the retail price is, to a large extent, under the author's control. Authors can raise or lower their profit and/or the trade discount to raise or lower their book's retail price. Of course, a retail price can only decrease so much until it "bumps" into the base price. Since the retail price is affected by the base price, upgrading to a higher package will also positively affect the retail price and/or author profit.



## Author Profit

Otherwise known as "royalties", this is the amount of money the author makes on each book sale.

An author's profit depends upon the base price, retail price, and trade discount.

This price is largely under the author's control since the author can set the book's retail price and trade discount, two of the three factors that determine the author's profit. A reasonable author profit is \$1-2 for fiction and full-color books; and \$3-4 for non-fiction books.

Authors cannot set a negative author profit.

## Distributor Price

This is the cost of the book to the wholesaler/distributor (Ingram, Baker & Taylor, etc) – not the retailer (Amazon, Barnes & Noble, Target, etc.).

A book's distributor price depends upon the retail price and trade discount.

This price is not under the author's control. The wholesaler/distributor takes a portion of the trade discount to handle inventory and fulfill orders for the book (typically 10-15%).

## Trade Discount

This is the amount of discount off the retail price that is offered to the publishing trade for handling a book. The "publishing trade" consists of wholesalers, distributors, and retailers, but not the publisher. Everyone involved with the book after the publisher falls into the "publishing trade" circle, and they all take a piece of the trade discount.

A book's trade discount is set by the author and must be between 40% and 55%.

Outskirts Press is the only full-service self-publisher that gives authors control over their trade discount. The larger the trade discount, the more money there is for the publishing trade (and therefore the more inclined they are to handle/stock/sell your book), but the less there is for the author.

Standard trade discounts range from 40% - 55%. Outskirts Press authors can select a trade discount within this range. A 55% trade discount will often result in an industry standard 40% retail margin, which is what a typical book retailer seeks when considering whether or not to order/stock a book. So, in addition to availability on Amazon.com, Barnes & Noble's website, and many other online retailers, the book can have the retail margin that physical bookstores and chains are looking for.

Since the trade discount is directly related to both the profit and retail price, special consideration should be given to picking the right percentage. The higher the trade discount, the higher the retail price. The lower the trade discount, the less distribution opportunities for your book.

To simplify this rather complex subject, Outskirts Press recommends three standard trade discounts based upon more comprehensive (and complicated) industry standards:

- 40%:** Online availability plus increased bookstore potential at NET 20, which means a 20% retail margin is provided to the bookstore as their profit. This is rarely enough for a physical bookstore, but in most cases is enough for all online retailers.
- 50%:** Online availability, plus a growing opportunity for additional offline sales channels and distribution potential with somewhat typical NET 30 retail margins.
- 55%:** The highest trade discount offered, resulting in maximum distribution potential for an industry standard 40% retail margin.

