

FIT Clothing – Pricing Policy

Background:

The purpose of FIT clothing is to provide members with a means of clearly identifying themselves as part of the FIT organisation. It is in FIT's best interest to encourage members to purchase and wear FIT clothing items.

In the past, FIT items have been offered to members at either subsidised or break-even prices. The purpose of this paper is to recommend a consistent pricing policy.

Considerations:

1. The purchase of FIT clothing is generally less convenient for members than purchasing from a retail outlet.
2. The price of FIT clothing should not be so expensive that members will be discouraged from purchasing items and buy from other sources instead.
3. The total cost of supplying FIT clothing (including set-up, artwork, delivery costs, etc) should be taken into account before determining an item's price to members.
4. Does FIT need to profit from or subsidise members purchases of FIT clothing or just break even?

Discussion

Generally, the cost of FIT clothing items from our suppliers works out (on a per item basis) at around 10% - 20% less than the retail price of equivalent quality items from retail outlets.

On this basis, if FIT clothing items are priced to fully cover their costs, there is no apparent need to subsidise¹ members to encourage them to purchase FIT items (that are already cheaper than their retail equivalents).

Alternatively, if FIT items are priced to recover (say) a 20% mark up on cost, there will be less incentive for members to purchase

¹ subsidise means selling clothing to members at less than cost price. Occasionally, subsidised pricing might be necessary to reduce levels of slow moving stock.

FIT clothing, particularly as items are less convenient to buy than purchasing from a retail outlet. Also, FIT is a not-for-profit organisation that is presently in a strong financial position. FIT does not need to sell clothing at a profit to help contribute to its funding base.

Recommendation:

Accordingly, it is recommended that:

1. the pricing of FIT clothing items be on a cost recovery basis with the prices of individual items being set at:
 - The per item cost from the supplier; ie total order cost divided by number of items,²
 - rounded up to the next full dollar,
 - plus \$2 to cover FIT administrative costs (phone calls, faxes, funds transfers expenses and the like).
2. When deemed appropriate, and with the Committee's prior agreement, the price of an item may be reduced below its original cost price with the aim of selling stock more quickly.

For the Committee's consideration and agreement.

Rae Palmer
FIT Clothing Officer
28 June 2005

² Where different types of item are supplied on the same order (eg knicks & swimmers), item specific costs should be totalled separately. Other general costs associated with order (eg deliver, insurance) should then be apportioned proportionally to obtain a full cost for each specific group of items. The per item cost can then be calculated by dividing the full cost of the item group by the number of items in that group.