

COMMENT LANDED ON INSTAGRAM

The Landed-Cost Calculator

Three numbers decide whether a pet product makes money, and most sellers only know one of them. FOB is the price at the port in China. It is not your cost.

The only number that matters

Your landed cost is FOB plus ocean freight plus tariffs plus duty. Price off that, not off FOB. Sellers who price off FOB think they have a fat margin, then find out the real one after the inventory is already paid for.

THE FORMULA

$$\text{Landed cost} = \text{FOB} + \text{Freight} + (\text{FOB} \times \text{Tariff\%}) + (\text{FOB} \times \text{Duty\%}) + \text{Other}$$
$$\text{Real margin} = (\text{Sell price} - \text{Landed cost}) \div \text{Sell price}$$

Tariff and duty are a percentage of the FOB value and depend on your product's HS code and country of import. Confirm your real rates with a customs broker.

WORKED EXAMPLE (PER UNIT)

FOB \$2.42 | Freight \$0.35 | Tariff 15% | Duty 10% | Other \$0.03 | Sell \$11.99

FOB (port price)	\$2.42
+ Ocean freight	\$0.35
+ Tariff (15% of \$2.42)	\$0.36
+ Duty (10% of \$2.42)	\$0.24
+ Other	\$0.03
= Landed cost	\$3.40
Real margin at \$11.99 = $(\$11.99 - \$3.40) / \$11.99$	72%
If you (wrongly) priced off FOB only	80%

On low-priced, freight-heavy items the gap between the FOB "margin" and the real landed margin is far larger. That gap is exactly where sellers lose money they thought they had. Always price off the landed number.

How to price off it

Once you know landed cost, build every layer on top of it so each one keeps a real margin. In the example above, a landed cost near \$3.40 supports wholesale around \$4.50 and retail around \$11.99 while everyone still makes money.

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