Financial training
For non financial staff

ATTAINMENT TRAINING

The financial training specialists

Making bread (profit)

I was making bread at the weekend. I've made my own bread for some 20 years now. I enjoy making it, and enjoy eating it! I think it tastes better than most bread I can buy, and has more body to it. I'm prepared to admit some bias however!

Plus, it's only about 25p a loaf. For an accountant based in Yorkshire that's a big plus! In Tesco a loaf ranges from 40p to £1.50. Waitrose ranges from 45p to £3.25.

As I was kneading my bread I was thinking about what I'd charge if I sold it. Anything over 25p would turn me a profit. £1.50 would give me good profit, and at £3.25 I'd be coining it in!

So what determines the price we charge? If customers are going to buy, it has to be value for money (VFM) regardless of the price. But VFM is a perception. At getting on for £1m for a car, a Bugatti Veyron isn't VFM to most of us.

So VFM is about price; quality; convenience; exclusiveness; and other factors. If we charge more than the perceived value, our goods won't sell too well.

On the other hand, if we undercharge, we won't make much profit.

Prices are often set on a "cost plus" basis. That doesn't include any of the VFM factors.

Your customers buy from you on the basis of VFM. What determines their perception of VFM? Are you giving them what they want? Are you charging the right price?