

## *Financial training For non financial staff*



*The financial training specialists*

### **Understand your costs (profit)**

A customer at a Yorkshire café left a Trip Advisor review complaining she'd been charged £2, just for lemon and hot water. She thought £2 for a slice of lemon was a rip off.

If we're going to be successful in business we need to understand our costs. £2 for a slice of lemon is expensive, but so is £2 for a teabag and a splash of milk.

The café owner responded by outlining her full cost to the café. A share of the rent and utilities. The kitchen equipment used to boil her water; the table and chair she sat at; the ambience of the café. The wages of the staff member who took her order; prepared it; brought it to her; cleared up afterwards; and cleaned the café at the end of the day. A contribution towards the livelihood of the café owner.

Quite a list of costs.

If we don't understand our cost base, we'll be unlikely to make a profit; or manage within our budget. (And it's the same in our personal lives: if we don't know where we spend our money, we're unlikely to live within our income!)

We must also understand the value we give.

That customer had spent half an hour in the warmth of the café, reading their magazines whilst enjoying her hot drink. Whether tea, coffee or hot lemon, that sounds like a fair price.

What are your costs, and what benefit do you give your customers (whoever they may be)?