

## *Financial training For non financial staff*



*The financial training specialists*

### **Buying baked beans (profit)**

We live in Swaledale in the Yorkshire Dales, in a tiny village nestling in the foothills of the Pennines. Very beautiful, but very remote. It's  $\frac{3}{4}$  of an hour to get anywhere – the station; the supermarket; a bookshop.

So when we go to Sainsbury's it's a once a month event, not a daily drop in. Last time we were there I was standing bemused by the range of baked beans. Basics brand beans for 29p, Sainsbury's own brand for 48p, or Heinz for 64p.

Why do they sell so many brands, and which one would they want me to buy? Big hint – the cheapest ones are inconveniently on the floor!

Presumably the most expensive ones mean the highest revenue, so they probably want me to buy Heinz beans.

I suspect that when they buy beans they don't pay much more for the own brand beans than they do for Basics brand beans. Say 28p and 26p. So they make 20p on own brand beans, and 3p on Basics brand beans. Heinz will charge a premium price – say 50p, leaving a profit of 14p per tin for Sainsbury's.

So Sainsbury's make as much money selling one tin of own brand beans as they do on 7 tins of Basics brand beans.

How does this apply to you? Next time the management meeting is discussing sales, dig a little deeper. Don't ask which is the highest revenue product or client, ask which is the most profitable. That's the important one!