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Bitesize GCSE BUSINESS STUDIES

COSTS

DEBORAH MEADEN- ENTREPRENEUR

People often get confused in business, the difference between sort of the margin, which is the moving bit, the bit that says look if I sell an apple for a pound I've had to pay fifty pence to, to actually buy it to sell it. So that's the margin. Below the line are the overheads and what you would call the fixed costs. They're really the areas you really need to look at, because they don't, and really, really get to grips with, because they don't move with the turnover. They are fixed, that's the point. That's the type of thing that says I've got fixed salaries, I've got fixed rent I've got to pay, I've got to pay power and electricity. And, and that's whether I sell one or I sell three hundred.

SAIRA KHAN- SKINCARE ENTREPRENEUR

Costs are anything from stationery, to putting petrol in your car, to travel, to entertainment, to meeting customers, to actually you know, buying the product or service.

DR PAUL THOMAS- TRUFFLE ENTREPRENEUR

Like any business we've got quite a huge number of costs associated with it. Two of our biggest costs are leasing those specialist facilities, and also labour costs. And just last year those prices went up by about twenty percent, which was quite a big hit to us because it pushed our break-even point back quite away. So it's always important to factor in a, a good margin for error

HUGH PYM- BBC CHIEF ECONOMICS CORRESPONDENT

Keeping control of costs is crucial for companies, and normally they can do it. But often there are costs completely outside their control. For example, if you're driving a taxi you have to fill your taxi up with fuel. If the fuel cost goes up you can't suddenly change what you charge customers because that normally is regulated. So you can find you're getting the same amount of money for the same amount of people you've taken on different journeys, the same amount of fares, but the money you're paying out on your fuel has gone up quite a lot. And there's nothing you can do about that. And you can suddenly find from making a profit your business is barely breaking even, you might even be making a loss. Another example is if you're buying in raw materials or goods from abroad and selling them in the UK or processing them in the UK.

DR PAUL THOMAS- TRUFFLE ENTREPRENEUR

When the pound's very strong, it makes it harder for people overseas to buy our product. And when the Euros very strong it makes it mover expensive for us to buy some of our raw materials.

BEN WALLACE- MARKETING, GOOGLE UK

Traditionally the highest, the highest resource cost will be the salaries of your staff, and also the time of your staff. Certainly for a business where you don't have a high kind of overheads in terms of your office space, or in terms of like a manufacturer and supply chain. But people are really precious resource. They're kind of the supply chain that get your work done.

NICOLA VANE- PHONE SOCK ENTREPRENEUR

The biggest cost was probably trade marking a brand name. We needed to do this to make sure our competitors didn't use it.

HUGH PYM- BBC CHIEF ECONOMICS CORRESPONDENT

I think there is a time when it didn't matter very much when in terms of retailers, people just wanted to go in and get the cheapest possible deals. They didn't really mind where the products were made or whether the retailer had an ethical policy. Nowadays I think consumers are much more aware, for example in clothing they might want to know that the item that they buy was made in a factory that is supplying proper standards, is not overworking their staff, that is not employing young workers who are not properly protected.

SAIRA KHAN- SKINCARE ENTREPRENEUR

There are some costs that you; you have to invest in, in order for the business to kind of work. The overheads are things that actually you can reduce and keep a tighter control of. So for example I've decided to work from home and set up an office in my home so that I don't have to pay rent. I also, decided that instead of employing people I will actually outsource certain services. The benefit of that is that I don't have to pay somebody National Insurance, I don't have to pay for their pension, and actually I don't have to pay for anything about them, apart from when I buy their product or service from them. So overheads and costs are important, but what you want to do is keep them to a minimum so that you can reap the benefits of the profits.

DEBORAH MEADEN- ENTREPRENEUR

People often think about fixed costs, I can do nothing about my fixed costs. Well of course you can, you can manage them. We can all make sure we're on the best deals with the telephones. We can all make sure we're on the best deals with the power. We might want to look at alternative sources of power. We want to look at whether or not we've got the right people doing the right jobs. Whether or not we want to outsource. Whether or not we want to bring some of those jobs in. So I think there's a danger in calling them fixed costs. They're fixed because they are there, but you can do something about your fixed costs.

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