



The Schools Challenge

Costs, revenue & profit

Remember that the whole point of your enterprise is to generate funds for The Prince's Trust – so your product or service needs to make a profit!

It's important to set the right price using 'cost plus pricing' and adding a 'margin' (an extra amount). Or you could price your product according to the market, choosing a price tag that you know your customers (other students and teachers) can afford and are willing to pay.

Let's take the example of the hot-air balloon contest.

- It costs you £17.00 to buy everything you need.
- You'll run the event for two hours.
- You plan to have 5 groups every half hour.
- That will give you twenty groups in total, if your marketing is on point and the required numbers of paying customers you need do show up.
- Let's say you charge 50p to enter per group.
- 5 groups x 50p = £2.50.
- 20 groups x 50p = £10.00.
- Oops! You haven't covered your £17 costs, which means you'll have nothing to give to The Prince's Trust. You've got some important decisions to make here!

1. Cut your costs?

Do you need so many pens? Ask your friends to lend you theirs for the afternoon. How about reducing the amount of tissue paper you use? Try to get the materials free from local stationers who could sponsor your event. How about asking the stationery store if they've got any materials they don't want? Can you negotiate a sale-or-return deal so that you can return what you don't use and get your money back?

2. Put up your price?

Would you be able to charge 50p for each entrant? This means you get £20.00 and £3.00 to give to charity. Could this put off your customers though?

3. Increase the number of entrants?

If you increased your customers to eight pairs per event instead of five, would that help? You must ensure you have enough resources for all your customers.

Make some price comparisons

Look at the table below and you'll see how increasing your price just a little can make quite a substantial change to your profits.

Just remember that your customers need to be able to afford to pay the price or you may not get any sales at all! Look back at your market research. What did your potential consumers say they were willing to pay?

Hot-air balloon contest based on 8 pairs of students per event (16 students)

Total costs	Selling price	Income for each event	Income in total (4 events @ 30 mins each)	Surplus for charity
£10.00	20p per entrant	£3.20	£12.80	£2.80
£10.00	25p per entrant	£4.00	£16.00	£6.00
£10.00	30p per entrant	£4.80	£19.20	£9.20
£10.00	35p per entrant	£5.60	£22.40	£12.40
£10.00	40p per entrant	£6.40	£25.60	£15.60
£10.00	45p per entrant	£7.20	£28.80	£18.80

- Notice that you will cover your £10 costs just by charging 20p... but you'll only make £2.80 for The Prince's Trust.
- But putting up your price may put potential customers off. It's crucial that you consider this.

Now it's your turn to calculate the right price for your product or service, recreate the table using the same headings.