



# #2

## benchmark bulletin

**Welcome to the second MyCake benchmarking bulletin. In our first bulletin we looked at how the microbusiness users of MyCake spend their time (you'll find a copy in the support section of [www.mycake.org](http://www.mycake.org)), earn their income and the way they charge their time. In this bulletin we're looking at the Profit and Loss information in a bit more detail. In particular we're focussing on the Direct and Indirect costs so that we can get an idea of the profitability of the businesses and make some best guesses about cashflow challenges MyCake users face.**

### Where is the income coming from?

The average turnover amongst MyCake users for Q2 2008 was £9,343 (the max was over £65,000 ... you know who you are!). Most users have a pretty clear main income stream but many also have other additional income streams. On average 70% of the total income is from the main source.

The most common secondary sources are teaching & workshops and the charging of various expenses (production, packaging, shipping) on to clients directly. When passing on costs to clients some users charge only the actual cost, others charge a percentage on top ... particularly if they are sourcing materials for

clients. For example this practice is normal in interior design or when graphic designers arrange print for their clients.

### Where are the major costs?

As you'll see when you look at the benchmarking data for your own business we show the results as a comparison to the turnover. We'll do the same here. What ratios does it make sense to look at?

- **Turnover: Rent/Rates** – For those users who pay rent, the percentage of turnover spent on rent varies between 12% and 33% for Q2 2008 (July–Sept). We'd suggest that anything much over about 15–20% is high.

- **Turnover: Travel/transport/subsistence –** Expenditure on travel is certainly an area which can get out of hand without noticing it. It's particularly likely that travel costs will go up when you're pitching for work or researching new clients. This could be a seasonal activity e.g. fashion designers attending fashion week etc. So in this sense look at your travel costs across a year and know the annual cycles. In Q2 2008 the average spend on travel is 8% of turnover. The maximum was almost 40% (that really is very high).

As a ball park we'd say that 5–8% would be more sustainable.

- **Turnover: Marketing –** Again marketing may be a seasonal activity in your business so look at your marketing spend across all four quarters not just one.

In Q2 2008 the average spend on marketing was 12% of turnover, the maximum was 33% of turnover. This is a hard one to look at in the abstract in that a 'reasonable' marketing spend very much depends on what your goals are ie are you growing your business in which case your marketing spend will generally be higher than short term sales levels might immediately justify as you are investing in your business.

If you'd like to discuss what a 'reasonable' spend is for your business then we suggest you drop Marion a line [marion@mycake.org](mailto:marion@mycake.org) for some phone support or to book a place at one of the group training events or talk to your business advisor or mentor.

### What does that leave?

On average:

**direct** costs come to 30% of the turnover

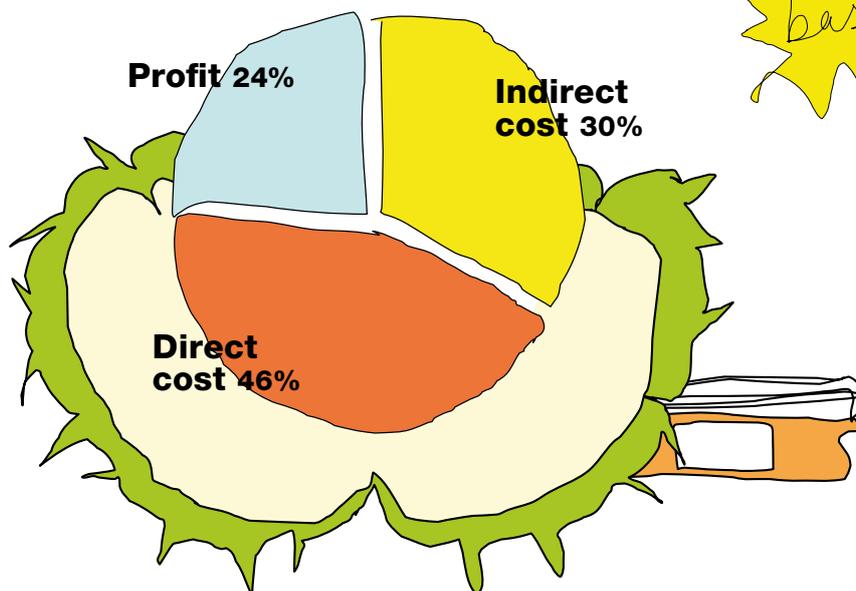
**indirect** costs come to 46% of the turnover.

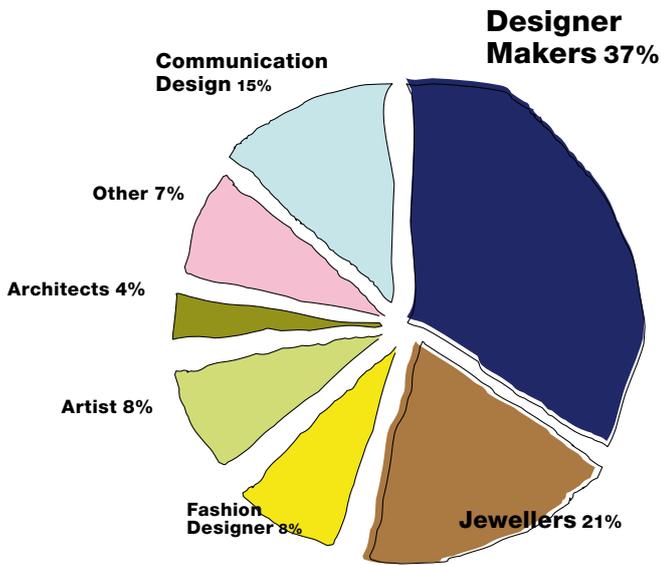
**This leaves about 24% 'profit'.**

That's quite reasonable. It leaves enough for you to take some 'drawings' (ie pay yourself) and use some of the profit to reinvest in the business.

### What else have we noticed?

Some users make claim for 'research' and some don't. We'd just remind you to consider what is research for you? Is it books & magazines you read? Is it exhibitions you visit that are connected to your work? Don't forget to count these costs ... particularly in creative sectors this is often an important source of new ideas, influences and stimuli.





*And just to give you an overall picture of the MyCake user base here's how it's looking at the moment*

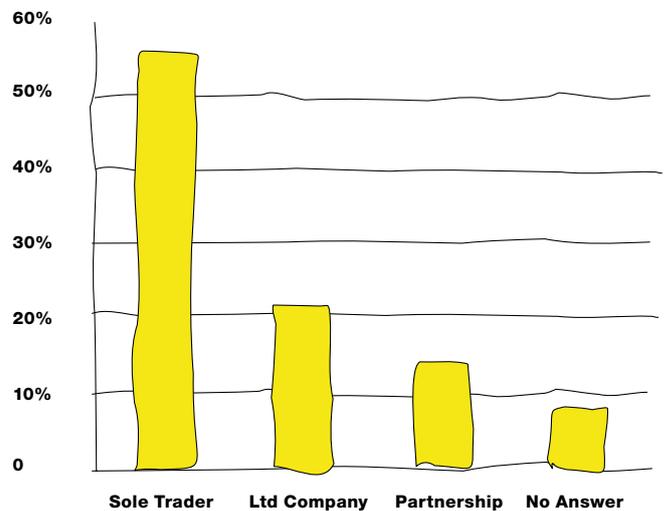
## Crumbs!

In this bulletin we've focussed on some key ratios in your financial data which have the capacity to tell you useful things about the health of your business. We will do more of this in coming bulletins, indeed we're looking forward to being able to do this across a full 4 quarters rather than just looking at one or two quarters. Even so it leads us to thinking about the following questions:

- **How do you get paid?** Do you charge yourself into the direct costs of the product or service? Do you pay yourself from whatever is left over after indirect costs such as travel etc have been covered? We suggest that your time should be worked into the price charged (otherwise your prices are unlikely ever to be high enough to recompense you fully) but we also recognise that in a small business the reality is that you'll pay yourself what's left over after all the costs have been paid. This is pragmatic and practical but means that you need to keep track of your costs to ensure that there is enough left over!
- **At the moment, how much do you look at the Profit & Loss report?** You could be using this to keep an eye on roughly how the year is going, making sure you've put enough money aside for the tax man etc.

- **Do you have a feel for the 'normal' levels of key cost areas?** If your business is young you may not have developed your views on these norms yet. There are various people who can help you set your expectations of what normal is ... a business advisor, mentor or the folks on the MyCake team. If you've been running your business a while how do you gauge whether your costs are inside or outside of your normal range?

If you'd like to discuss your data in more detail or better understand your benchmarking results then you can login to your own account and look at your personal benchmark results any time of the day or night. From the landing page inside the login there are a series of links to benchmarking results ... one form per quarter. If you need a bit more help you can always drop Marion a line at [marion@mycake.org](mailto:marion@mycake.org) to set up some phone training or come to the next monthly group training session.



*And for the financial year 2007-08 the legal status of users looked like this*