Slow Money

What a family bakery taught me about pricing, patience and staying small

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Prologue: The Second Oven

The oven came on a Tuesday in March, in our fifth year, on the back of a flatbed lorry that could not get down Station Road. So it came the last hundred yards on a pallet truck, pushed by two men from the dealer and my husband Daniel, with Kev walking ahead moving the bins and the A-boards out of the way, and half the street watching from doorways.

It was a reconditioned three-deck oven, grey steel, older than my daughter, and it would not go through the back. We had measured the back door three times and it would not go through the back. So we took the front door off its hinges and brought it in through the shop, past the counter, past my mother, who stood with her arms folded and said nothing, because the oven was going where her display table had been for eighteen years.

It cost £8,400. We paid for it out of the account. There was no loan and no lease, and when it was bolted down and Kev fired it for the first time that afternoon, nothing in the building belonged to anyone but us.

I want to tell you why that mattered, because at the time everyone we knew thought we were being timid.

The autumn before, a business adviser had sat at the table in the back with a folder and shown me what the bakery could become. Not one oven but a production unit. Not one shop but a café next door, and then a van, and then, why not, three or four shops across the county. He was not a fool and he was not

selling anything. He had numbers, and the numbers were not wrong. They were just not ours.

I have been asked, since, why we never did it. The question usually comes from someone who has just read a book about growth, or from a young man at the bank, or from a supplier who would like us to buy more flour. Sometimes it comes from Marta, my daughter, who is about to take the keys from me the way I took them from my father, and who is entitled to ask.

The answer is in this book. It is not a philosophy. It is a series of decisions, each one made at a kitchen table with a pencil and the previous year's figures, and each one about the same three things: what to charge, whether to grow, and how many hours a person can stand behind a counter before the money it brings in stops being worth it.

I am not going to tell you to stay small. I do not know your business, and I am suspicious of anyone who tells a stranger what to do with theirs. What I can do is show you what we saw in our own numbers when we looked, what we decided, and what it cost us and what it paid. The family, the town and the figures in this book are ours alone, and you should not lift a single number out of it and use it as your own. Put yours beside ours instead. That is the whole method.

The second oven ran for fourteen years. When it finally went, it went out through the front door again, and the street watched again, and the man who took it away asked whether we would be replacing it with something bigger. We replaced it with something the same size.

The First Price Rise

My father sold a white tin loaf for £1.10 for six years. He was proud of it. When the flour price went up he absorbed it, and when the gas bill went up he absorbed that too, and by the time I took the keys from him, the spring I was thirty-one, the loaf that was the whole reason anyone walked through our door had become the thing that was quietly sinking us.

He did not know. That is the part I want to be honest about, because I did not know either, for the first year. My father was a baker, not a bookkeeper. He knew what a sack of flour cost and he knew what he charged for a loaf, and in his head those two numbers had a comfortable distance between them. What he never did was put the other things in the column: the gas, Kev's hours, the bags, the loaves that went stale on the shelf and were given to the church on Saturday afternoons, and the rent for the square footage the oven sat on.

In the January after my first year, our accountant sent the figures and I sat at the kitchen table with them and a pencil. We had taken £215,000 through the till. After everything, and after the money Daniel and I had drawn to live on, the bakery had made £4,000. I remember thinking that a woman who made £4,000 in a year from a business that was open six days a week from half past six in the morning had either made one very big mistake or had not yet found out which small mistake she was making.

Costing a loaf

So I costed a loaf. I had never done it. I took a week's figures for the white tin, which was nine hundred loaves in a normal week, and I divided everything I could think of by nine hundred.

What goes into one white tin loaf	Per loaf
Flour, yeast, salt, a little fat	£0.31
Gas and electricity for the mixer, prover and oven	£0.11
Kev's time and mine, on bread only	£0.38
The bag	£0.03
Its share of rent, rates and insurance	£0.15
The one loaf in twenty that does not sell	£0.06
Total	**£1.04**

Six pence. We were selling a loaf for six pence more than it cost us to make, and on a wet Tuesday when we sold sixty fewer than usual, we were paying for the privilege.

I showed it to Daniel and he said, "That can't be right," and we went through it again, and it was right. Then I showed it to my father, which I had been dreading, and he looked at it for a long time and said, "The flour was cheaper," which was true and was not the point.

Deciding the number

I want to tell you exactly how I picked the new price, because the picking is the part people get wrong. The temptation is to put it up by the smallest amount you think nobody will notice. Five pence. I nearly did that. Five pence would have taken us to eleven pence a loaf, which was still nothing, and it would have used up the one price rise I felt I was allowed that year.

Instead I asked a different question: what does the loaf have to sell for so that the bakery is fine even if we lose some cus-

tomers? I settled on £1.35. It was a big jump, nearly a quarter, and I knew it. Then I did the arithmetic that has been the most useful arithmetic of my working life.

At £1.10, nine hundred loaves brought in £990 a week. At £1.35, we would take the same £990 from 733 loaves. So we could lose 167 loaves a week, nearly one customer in five, before the rise cost us a single pound in takings. And because the cost of a loaf did not change with its price, every loaf we did sell at the new price made 31 pence instead of six.

	At £1.10	At £1.35, three months later
White tins sold in a week	900	840
Takings from them	£990	£1,134
What those loaves cost to make	£936	£874
Left over	£54	£260

That was the number I held on to when it got unpleasant, and it did get unpleasant.

What happened

I put the price up on a Monday in April with a card in the window in my own handwriting. It said that the price of a loaf had not changed in six years, that our flour cost a third more than it had then, and that we were sorry. I have kept the card.

Eleven people told me it was a disgrace, to my face, in the first week. I know it was eleven because I wrote them down. Four of them stopped coming. Two of the four were back by the summer, and one of those two has never mentioned it and neither have I. The other two I still see in the street, and we nod.

Loaves fell from nine hundred a week to about eight hundred and ten in the first fortnight. By July we were at eight hundred and forty. By the following January we were at eight hundred and seventy, which is to say we had lost thirty loaves a week and were taking £185 a week more on the white tin

alone. Over a year that was nearly ten thousand pounds, on one product, from one decision, and the decision had taken an evening.

What I had not expected was the other thing. For six years my father had been telling the town, with his price, that a loaf of bread was not worth very much. When the price went up and the bread did not change, most people simply adjusted what they thought a loaf was worth. The ones who complained loudest, on the whole, were not the ones buying the most bread.

The rule I made afterwards

The jump to £1.35 taught me something I did not want to learn, which was that six years of no rises had made the one rise enormous. If my father had put the loaf up by five pence every spring, nobody would have noticed, the loaf would have been at £1.40 by the time I took over, and my first January would have looked entirely different.

So the rule, from that year on, has been a small rise, once a year, in the same month, whether or not it feels necessary. We do it in the first week of September, when the school year starts and people are already expecting things to have changed. The white tin is £2.85 now. Nobody has called it a disgrace for years.

What I would tell a friend

Cost the thing you sell most of, properly, with every line in the column, including your own time and the ones that do not sell. If you have not done this, you do not know whether you are making money on it, and neither did my father.

Then work out how many customers you could lose before the rise costs you takings. Write that number down before you announce anything. It will be bigger than you fear, and when the complaints come you will need it.

Raise a little every year. The big rise is the one that hurts, and the only reason it is big is that you waited.

The Loan We Did Not Take

Graham came in October of our fourth year. He was from an enterprise scheme that helped small businesses in the county, he had been sent by someone at the bank who thought we were doing well, and he had a folder. I liked him. He had run a business himself once, a printing firm, and he did not talk down to me, which most people with folders did.

He had noticed what I had noticed. The hardware shop next door had closed in the summer and the freehold was for sale at £145,000. Our shop was too small: the queue on a Saturday went out of the door, we sold out of pastries by nine, and the single oven ran from three in the morning until eleven with everything waiting its turn. Graham's plan was to buy next door, knock through, put a café with thirty covers in the front and a proper bakehouse in the back, and, in his phrase, release the capacity. The bank, he said, would lend £180,000 over fifteen years against the two freeholds. He had a cash flow forecast for the café. It was on a spreadsheet and it was in colour.

I said I would think about it, and I did, for six weeks, which was about five weeks longer than Daniel thought I should.

What the loan needed from us

The repayments on £180,000 over fifteen years came to £1,550 a month, which is £18,600 a year. I wrote that number at the top of a page and then I wrote our own numbers underneath it.

In our fourth year we had taken £262,000 and, after everyone's wages including mine, we had made £24,000. We had £19,000 in the bank, most of which the plan needed as a deposit.

So the loan would take three-quarters of the profit of the bakery as it stood. The café would have to earn the difference. And I had no reason to think a café run by us, in a town this size, would make in its first year or two anything like what the bakery had made in its fourth. The bakery had taken my parents thirteen years and me four to get to £24,000. Graham's forecast had the café clearing that in its second year, and when I asked him where the figures came from he said they were typical, and I said, typical of what, and he did not have a good answer.

Then I did what I have done for every large decision since. I wrote a second column for a bad year.

	An ordinary year	A bad year, takings down by a tenth
Bakery profit after everyone's wages	£24,000	£6,000
Loan repayments	£18,600	£18,600
Left for the café to make up	£5,400	minus £12,600

A bad year did not mean a disaster. It meant a wet summer, a rival opening near the station, a jump in flour, or me being off for two months with my back, which happened in our tenth year. Takings down a tenth is about £26,000 off the top. Ingredients fall with it, by perhaps £8,000, but the wages and the rent and the gas do not fall at all. So a bad year took our £24,000 down to about £6,000. And in that year the loan still wanted its £18,600, and the café, new and untested, would have to find £12,600 from somewhere, or we would be into the overdraft, or into the freehold.

I looked at that column for a long time. The loan did not buy me a café. It bought me a fifteen-year obligation to run a café successfully, starting in a year I could not choose, and it took away the thing that had let me sleep for four years, which was that a bad year at the bakery was survivable.

What we did instead

I went back to the actual problem, which was not that we were small. It was that one oven could not bake bread and pastries at the same time, so the pastries went in last and were gone by nine, and the queue on a Saturday was really a queue for the oven.

A second oven, reconditioned, cost £8,400. We had it, in the account. It went in the March of our fifth year, through the front door, as I have told you. From the first week Kev baked the bread on one and the croissants and the custard tarts, which were my mother's recipe and the thing the town knew us for, on the other, both from three, and by seven the counter was full instead of half full.

I had guessed that the pastries were where the money was going missing. I had not guessed how much. In the six months after the oven went in we sold, on an average morning, about ninety more pastries than before, at £1.20 or so each, most of them between seven and nine to people who had previously found the shelf empty. That is roughly £100 a day, or £600 a week, of takings that had been walking past us for years. The oven paid for itself in seven months.

Graham came back once, the following year, and looked at the oven and the full shelf and said, without any rancour, "You did about a tenth of what I suggested." I said yes, and it had done about half of what he had promised, and I had not had to bet the shop on it.

The hardware shop became a nail bar. It has been three other things since.

What I would tell a friend

Before you borrow, write down what the loan needs from you every month, and put that number next to what the business makes after everyone is paid, including you. If the loan takes more than half of that, you are not borrowing to grow. You are borrowing a second job.

Then write the bad-year column. Take a tenth off the top, leave the costs where they are, and see whether the repayment still fits. Most plans look fine in the ordinary column. That column is not the one that will close you.

And before you buy the big thing, find the smallest thing that fixes the actual problem. Ours was an oven. Yours might be a second fridge, a part-time person on Saturdays, or a delivery slot. Buy that, from cash if you can, and see what it earns. The big thing will still be there next year, and you will know a great deal more about whether you want it.

The Second Shop, and Why Not a Third

Ambleford is twelve miles from Fennick along the valley road, and it is the town Fennick people go to when they want a bank, a dentist, or a shop that sells something other than bread. It has a market on Thursdays and a high street with a proper end to it. For years I had watched Ambleford people come into our shop on a Saturday, buy six loaves and a box of custard tarts, and say, on their way out, that they wished we were nearer.

By our seventh year, with the second oven in and the counter full, we were making bread we could not sell. Not much. Perhaps forty loaves a day of capacity, and a tray or two of pastries, that Kev could bake without starting any earlier than three. It sat there as a number in my head. Forty loaves a day is about £250 a week at the till, which is not worth a second shop. But forty loaves was only what the ovens had spare at seven in the morning. What they had spare by ten was a great deal more.

The other number in my head was my sister. Ines is five years younger than me. She had been managing a clothes shop in Ambleford for six years, she was good at it, she was bored, and she had said to me at Christmas, not entirely joking, that if we ever opened in Ambleford she would run it.

What it cost

The unit was a former florist on the high street, leased, with a good window and no kitchen, which was the point. We were not going to bake in Ambleford. We were going to bake in Fennick, where the ovens and Kev were, and drive it over.

Getting Ambleford open	Cost
Counter, shelving, chiller, sink, floor, sign	£38,000
A second-hand van	£6,500
Deposit and three months' rent in advance	£5,400
Total	**£49,900**

We had £52,000 in the bank at the January before. We put in £38,000 of that, kept £14,000 back because of what I had learned from the bad-year column, and took an overdraft of £12,000 for the rest, which we cleared in fourteen months. I remember thinking the whole thing came to about a quarter of what Graham's plan would have cost, and that it was still the most money I had ever spent on anything.

Ines left the clothes shop and came on the payroll at £23,000 a year, which was what the job would have paid a stranger, and I will say more about that in another chapter.

The first three years

The van left Fennick at twenty to six every morning with the first bake, which meant Kev started at half past two instead of three, which he agreed to for more money and a second baker, who was Sam. Daniel drove the van for the first two years, before his own day's work, and then we hired Gary. Ines opened at seven. She sold out of custard tarts by ten on the first Saturday and rang me, delighted and furious, to ask why I had sent so few.

Ambleford lost money in its first year. I want to say that plainly, because nobody says it. It took £126,000 through its till and, after Ines's wage and its rent and its share of the van, it lost £4,000. The whole business that year made £14,000, down

from £36,000 the year before, and I spent the January of our eighth year looking at a number smaller than any January since my first.

Ambleford on its own	Takings	Profit after Ines's wage, the rent and the van
First year	£126,000	minus £4,000
Second year	£168,000	£14,000
Third year	£182,000	£21,000

It has made between £20,000 and £30,000 a year ever since. It never became a second Fennick, and I never expected it to. It became a shop that sells the bread Fennick was already making, to people who had been asking for it, run by the one person in the world I would have trusted to run it.

The third shop

In our eleventh year a landlord in Kingsmere, which is eighteen miles the other way, offered me a unit on very fair terms. I went and looked at it, and I did the same page I had done for Ambleford, and then I did a page I had not needed to do for Ambleford.

Ambleford had worked because Fennick's ovens had bread going spare and a van could carry it twelve miles before seven. By our eleventh year Fennick's ovens had nothing going spare. They ran from half past two to half past ten, both decks of both ovens, and the last thing out was already late for the Ambleford afternoon.

What each shop asked of Fennick's ovens	Loaves and rolls by seven	Pastries by seven	Ovens clear by
Fennick alone, year seven	210	160	nine

What each shop asked of Fennick's ovens	Loaves and rolls by seven	Pastries by seven	Ovens clear by
Fennick and Ambleford, year eleven	340	260	half past ten
With Kingsmere, my estimate	470	360	after midday

After midday is after the morning trade. You cannot open a bread shop at seven and fill its shelves at one. So a third shop meant either a third oven, which would not fit, or a bakehouse somewhere else, which was Graham's plan under a different name, which meant a loan, which meant the bad-year column. A second shop had been a matter of carrying what we already made a few miles further. A third was a matter of becoming a manufacturer with a fleet, and I had already decided I did not want to be one.

There was also the plain fact that I did not have a second Ines. I have thought about this more than about the ovens. A shop twelve miles away, open from seven, in a town where nobody knows your name, only works if the person behind the counter treats it as theirs. I had exactly one such person, and she was in Ambleford.

I turned Kingsmere down by letter. The landlord let it to a coffee chain, which lasted three years.

What I would tell a friend

A second shop is a distribution decision. Ask: am I already making something I cannot sell where I am, and can I get it to the new place before the people who want it arrive? If yes, the second shop is cheap and the risk is a lease and a fit-out. If no, you are not opening a shop, you are opening a factory, and that is the loan chapter, not this one.

A third shop is almost always a manufacturing decision, whatever it looks like from the street. Work out what it asks of your ovens, your kitchen, your bench, before you work out what it asks of your bank.

And count the people, not just the pounds. The question is not whether the town could support a shop. It is whether you have a person who will run it as if it were theirs. If you cannot name them, you do not have a third shop. You have a unit.

Hours, and the Cost of Being Open

My father opened at half past six and closed at half past five, six days a week, and if you had asked him why, he would have said that a bakery is open when people want bread. He would not have known how many people wanted bread at a quarter past five on a Wednesday, because he had never counted. He would have known it was not many. He would also have said that the sign said half past five, and a sign is a promise.

For ten years I kept his hours at Fennick and gave Ambleford nearly the same, and for ten years we were tired in a way I took for the ordinary condition of people who run bakeries. Kev started at half past two. I was in by five. The counter staff did split shifts that nobody liked. We closed at half past five, cleaned until half past six, and I did the books after tea. Sunday was not a day off so much as a day without customers.

In our tenth year I had a back that put me in bed for two months, and a daughter of thirteen who said, not unkindly, that she saw more of the shop than she saw of me. And I had a question I had never actually asked, which was: what does an hour of being open cost, and what does it bring in?

Counting the hours

For four weeks that autumn I wrote down the takings at Fennick by the hour. Not from the till roll at the end of the day,

which lumps everything together, but on a sheet by the till, a line for every hour, in my handwriting or Pat's.

This is an ordinary weekday, averaged over the four weeks.

Hour	Takings
Half past six to eight	£140
Eight to nine	£150
Nine to ten	£130
Ten to eleven	£110
Eleven to twelve	£100
Twelve to one	£120
One to two	£70
Two to three	£45
Three to four	£30
Four to half past five	£30
The day	**£925**

I had known the afternoons were quiet. I had not known that from three o'clock to half past five, two and a half hours, the shop took £60, which is about a fifth of what it took in the first two and a half hours of the morning.

Then I costed those two and a half hours. Two people behind the counter, because I would not leave one person alone with the till, was about £46 in wages. The lights, the chiller, the heating in winter, a few pounds. And, the thing I had not seen until I looked, a top-up bake at one o'clock, a tray of rolls and a dozen loaves, so that the shelves would not look empty at four, most of which did not sell and went to the church or the bin. Call it £25 a day in flour, gas and Kev.

So the afternoon cost about £75 to take £60. And of that £60, I was fairly sure a good part would come in earlier if the door was shut at three, because the people who came at four were

not, for the most part, people who could only come at four. They were people who knew we would be there.

What we changed

From the January of our eleventh year, Fennick opened at seven and closed at three. Ambleford did the same. The card in the window this time said that we were closing earlier so that the people who baked your bread at three in the morning could go home, and, unlike the price card, nobody argued with it.

We lost about £35 a day at first. Within three months it was closer to £15, because the four o'clock people had become two o'clock people, and some of them had started buying two loaves instead of one because they were coming less often. Against that we saved the £46 in wages and the £25 top-up bake every day. On the year it came to a small improvement in the profit, perhaps £6,000, and it was the least important thing about it.

The important thing was that Kev, with no afternoon bake, was finished by eleven, and that I was home by four, and that the counter staff had one shift instead of two halves of one. Marta says that was the year I started coming to things.

Monday

The other change came the same year and I was more frightened of it. Monday was our worst day by a distance, £610 on average against £925, because people had bought on Saturday and were still eating that. We closed on Mondays.

I did the arithmetic first, on the same page. Closing on fifty Mondays a year took about £30,000 off the takings. About a third of that came back on Tuesdays and Saturdays, so call it £20,000 lost. Against it we saved about £12,000 in wages, because Monday's hours simply went, and about £4,000 in ingredients, gas and bread that had not sold. So closing on Monday cost the bakery about £4,000 a year, and in return

everyone in the building, including me, had two days in a row off for the first time in my working life.

I put it to the staff before I decided, because it was their hours. Two of them took the extra Saturday hours that the Monday trade created. The rest took the day. Nobody chose Monday.

I have never once thought the £4,000 expensive. I made most of it back in the September price rise, and the rest of it I would have paid twice.

What I would tell a friend

Write the takings down by the hour for a month. Not the day, the hour. The day hides everything. Then cost each hour honestly: the people, the lights, and the thing you bake or make or prep so that the last hour does not look empty.

You will find hours that cost more than they bring in. Some of those hours are worth keeping anyway, because the sign is a promise and because people plan their lives around you. But you should know which ones they are, and what they cost, and you should decide rather than inherit.

And when you close an hour, tell people why. We told them it was so the bakers could go home. It turned out the town liked the bakers, and that was the end of it.

The Wholesale Account We Let Go

Paul Larkin had five cafés across the county, with a sixth and seventh on the way, and he came into Fennick on a Thursday in the October of our twelfth year, bought a custard tart, ate it standing at the counter, and asked to speak to whoever was in charge. I liked him too. I have a weakness for people who eat the thing before they talk about it.

He wanted bread and pastries for all his cafés, delivered by seven, six days a week. To start, a hundred and twenty loaves and three hundred pastries a day. He would pay £1.20 a loaf, when we were selling it over the counter at £2.10, and 55 pence for a croissant that we sold at £1.60. He would pay at thirty days. It was, he said, about £1,850 a week, which was true, and it would grow, which was also true.

I did the page. I want to show you the page, because it was right, and because being right was not enough.

What the page said

Larkin's, at the size it reached	Each week
180 loaves a day at £1.20, six days	£1,296
420 pastries a day at 55 pence, six days	£1,386
Takings	**£2,682**

Larkin's, at the size it reached	Each week
Flour, butter, gas and bags for all of it	£1,382
Left after ingredients	**£1,300**

Thirteen hundred pounds a week after ingredients is £67,600 a year. It needed another baker, who was Aurelio, at £26,000. It needed a second van, because one van could not be in Amblefford and at Larkin's at the same time, and Gary going full-time to drive it from half past four, which was another £14,000 on what he was already paid. The van itself, its fuel, and the extra gas for two more days of ovens came to perhaps £9,000 a year. That left £18,600, which was the number I circled. It was, I noticed, exactly what Graham's loan would have cost us each year, and I did not know what to make of that.

That was for a third more flour through the bakehouse, the ovens running seven days instead of five, and my two-day weekend, which I had had for one year, going straight back to being a Monday. I took it anyway. Eighteen thousand pounds was a great deal of money to us, and I told myself it was money for bread we already knew how to make.

What the page did not say

The first thing the page did not say was who got the pastries. Larkin's van left at half past four with three hundred and then four hundred pastries. Fennick's own counter opened at seven, and by the second month Pat was telling me, in the voice she used when she was not going to say it twice, that the shelf looked thin by eight. Our own customers, who paid £1.60 for a croissant, were finding the tray half empty because a man who paid *55* pence had taken his first. I moved the bake earlier. Kev, who was fifty-one by then and had started before three every morning for as long as I had been in charge, said he would do it until the spring and then he would like a conversation.

The second thing was the thirty days. Thirty days became forty-five within the year. Forty-five became sixty when the sixth café opened, with an apology and a promise. In the January of our thirteenth year, the day I sat down with the accounts, Larkin's owed us £22,000, which was more than we had in the bank, and I understood that I had spent a year lending a café chain the money to expand, at no interest, in flour.

The third was the letter in the spring asking for ten pence off the loaf and five off the pastry, because he was consolidating suppliers and his other bakery had offered better terms. I did the page again. The ten and the five came to £234 a week, or £12,200 a year, and took my circled £18,600 down to £6,400. Six thousand four hundred pounds, for a third of the flour, all of Kev's goodwill, and the shelf at eight in the morning.

	Year thirteen, with Larkin's	Year fifteen, without
Takings	£592,000	£470,000
Profit after everyone's wages	£38,000	£52,000
Owed to us at the end of January	£22,000	£1,400
People on the payroll	15	13
Days the ovens ran each week	7	5

Letting it go

I gave Paul three months' notice in the September of our fourteenth year, in a letter, with much the same wording I had used for the Kingsmere landlord, because I had found that a letter is kinder than a phone call for a thing that is already decided. He rang anyway and offered to go back to the old prices and to thirty days. I said no. I did not say that the prices had

never been the problem, but they had never been the problem. The problem was that a customer who was more than a fifth of our takings, and who paid late, was no longer a customer. He was a second owner, and he had not put any money in.

The takings fell by £122,000 in a year. Our accountant, who is a careful woman and had watched the whole thing without comment, rang me in the January and said, "You know the profit is up," in a tone that suggested she had checked it twice. It was up by £14,000. We had let go of a fifth of our takings and made more money, and Kev started at half past two again, and the shelf was full at eight, and I got my Mondays back.

Aurelio stayed. We had never had a spare baker before, and it turned out that a bakehouse with one more pair of hands than it strictly needs is a bakehouse where people take holidays.

What I would tell a friend

Do the page. But then do the second page, which is what the account will take from the customers you already have: the shelf, the early start, the goodwill of the person who has worked for you for twelve years. Those do not appear in the margin, and they are the margin.

Set a ceiling before the first delivery. Ours is a fifth. No single customer above a fifth of takings, and I would rather it were less. Above that, they set your prices and your hours whether they mean to or not.

And watch the days. Money that comes at sixty days is not money. It is a loan you are making, to a business you do not run, from the account you pay your flour from. When the terms slip twice, the account has already ended. You are just the last to be told.

Hiring Family and Paying Them Properly

My mother worked in the shop for thirteen years before I took it over and has worked in it for the twenty since, and for the first thirteen she was never paid. Not once. There was no wage, no payslip, nothing in the accounts to say she had been there. My father would have said, and did say, that it was all the same money. He was not being mean. He was being wrong in the way that nearly every family business I have ever met is wrong, and it took me years to see how much it cost.

It cost this. In my first year the accountant's figures said the bakery had made £31,000. That was the number my father was proud of and the number I had been going to inherit. But Daniel and I had lived all year on money drawn out of the business, £27,000 between us, and none of it was in the wages line, because we were family and family was the same money.

Our first year	As the accounts showed it	With Daniel and me paid like staff
Takings	£215,000	£215,000
Wages	£71,000	£98,000
Profit	£31,000	£4,000

Four thousand pounds. That is what the bakery actually made once the people running it were paid what it would have cost to have someone else run it, and that is before my mother's

Saturdays, which I did not have the heart to put in a column until much later. Every decision my father had made about price, for six years, had been made looking at the £31,000. He thought he had a margin. What he had was a wife who did not get a wage.

Putting myself on the payroll

From our second year I put myself on the payroll at £21,000, which was what the job of running a shop this size would have paid a stranger, and I made the bakery pay it every month whether it could afford it or not. Some months it could not, and I found out, which was the point.

This is the thing I would say to anyone in a family business before I said anything about prices or loans or hours: your profit is a lie until every member of the family is in the wages line at a proper rate. Not a token. Not what we can afford. The rate. If the business cannot pay it, then the business is losing money and you are subsidising it with your life, and you should at least know that you are, so that you can decide whether you want to.

I put my mother on the payroll in our tenth year, at £64 a week for her Saturday mornings, twenty-three years after she had first stood behind that counter. She cried. She said she had never had a payslip in her life and she did not know what to do with it. She keeps them in a biscuit tin, and the tin is still in her kitchen.

Ines, Marta and Daniel

When Ines came to run Ambleford I paid her £23,000, because that was what the advertisement would have said if I had put one in the paper. She had a contract, holidays, and the same rules as Pat and Kev. My father, who was still alive then, thought this was cold. I thought it was the only warm thing to do. If I had paid her less because she was my sister, then every good

year at Ambleford would have been partly her gift to me, and every argument we ever had about the shop would have had that underneath it. We have had arguments. None of them has been about money, and that is because the money was settled on the first day.

Marta started properly in our sixteenth year, at nineteen, after a year of not being at university. I paid her what Kev's last apprentice had been paid, to the pound. She asked for less, because she was living at home and felt she should not take it. I said the family is not an employer. The bakery is. The bakery does not have a daughter. It has a trainee, and it pays trainees a certain rate, and if that rate is wrong for trainees it is wrong for her.

Daniel is the hard one, and I will tell it straight because it is the one that matters most. Daniel is a joiner. For eleven years he did the bakery's van, its shelving, its books on a Sunday, its emergencies, and most of its Saturday afternoons, around his own work, and he was paid for very little of it. When I costed his hours properly, in the year after Ambleford opened, the bakery owed him about £9,000 a year that it was not paying, and I could not pay it. We could afford one owner's proper wage. We could not afford two.

So we had the conversation at the kitchen table that I think a great many couples have without the numbers, and we had it with the numbers. Either the bakery paid him properly, in which case it needed another £9,000 of profit that it did not have, or he went back to joinery full-time and stopped being the bakery's unpaid second owner. It took me three more years to act on it, which I am not proud of. He went back to joinery in our twelfth year. He was, I think, relieved. He still does the shelving. I pay him for the shelving.

What it changed

Once everyone was paid, three things happened that I had not planned.

The price rises got easier, because I could see what the bread actually made and I stopped arguing with myself about whether the margin was real.

The arguments got shorter, because nobody in the family was owed anything except what was on their payslip, and the payslip did not care whose daughter you were.

And the business became something that could be handed on. A bakery whose profit depends on two people working for nothing is not a business, it is a habit, and you cannot give a habit to your daughter. What Marta is taking over next spring pays its manager, its trainee, its bakers, its counter staff and its Saturday lady, who is seventy-six, and it makes £61,000 a year after that. That is a real number. My father never had one.

What I would tell a friend

Put every family member on the payroll at the rate a stranger would get for the job, starting with yourself. If the business cannot afford it, that is the most important thing you have learned this year, and you should learn it now rather than from the accounts that get read after you are gone.

Then look at your profit again. It will be smaller. That smaller number is the one to use for every other decision in this book, because it is the only one that is true.

And if a member of the family is doing work the business cannot pay for, say so out loud, with the figure, at the table. The alternative is that they do it for years and both of you resent it, and neither of you can say why.

What the Numbers Said Each January

On the first Sunday of January, every year for twenty years, I have sat at the kitchen table with the accountant's draft figures on one side and a school exercise book on the other, and I have written down the same eight numbers. My father never did this. He looked at the accounts when they came, said "not bad" or "could be worse", and put them in the drawer. I do not blame him. Nobody had shown him what to look for.

The exercise book is the most valuable thing the bakery owns, and it is not on the balance sheet. This chapter is what is in it.

The eight numbers

I write down: what we took; what we spent on ingredients; what we spent on wages, with every Almeida in it; what we spent on the building, which is rent, rates, insurance and energy; what was left after all of that and the odds and ends; what was in the bank on the last day of the year; how many people were on the payroll; and the price of a white tin loaf.

Then I write each cost as pence in the pound of what we took, because the pounds change every year and the pence do not, much. Over twenty years the pence have taught me more than the pounds.

Trading year	Shops	Takings	Profit after everyone's wages	Cash at year end	On the payroll	White tin
One	1	£215,000	£4,000	£6,000	7	£1.10
Five	1	£281,000	£29,000	£34,000	8	£1.55
Ten	2	£451,000	£41,000	£48,000	12	£1.90
Thirteen	2 and Larkin's	£592,000	£38,000	£21,000	15	£2.10
Fifteen	2	£470,000	£52,000	£61,000	13	£2.30
Twenty	2	£548,000	£61,000	£86,000	14	£2.85

I am aware of what this table is not. It is not a business that doubled every three years. Between our tenth year and our twentieth the takings went up by about a fifth and the profit by about a half, and most of the difference is the price rises and the hours. Two shops, fourteen people, and a sum at the bottom that a consultant would call modest.

But look at the cash column, and look at the year with Larkin's in it. The one year we grew fast is the one year the cash went backwards and the profit fell. I have shown that row to Marta more often than any other page in the book.

The rules of thumb

These are the rules that came out of twenty Januaries. They are ours. They come from a bakery with two shops in two small towns, and if you run a pottery or a cheese shop or a cabinet-maker's, your pence will be different. The method is the same: find where your own pence sit in a good year, and treat that as the line.

Ingredients: no more than 30 pence in the pound. Ours have run between 27 and 31 in every year but one. When they go over 30, either a supplier has put a price up and I have not

passed it on, or we are wasting more than we think. It is never anything else.

Wages, with every family member in: under 42 pence. With the family left out the number is meaningless, as I have said. When wages go over 42 we are either open hours we should not be, or short of takings, and I go back to the hourly sheet before I go anywhere near the staff.

The building: under 12 pence. Rent, rates, insurance, gas, electricity. This is the number that tells you whether a bigger site is affordable, and it is the number Graham's plan would have broken.

What is left: at least 10 pence. If, after ingredients, wages, the building and the odds and ends, there is less than 10 pence of every pound left, the price is wrong. Not the staff, not the hours. The price. In our first year it was 2 pence. In our twentieth it is 11.

Cash: three months of wages and rent in the bank before any purchase over £5,000. The oven passed this. Ambleford passed it, just, which is why I kept some back and took the overdraft for the rest. The second van, for Larkin's, did not, and I bought it anyway.

No customer above a fifth of takings. I have explained this one. It is written in the book in capital letters.

One price rise a year, small, in the same month. September, every year. The white tin has gone from £1.10 to £2.85 in twenty years, and only the first rise was ever a scandal. The one September I skipped was the Larkin's year, because I was too busy to do the page, and that is in the book with a line under it, next to the van.

Nothing borrowed for anything we have not already sold a smaller version of. The second oven baked what the first oven baked. Ambleford sold what Fennick sold. A café would have been new, and new is what you fund from profit, or not at all.

What a bad January looks like

The January of our thirteenth year was the bad one. The takings were the highest they had ever been and everything else was worse. Ingredients were at 32 pence, because wholesale bread uses the same flour at half the price. Wages were at 44, because of Aurelio and Gary. The cash was £21,000 and Larkin's owed us more than that. And the line for what is left, which I had spent twelve years getting up to 10 pence, was back at 6.

I remember that Sunday because I did not do anything about it. I wrote the numbers down and I closed the book and I told myself it was a growing year. It took the letter about the price cut, four months later, to make me open the book again and look at what I had already written. The numbers had said it in January. I had simply not wanted them to.

That is the one thing I would add to the method. The book only works if you believe it on the day you read it, and not in the spring when something has gone wrong.

What I would tell a friend

Pick your eight numbers. Not thirty, and not the ones on the accountant's sheet, which are laid out for the tax office and not for you. Eight numbers you can write in an exercise book in an hour, once a year, in the same week.

Turn every cost into pence in the pound. Then find your own lines from your own good years, write them down as rules, and read the rules before the numbers each January, so that you are checking, not admiring.

And when a January is bad, say so, that day, in the book. You will be tempted to call it a growing year. Sometimes it is. The book will tell you next January whether it was, and by then it will be more expensive to find out.

Epilogue: Small on Purpose

Marta takes the keys in April. We have been doing it slowly, the way I would have liked my father to do it and he did not know how: she has done the January book with me for three years, she has done the price rise twice, and last September she did the card in the window in her own handwriting, which is better than mine.

She asked me, at the table, the question everyone asks. Why did you never grow it? And I gave her the answer I have tried to give in this book, which is that we did. We grew it from a shop that made £4,000 a year for a family working for nothing into two shops that pay fourteen people properly and make £61,000 after that, with £86,000 in the bank and nothing owed to anyone. It took twenty years. It was slow. It was also, at every step, ours.

What we did not do was grow it into something else. We did not become a chain, or a factory with a shop front, or a brand. We did not borrow against the building. We did not keep the account that would have made us big and then made us Paul Larkin's. Every one of those was offered, and every one was refused at a kitchen table with the previous year's figures and a pencil, and not one of the refusals was timid. They were sums.

I want to be careful here, because I have been on the receiving end of enough advice to know how it sounds. I am not telling you to stay small. Some businesses should grow and some people should grow them, and if your numbers say so,

then go, and do it properly, and pay everyone. What I am telling you is that the advice to scale is not neutral. It comes from people who benefit when you do, and it arrives as though the alternative were failure. The alternative is not failure. The alternative is a business that fits the people who run it, that can survive a bad year, and that is worth handing on.

My father saw Ambleford open and died the winter after, and the last thing he said about the shop was that the loaf was too dear, which it was not. Kev retires next year. He has started before three in the morning for thirty years, and he has never once asked me why we did not open a third shop, because he knew what the third shop would have asked of him. My mother still does Saturdays. Ines still has Ambleford, and it is still hers. Daniel built the new counter last month, and I paid him for it.

The white tin is £2.85. Marta thinks it should be £3 in September. She has done the page. She is probably right.