

## 3.3 Costs and revenues

# The big picture

The fast-food delivery market in China has grown substantially in recent years, as it has in other places around the world. As of 2022, two companies dominate this market in China: Meituan and Ele.me.

Meituan and Ele.me have increased their sales revenues by increasing the fees they charge to restaurants for delivering their food. However, these rising fees have increased costs for the restaurants, many of which are struggling to recover from the loss of business caused by the COVID-19 pandemic.

In response, the Chinese government has announced that these food delivery platforms must reduce the fees they charge to restaurants. This should help the restaurants reduce their costs, thus increasing their profits and aiding their recovery from the pandemic. This government decision will negatively impact the revenues and profits of both Meituan and Ele.me.



**Figure 1.** Food delivery companies have had to reduce the fees they charge to restaurants for the service.

Credit: ViewStock, Getty Images

This topic will explore business costs and revenues and will help you to understand how these fundamental concepts relate to profit. Profit is the money left over from revenue once the cost of production has been subtracted:

$$\text{Profit} = \text{revenue} - \text{cost}$$

It is essential that businesses keep track of their revenue and cost if they are to have a hope of making a profit. Even not-for-profit enterprises need to do this, so they can meet their social objectives and avoid going out of business.

## Concept

### Creativity

Creativity is the process of generating new ideas and considering existing ideas from new perspectives. It is an important element of business success. Businesses need to be creative to find ways to reduce unnecessary costs or find new ways of earning revenue. These new ideas will allow businesses to earn profits that will sustain their work in the long term.