

How to Drive Brewery Profitability

In an Era of Compressed Margins

[Craft Brewery Financial Training](#)
[Beer Business Finance Association](#)

Introduction

Kary Shumway, CPA, CFO

“I help breweries increase profits and cash flow”

1. Content: Library of brewery financial training courses
2. Community: Network of brewery owners and managers
3. Coaching: 1-on-1 brewery financial coaching

Kary@BeerBusinessFinance.com



Course Outline

1. Key drivers of brewery profits
2. Scorecards to measure and improve the bottom line
3. Most effective ways to cut costs, increase margins and grow profits
4. How to create a profit plan and profit routine

Key Drivers of Brewery Profits

Sales, Margins, Expenses

1. Sales volume, growth, pricing strategies
2. Margin percentage, dollars, break-even analysis
3. Expense control, optimizing resources, streamlining processes

Sales Volume, Growth, Pricing Strategies

- Taproom, self-distribution, wholesale
 - Separate on income statement
- Rate x volume equation
 - Price/Case Equivalent (CE) x total CEs
- Average tab x total customers
 - Pricing strategies
- Method to properly price your beer
 - Price to Wholesaler (PTW)
 - Price to Retailer (PTR)
 - Price to Consumer (PTC)

Sales Volume, Growth, Pricing Strategies

		Labor and OH Costs Only	Material Costs Only	Total Beer Costs	PTW	Brewery margin \$	Brewery margin %
Easy IPA							
	1/2 BBL	\$ 16.50	\$ 40.00	\$ 56.50	\$ 120.00	\$ 63.50	52.92%
	1/6 BBL Logs	\$ 12.00	\$ 17.00	\$ 29.00	\$ 50.00	\$ 21.00	42.00%
	6/4 16 oz Cans	\$ 4.50	\$ 11.20	\$ 15.70	\$ 35.00	\$ 19.30	55.14%
	2/12 12oz	\$ 4.00	\$ 10.53	\$ 14.53	\$ 18.00	\$ 3.47	19.28%
	4/6 12 oz	\$ 4.00	\$ 10.80	\$ 14.80	\$ 25.00	\$ 10.20	40.80%

Margin %, Dollars, Break-Even Analysis

- Taproom, self-distribution, wholesale
 - Separate on income statement
- Sales – COGS = Margin
- Margin / Sales = Margin %
- Report on margins by brand, by package

Margin %, Dollars, Break-Even Analysis

	Break even	% of Sales	Mid point	% of Sales	High point	% of Sales
Sales	\$ 350,000		\$ 350,000		\$ 350,000	
Cost of Goods Sold	<u>\$ 105,000</u>	30%	<u>\$ 105,000</u>	30%	<u>\$ 105,000</u>	30%
Gross Margin	\$ 245,000	70%	\$ 245,000	70%	\$ 245,000	70%
Operating Expenses	<u>\$ 245,000</u>	70%	<u>\$ 210,000</u>	60%	<u>\$ 175,000</u>	50%
Net Income (Loss)	\$ -	0%	\$ 35,000	10%	\$ 70,000	20%

Expense Control, Optimizing Resources, Streamlining Processes

- Compared to budget
- Year over year
- Monthly trends
- Historical results

Expense Control, Optimizing Resources, Streamlining Processes

Sample Brewery Profit and Loss January - December, 2023					
		Total			
		Jan - Dec, 2023	Jan - Dec, 2022 (PY)	Change	% Change
7060	Training and Professional Development	\$ 4,500	\$ 4,200	\$ 300	7%
7110	Consulting - Engineering	\$ 2,500	\$ 500	\$ 2,000	400%
7120	Consulting - Accounting	\$ 4,000	\$ 3,500	\$ 500	14%
7130	Consulting - Legal	\$ 1,200	\$ 1,500	\$ (300)	-20%
7200	Office Supplies	\$ 1,250	\$ 1,300	\$ (50)	-4%
7210	Marketing and Advertising	\$ 25,000	\$ 10,000	\$ 15,000	150%
7220	Shipping and Postage	\$ 750	\$ 500	\$ 250	50%

Scorecards

Measure, Manage and Improve the Bottom Line

1. Key performance indicators to track sales, margins, and expenses
2. One-page dashboard of critical profit numbers
3. Summary income statements by business segment

Key Performance Indicators (KPIs) to Track Sales, Margins, and Expenses

	Actual March LY	% of Sales	Trend March TY	% of Sales	March TY Goal	% of Sales
Sales	\$ 100,000		\$ 105,000		\$ 115,000	
Cost of Goods Sold (COGs)	\$ 20,000	20%	\$ 21,000	20%	\$ 22,000	19%
Gross Margin	\$ 80,000	80%	\$ 84,000	80%	\$ 93,000	81%
Operating Expenses	\$ 45,000	45%	\$ 45,500	43%	\$ 47,000	41%
Net Income (Loss)	\$ 35,000	35%	\$ 38,500	37%	\$ 46,000	40%

One-Page Dashboard of Critical Profit Numbers

<u>Key Metrics</u>	<u>Actual Results</u>	<u>Trend</u>	<u>Goal</u>
	<u>March 2023</u>	<u>March 2024</u>	<u>March 2024</u>
Total Sales	\$ 50,000.00	\$ 45,000.00	\$ 55,000.00
Sales Growth	▲ +10%	-10%	▲ +10%
Average Ring per Customer	\$ 25.00	\$ 25.00	\$ 26.00
Total Customer Visits	2,000	1,800	2,115
Revenue per BBL	\$ 800.00	\$ 750.00	\$ 850.00

Summary Profit and Loss By Business Segment

	<u>Taproom</u>	<u>Kitchen</u>	<u>Brewery</u>	<u>G&A</u>	<u>Total</u>
Sales	\$ 25,000	\$ 25,000	\$ 25,000	\$ -	\$ 75,000
Cost of Goods Sold	<u>\$ 5,000</u>	<u>\$ 12,500</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 37,500</u>
Margin	\$ 20,000	\$ 12,500	\$ 5,000	\$ -	\$ 37,500
Operating Expenses	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 50,000</u>
Net Operating Income (Loss)	\$ 10,000	\$ 2,500	\$ (10,000)	\$ (15,000)	\$ (12,500)

Do This Next...

Transform your financial results with:

- Content: Access our library of brewery financial training courses
 - Community: Join our network of brewery owners and managers
 - Coaching: Work 1-on-1 with a brewery financial coach

 - Questions:
Kary@BeerBusinessFinance.com
-



3 Ideas

The most effective ways to increase profits

1. 3 ideas to cut operating expenses
2. 3 ideas to increase margins
3. 3 ideas to drive sales growth

3 Ideas to Cut Operating Expenses

1. Use this idea...lose less money in your brewery
2. Read this book to...double your profits in 6 months or less
3. Build a financial plan...that drives profits

3 Ideas to Increase Margins

1. Calculate your current margins by brand/package
2. Focus on supply chain management
3. Create a plan to safeguard and control inventory

3 Ideas to Drive Sales Growth

1. Build a marketing plan that works...
2. Use data to drive taproom sales...
3. Build a dashboard of Sales Growth KPIs...

Profit Routine

The most effective ways to increase profits

1. Create a profit team, consistent focus on financial outcomes
2. Financial planning routines, review, and analysis
3. Workshopping process, engage your team, improve the bottom line

Create a Profit Team

Consistent focus on financial outcomes

- Weekly financial meetings
- The 2-minute drill agenda
- Financial scorecard template

Build Financial Routines

Consistent routines for predictable results

- Month end checklists
- Deadlines and accountability
- Review and analysis of numbers

Use a Workshopping Process

Engage your team to improve the bottom line

“When you appeal to the highest level of thinking, you get the highest level of performance”

– Jack Stack, Great Game of Business

Wrap Up & Next Steps

1. Know the key drivers of brewery profits
2. Use the scorecards to measure and improve the bottom line
3. Implement the most effective ways to cut costs, increase margins and grow profits
4. Build your profit plan and profit routine

Do This Next...

Transform your financial results with:

- Content: Access our library of brewery financial training courses
- Community: Join our network of brewery owners and managers
- Coaching: Work 1-on-1 with a brewery financial coach

