



Organizing your Vision

Gross Margin Strategy + Connection to Food Safety

Revenue
- COGS
Gross Margin

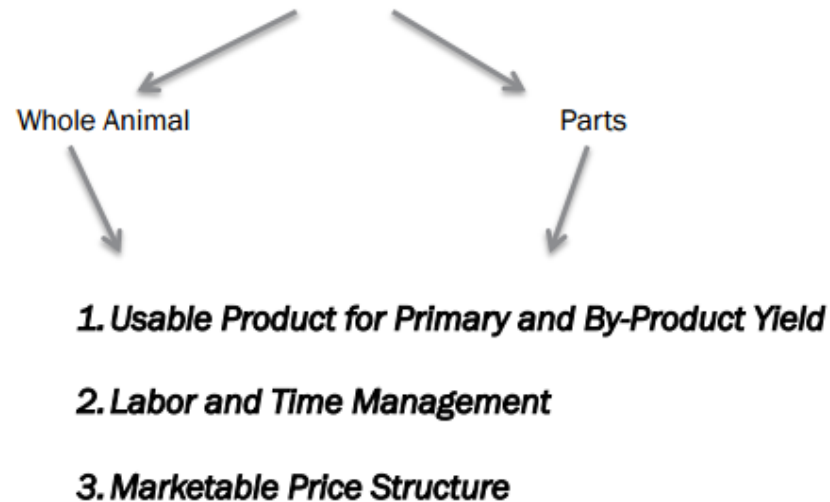
Recap: Discover Operational Expenses through Yielding

PRODUCT LINE



NO MATTER THE STYLE OR PRODUCT, or the SOURCE or SHAPE of the raw material. Begin with the best product you can find.

*Quality Raw Materials (*Good/Clean/Fair)*



Usable Product
Two platforms

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graph TD; A[Usable Product  
Two platforms] --> B[Financial responsibility]; A --> C[Social responsibility];
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A diagram with a central text block at the top. Two arrows originate from the bottom of this block and point downwards and outwards to two separate text blocks below.

**Financial
responsibility**

**Social
responsibility**

Financial responsibility

1. The more you make from your 1 investment (or one product) the higher the return.
2. Goal of business is to increase profits.
3. How can I do what I love and make money?

Social responsibility

1. Scarcity of quality/ethical raw materials. Goal of business is to increase profits.
2. Use what you take.
3. Globalization – reduction of carbon foot print. Return to local purveyors. Reduction of “food miles”.

Who are our
primary and
secondary raw
material
suppliers?



Top: meloncellicarni.it Bottom: imimg.com

Determining usable product/vendors

1. Food Safety – Do vendors meet your approved supplier program requirements
2. Consistency - scarcity of raw product
3. Social - Do they support your social responsibility

Usable product = Raw Materials

- Prerequisite program
- Cost of the raw materials
- What does the **recipe cost**?
 - mise en place
- Recipe Cost = Cost of Goods Sold (COGS)

Marketable Price Structure = The Market Basket

- Products that you are going to produce
- Quantity of each product produced with the unit of raw materials
- Projected price you can sell the product for

Market Basket

COGS = What you bought  Creative momentum

Hog– hams, coppa, lonza, salami, bacon, pancetta

Steer – fresh cut portions, salami, tallow, dog treats

Game hen – sell whole, pate, airline breast, thighs

<u>Product</u>	<u>Qty/HOG</u>	<u>LBS</u>	<u>Price/LB</u>	<u>Revenue</u>
Fresh Ham	2	40	\$ 9.00	\$ 360.00
Fresh Belly (bacon/pancetta)	2	16	\$ 12.00	\$ 192.00
Salame	variable	68	\$ 18.00	\$ 1,224.00
Cured Loin (lonza)	2	12	\$ 16.00	\$ 192.00
Cured Shoulder (Coppa)	2	12	\$ 16.00	\$ 192.00

Market Basket (Revenue) \$2,160.00

Market Basket

- Product (x) 10 portions @ 6oz (\$6 ea) = \$60
 - Product (y) 12 portions @ 12oz (\$10 ea) = \$120
 - Product (z) 100 portions @\$1.25 = +\$125
- \$405

Business Strategy

Gross Margin

- Revenue – COGS = Gross Margin
- How does this simple formula create a baseline strategy for our business

Gross Margin Example

Revenue	\$2,160
- COGS	<u>\$400</u>
Gross Margin	\$1,760
	81.5%

Gross Margin Acceptable Levels

- Why was the % important?
- What % should we be striving for?

Using Gross Margin to define monthly production

- So if I want to make \$13k per month after expenses, can Gross Margin help me do that?

Profit to Gross Margin

- How much do you need to make a month including a paycheck for yourself? (\$13k/mo including all expenses and opportunity cost of owner...)
- What is the gross margin of your business \$
 - Using the last example it was \$2,160.00 per unit of raw material producing the same items at the same cost
- Divide \$13k by the gross margin \$1,760.00
- That will tell you how much raw material needs to be converted to achieve your goal of \$13k

Gross Margin strategy con't

- Increase the revenue per full piece of raw material to increase margin leading to lesser production needs (balance of operating expenses)
- Reduce cost of material by creating more usable sales per “piece” of raw material

Lets review...

- Gross Margin % = Gross Margin/ Selling Price example
- The selling price of the units produced =
 - \$3000
- The cost of the raw material =
 - \$1000
- The Gross Margin on that raw material =
 - $\$3000 - \$1000 = \$2000$
- The Gross Margin % =
 - $\$2000 / \$3000 = 67\%$

Now lets apply it to our industry

- COST OF GOODS

- Raw Material (Prerequisite Program)
- Other ingredients
 - *Other costs to consider that are not classified as COGS (twine, casing, packaging, labels etc.)

- REVENUE

- Basket of products: 4 or 6 oz portions, usable waste, manufactured products
- Pricing: Market, Premium, Location

Next Webinar

- Labor Intro
 - More than just paying your salaries.
 - What is your strategy?

Thank you

Provide your feedback and let us know what topics you're interested in. We look forward to serving you in the future.

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