

CLEAR EYES AND BLUE SKIES WITH KPIS: PERFORMANCE METRICS AND BUILDING A BREWERY DASHBOARD TO MONITOR CONTINUOUS IMPROVEMENT

PRESENTED BY AUDRA GAIZIUNAS BREWED FOR HER LEDGER, LLC



An ongoing effort to **improve** products, services, or processes. These efforts can seek "incremental" **improvement** over time or "breakthrough" **improvement** all at once,



- WE ARE A CAPITAL-INTENSIVE INDUSTRY AND NEED TO FOCUS ON HOW EFFECTIVELY AND HOW EFFICIENTLY OUR ASSETS ARE UTILIZED TO PRODUCE A RETURN ON OUR INVESTMENT.
- BECAUSE OF THE PANDEMIC AND OFTEN UNFORESEEN CIRCUMSTANCES WE SHOULD BE FOCUSED ON GENERATING POSITIVE CASH FLOW FROM OPERATIONS.
- HOW QUICKLY CAN WE TURN SALES INTO CASH (DAYS SALES OUTSTANDING) AND HOW LONG IS OUR CASH INVESTED IN INVENTORY (DAYS SALES IN INVENTORY)?
 PRACTICAL EXAMPLES WHERE TRACKING KPIS COME INTO PLAY:
- Brewery could be growing too quickly and you would like to get more volume capacity from your current setup without investing in additional stainless.
- Growth may have begun to stall and you're trying to determine how to continue making great beers at a lower cost.
- Your radius of distribution has grown, and now you're wondering how to make sure your tasty beers can stay fresher longer.



PRODUCTION **KPIS**

- TOTAL PRODUCTION YIELD PER BATCH PRODUCT LOSS PERCENTAGE ٠
- ٠
- CAPACITY UTILIZATION •
- BARRELS PRODUCED PER EMPLOYEE •
- BARRELS PRODUCED PER PRODUCTION ٠ EMPLOYEE
- PRODUCTION LABOR DOLLARS PER **BARREL BREWED**
- DUMPED/DATED BEER IN BARRELS ٠
- RAW MATERIALS PER BARREL PRODUCED ٠

Brewing, LLC		
Innovation Target Costing		
Today's Date		
[Input variables in blue font]		Beer Name
Target 4pk/16oz can price to consumer		\$ 10.53
Equivalent case price of 6-4pk/16oz cans		65.94
Less normal retail margin	25.0%	(16.49)
Target wholesale price		49.46
Less normal wholesale margin	30.0%	(14.84)
Target laid-in cost for wholesaler (FOB+NC Excise+Freight)		34.62
Less NC excise per case (\$0.6171/gal)		(0.90)
Less Freight per case from A to B		(0.17)
Target FOB per case price to wholesaler		33.55
Less minimum brewery gross profit margin	35.0%	(11.74)
Target COGS per case (federal excise, ingredients, packaging, labor & overhead)		21.81
Less Federal excise per case (\$3.50/bbl)		(0.34)
Less Labor & overhead per case costs		(6.25)
Less Packaging per case cost		(10.82)
Can, blank, 16oz (ea)	\$0.139	(3.34)
Can, end (ea)	\$0.036	(0.87)
Label (ea)	\$0.230	(5.52)
PakTech (ea)	\$0.140	(0.84)
Tray (ea)	\$0.250	(0.25)
Target ingredient costs per case		4.40
Expected yield	85.0%	
Target ingredient costs per brewed barrel		\$ 38,62



SALES KPIS

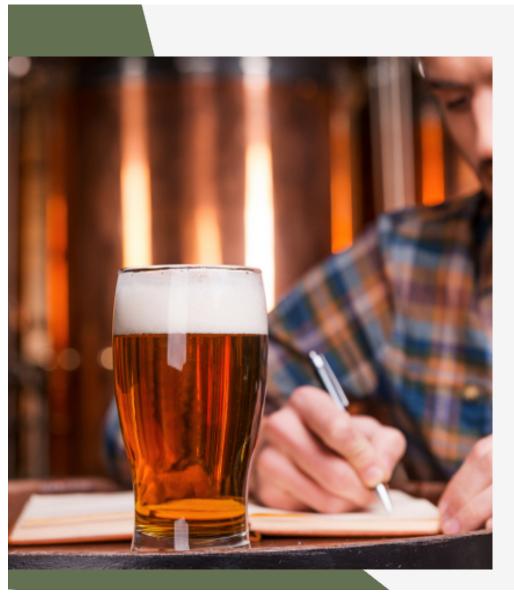
- TOTAL SALES IN BARREL
- GROSS REVENUE PER CE BY STYLE ٠
- NET REVENUE PER CE BY STYLE

- GROSS REVENUE PER CE BY SALES CHANNEL
 NET REVENUE PER CE BY SALES CHANNEL
 NET REVENUE PER EMPLOYEE AND BY PACKAGE TYPE
- ON-PREMISE MIX BY STYLE AND PACKAGE TYPE
- OFF-PREMISE MIX BY STYLE AND PACKAGE TYPE



PROFITABILITY KPIS

- RETURN ON ASSETS
- RETURN ON EQUITY
- RETURN ON INVESTED CAPITAL
- GROSS MARGIN
- CONTRIBUTION MARGIN
- EBITDA MARGIN



BALANCE SHEET KPIS

- CURRENT RATIO
- QUICK RATIO
- DAYS OUTSTANDING FOR A/R AND A/P
- DAYS SALES IN INVENTOR
- INVENTORY TURNOVER
- DAYS WORKING CAPITAL
- TOTAL ASSET AND FIXED ASSET TURNOVER
- DEBT/EQUITY RATIO
- TOTAL DEBT/EBITDA

BEST PLACES TO START WITH BUILDING YOUR KPI DASHBOARD

SET UP CUSTOM QUERIES USING YOUR PRODUCTION SOFTWARE

- CREATE DETAILED COST OF GOODS SOLD BY BATCH
- CREATE DETAILED BILL OF MATERIALS BY STYLE AND PACKAGING TYPE
- IDENTIFY FIXED AND SEMI-VARIABLE COSTS TO DETERMINE BREAKEVEN PRODUCTION IN BBLS AND DOLLARS OF REVENUE
- CREATE FINANCIAL STATEMENTS PER VOLUME METRICS (BBLS)
- CREATE A/R AND A/P AGING SCHEDULES
- TRACK RAW MATERIALS, WIP, AND FINISHED GOODS INVENTORY BY LOT AND AGE
- CALCULATE WORKING CAPITAL
- CREATE OPERATING CASH FLOW AND CALCULATE NET BURN RATE

STEPS WITH IMPLEMENTION OUTSIDE OF THE DASHBOARD BUILD

APPLIES WELL FOR OPEN BOOK MANAGEMENT

- ALIGN KPI WITH STRATEGIC GOAL
- DEFINE CURRENT VALUE, BASELINE, AND TARGET
- DEFINE DATA COLLECTION STEPS
- ASSIGN WEIGHTS TO EACH OF THE TARGETS
- SET AN UPDATE FREQUENCY
- DEFINE RIGHTS AND ROLES
- ANALYZE EXPECTED VERSUS ACTUAL
- TAKE ACTION

MAY KPIS BRING YOU BLUE SKIES VIEWED THROUGH CLEAR EYES!





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