

Nov 2021

*(formerly 2x Consumer Products Growth Partners)*



# GROSS MARGINS!

Andy Whitman

[andy@LoftGrowthPartners.com](mailto:andy@LoftGrowthPartners.com)

# IMPORTANT: GROSS MARGINS!

- Why do Gross Margins (and Contribution Margins) matter?
- Tells you what you can afford to:
  - Build your team
  - Build your brand
- And, understanding what your true margins are is very important (according to GAAP – Generally Accepted Accounting Principles)

# GET GROSS MARGINS RIGHTS

<i>(\$ in Thousands)</i>	<u>From Company</u>
Gross Revenue	\$5,060
Discounts & Allowances	\$51
<i>% of Gross Revenue</i>	<i>1%</i>
Net Revenue	\$5,009
<i>% Growth</i>	<i>408%</i>
COGS	\$3,494
<i>% Product Margin</i>	<i>31%</i>
Gross Profit	\$1,515
<i>% Gross Margin</i>	<i>30%</i>
Variable Selling Expenses	-
<i>Variable as % of NR</i>	<i>0%</i>
Contribution Profit	\$1,515
<i>% Contribution Margin</i>	<i>30%</i>
Payroll and Benefits	\$520
Sales and Marketing	\$1,863
Admin and Other	\$77
EBITDA	(\$945)
<i>% EBITDA Margin</i>	<i>-19%</i>

- Not ideal likely, but manageable for emerging brand?
- But is it right?

Let's look at 4 very common errors ...

# GET GROSS MARGINS RIGHTS

## Most Common Adjustments

(\$ in Thousands)	From Company	Working Trade	Slotting/ Free Fill	Freight Out & Whsing	Broker Comm's	Adjusted for GAAP
Gross Revenue	\$5,060					\$5,060
Discounts & Allowances	\$51	\$1,002				\$1,052
<i>% of Gross Revenue</i>	<i>1%</i>					<i>21%</i>
Net Revenue	\$5,009					\$4,007
<i>% Growth</i>	<i>408%</i>					<i>306%</i>
COGS	\$3,494					\$3,494
<i>% Product Margin</i>	<i>31%</i>					<i>31%</i>
Gross Profit	\$1,515					\$513
<i>% Gross Margin</i>	<i>30%</i>					<i>13%</i>
Variable Selling Expenses	-			-		-
<i>Variable as % of NR</i>	<i>0%</i>					<i>0%</i>
Contribution Profit	\$1,515					\$513
<i>% Contribution Margin</i>	<i>30%</i>					<i>13%</i>
Payroll and Benefits	\$520					\$520
Sales and Marketing	\$1,863	(\$1,002)				\$861
Admin and Other	\$77					\$77
EBITDA	(\$945)					(\$945)
<i>% EBITDA Margin</i>	<i>-19%</i>					<i>-24%</i>

# GET GROSS MARGINS RIGHTS

## Most Common Adjustments

(\$ in Thousands)	From Company	Working Trade	Slotting/ Free Fill	Freight Out & Whsing	Broker Comm's	Adjusted for GAAP
Gross Revenue	\$5,060					\$5,060
Discounts & Allowances	\$51	\$1,002	\$174			\$1,227
<i>% of Gross Revenue</i>	1%					24%
Net Revenue	\$5,009					\$3,833
<i>% Growth</i>	408%					289%
COGS	\$3,494					\$3,494
<i>% Product Margin</i>	31%					31%
Gross Profit	\$1,515					\$339
<i>% Gross Margin</i>	30%					9%
Variable Selling Expenses	-			-		-
<i>Variable as % of NR</i>	0%					0%
Contribution Profit	\$1,515					\$339
<i>% Contribution Margin</i>	30%					9%
Payroll and Benefits	\$520					\$520
Sales and Marketing	\$1,863	(\$1,002)	(\$174)			\$687
Admin and Other	\$77					\$77
EBITDA	(\$945)					(\$945)
<i>% EBITDA Margin</i>	-19%					-25%

# GET GROSS MARGINS RIGHTS

## Most Common Adjustments

(\$ in Thousands)	From Company	Working Trade	Slotting/ Free Fill	Freight Out & Whsing	Broker Comm's	Adjusted for GAAP
Gross Revenue	\$5,060					\$5,060
Discounts & Allowances	\$51	\$1,002	\$174			\$1,227
<i>% of Gross Revenue</i>	1%					24%
Net Revenue	\$5,009					\$3,833
<i>% Growth</i>	408%					289%
COGS	\$3,494			(\$222)		\$3,272
<i>% Product Margin</i>	31%					35%
Gross Profit	\$1,515					\$561
<i>% Gross Margin</i>	30%					15%
Variable Selling Expenses	-			\$222		\$222
<i>Variable as % of NR</i>	0%					6%
Contribution Profit	\$1,515					\$339
<i>% Contribution Margin</i>	30%					9%
Payroll and Benefits	\$520					\$520
Sales and Marketing	\$1,863	(\$1,002)	(\$174)			\$687
Admin and Other	\$77					\$77
EBITDA	(\$945)					(\$945)
<i>% EBITDA Margin</i>	-19%					-25%

# GET GROSS MARGINS RIGHTS

## Most Common Adjustments

(\$ in Thousands)	From Company	Working Trade	Slotting/ Free Fill	Freight Out & Whsing	Broker Comm's	Adjusted for GAAP
Gross Revenue	\$5,060					\$5,060
Discounts & Allowances	\$51	\$1,002	\$174			\$1,227
<i>% of Gross Revenue</i>	<i>1%</i>					<i>24%</i>
Net Revenue	\$5,009					\$3,833
<i>% Growth</i>	<i>408%</i>					<i>289%</i>
COGS	\$3,494			(\$222)	(\$254)	\$3,018
<i>% Product Margin</i>	<i>31%</i>					<i>40%</i>
Gross Profit	\$1,515					\$815
<i>% Gross Margin</i>	<i>30%</i>					<i>21%</i>
Variable Selling Expenses	-			\$222	\$254	\$476
<i>Variable as % of NR</i>	<i>0%</i>					<i>12%</i>
Contribution Profit	\$1,515					\$339
<i>% Contribution Margin</i>	<i>30%</i>					<i>9%</i>
Payroll and Benefits	\$520					\$520
Sales and Marketing	\$1,863	(\$1,002)	(\$174)			\$687
Admin and Other	\$77					\$77
EBITDA	(\$945)					(\$945)
<i>% EBITDA Margin</i>	<i>-19%</i>					<i>-25%</i>

# GET GROSS MARGINS RIGHTS

## Most Common Adjustments

(\$ in Thousands)	From Company	Working Trade	Slotting/ Free Fill	Freight Out & Whsing	Broker Comm's	Adjusted for GAAP
Gross Revenue	\$5,060					\$5,060
Discounts & Allowances	\$51	\$1,002	\$174			\$1,227
<i>% of Gross Revenue</i>	1%					24%
Net Revenue	\$5,009					\$3,833
<i>% Growth</i>	408%					289%
COGS	\$3,494			(\$222)	(\$254)	\$3,018
<i>% Product Margin</i>	31%					40%
Gross Profit	\$1,515					\$815
<i>% Gross Margin</i>	30%					21%
Variable Selling Expenses	-			\$222	\$254	\$476
<i>Variable as % of NR</i>	0%					12%
Contribution Profit	\$1,515					\$339
<i>% Contribution Margin</i>	30%					9%
Payroll and Benefits	\$520					\$520
Sales and Marketing	\$1,863	(\$1,002)	(\$174)			\$687
Admin and Other	\$77					\$77
EBITDA	(\$945)					(\$945)
<i>% EBITDA Margin</i>	-19%					-25%



Download “A CPG Entrepreneur’s Guide to Gross Margins”  
See Resources Section of [LoftGrowthPartners.com](http://LoftGrowthPartners.com)