



Gross Margin Ready Reckoner Wine Business Planning Tool

What is it?

The Gross Margin Ready Reckoner is a simple but effective business planning tool that allows wine businesses to test the profitability of different production, market and sales scenarios.

Originally created, in conjunction with Deloitte, during the development of the *Directions to 2025* industry strategy, it has been significantly expanded and upgraded as part of the Wine Restructuring Action Agenda (WRAA).

The Ready Reckoner can be used to simulate the impact of changes in product mix, pricing, markets and distribution strategies. It calculates gross margin impacts from: prices in destination markets; market selection (countries); route to market alternatives; and production inputs variations.

How does it work?

The Gross Margin Ready Reckoner uses benchmark data generated from Deloitte's annual financial benchmarking survey to calculate the profitability of whatever production or marketing scenarios you input.

Profitability is measured by Gross Margin, which is the difference between revenue and cost of goods sold expressed as % of revenue.

For example, if you had total revenue of \$1,000,000 and your cost of goods sold was \$600,000, your gross margin would be 40%.

$$\frac{\$1,000,000 - \$600,000}{\$1,000,000} = 40\%$$

Profit is calculated by subtracting other costs, such as sales and marketing costs, administration costs and interest payments from the gross margin figure.

How do I use it?

The Ready Reckoner is a free online tool requiring just an ordinary internet connection.

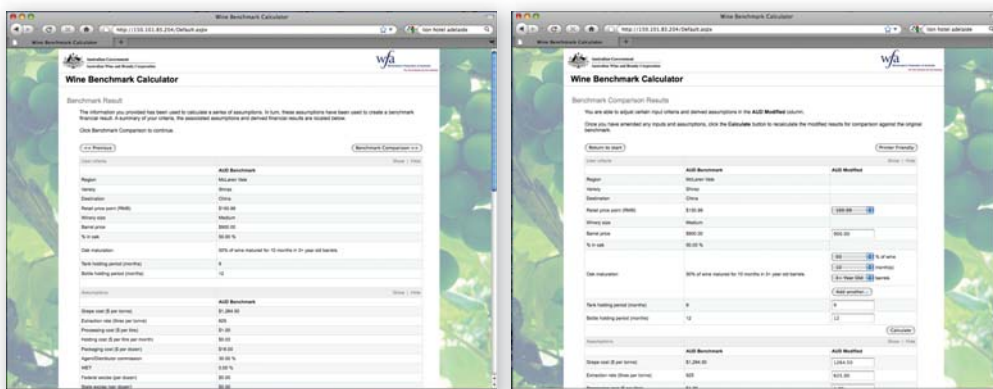
Once you have accepted the standard terms and conditions you will be asked to input data in relation to:

- Winegrape origin and variety
- Destination market
- Wine production and storage costs

Once you have created a benchmark report on the basis of these inputs you can vary any number of elements to test the effect on profitability.

The subsequent report will show your original and new results side-by-side for comparison.

Please turn over to see an example of a calculation.



You can access the Gross Margin Ready Reckoner at www.wfa.org.au/WRAA.aspx

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Wine Benchmark Calculator

Tue, Apr 6, 2010 at 6:01 PM

Results

	AUD Benchmark	AUD Modified
Retail price point (\$ per bottle)	\$32.60	\$32.60
Retail price (\$ per dozen)	\$391.17	\$391.17
Less:		
Sales Tax	\$26.51	\$26.51
Retailer margin	\$109.40	\$109.40
Excise/Duty	\$5.60	\$5.60
Wine Equalisation Tax	\$0.00	\$0.00
Wholesale price per dozen	\$249.67	\$249.67
Less:		
Agent/Distributor commission	\$73.43	\$73.43
Importer commission	\$56.54	\$56.54
Ocean freight	\$3.80	\$3.80
In-land freight	\$1.09	\$1.09
Winery sale price per dozen	\$114.80	\$114.80
Production cost:		
Grape cost (\$ per tonne)	\$1,626.25	\$1,500.00
Extraction Rate (litres per tonne)	575	625
Cost of juice	\$2.83	\$2.40
Processing cost	\$2.00	\$2.00
Oak cost	\$1.75	\$1.75
Holding cost	\$1.80	\$1.80
Wastage cost	\$0.34	\$0.32
Wine cost (\$ per litre)	\$8.71	\$8.27
Wine cost (\$ per dozen)	\$78.42	\$74.41
Packaging cost (\$ per dozen)	\$18.00	\$20.00
Total cost ex winery per dozen	\$96.42	\$94.41
Winery gross margin (\$ per dozen)	\$18.38	\$20.39
Winery gross margin %	16.01%	17.76%
Sustainable gross margin	50.00%	50.00%

Your inputs
(Via simple dropdown menus)

Step 1
State
Region
Variety

Step 2
Destination market
Route to market
Retail price

Step 3
Size of facility
Oak / tank storage
Bottle maturation

Calculator output

The information you provide is used to calculate a series of assumptions. In turn, these assumptions are used to create a benchmark financial result, presented on a print out as "AUD Benchmark".

You can then alter any or all of the variables to produce an "AUD Modified" result for comparison. In this example the variables in red have been changed, with a subsequent increase in winery gross margin from 16.01% to 17.76%.

You can modify variables as often as you like as part of each exercise and print the results at any stage.