

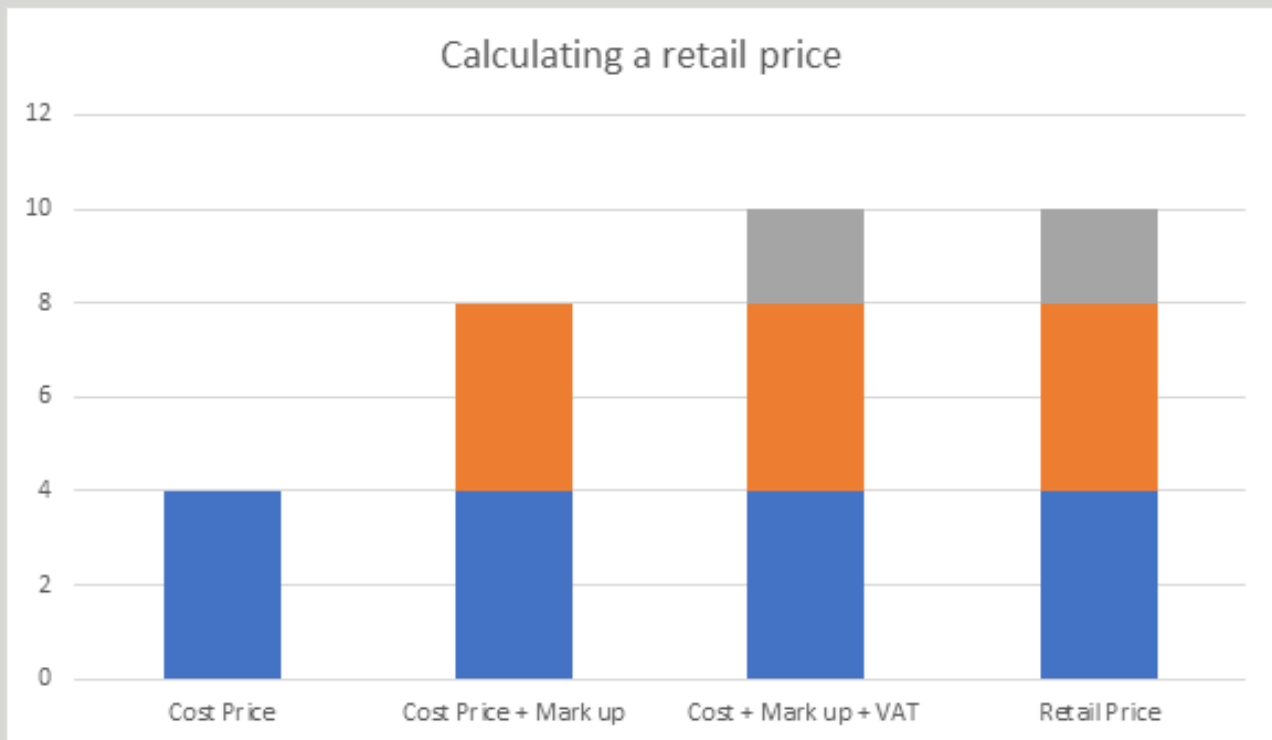
# G C M A



## CALCULATING YOUR F&B MARGIN

**Margins play a vital part in any business as they provide the profit you need to run your business and cover all your fixed costs. To understand the importance of margin, it is useful to have an understanding of the elements that are part of pricing.**





Your gross profit is your mark up and this is also referred to as your GP. In many calculations re F&B. Your mark up, or Gross profit percentage is expressed as a percentage of your cost price. VAT is then added, currently at 20% in the UK, to provide you with your retail price. To remove VAT at the current rate, divide the retail price by 1.2.

To calculate mark up from your retail price, divide the retail price by 1.2 then take off the cost exc VAT.

Remember, the VAT is not yours so remove it from your revenue before calculating your profit.

Most industries have an approximate GP they work to. The hotel and restaurant industries work on around 74% as an industry average for food GP%. You must evaluate your own business and what you want to achieve. Many golf clubs work around 55% to offer enough profitability to cover costs and offer good value to members. Whether this works for you will depend upon your total sales, total costs your mix of members vs visitors and if you offer a member discount. Whilst your mark up is your gross profit, you also need to take out of this figure your additional costs such as rent, rates, wages, maintenance etc. Having a set GP that your business works to can help people to understand what they need to do to price up appropriately and gives consistency across your range of goods re pricing.

#### ·Member discounts

Some clubs offer members a discount off food and beverage purchases, and if you do, this needs to be factored in to pricing calculations. The amount of discount you offer, along with your mix of business between members and visitors, will affect the GP %age figure that is best for your business. For example, if most of your revenue is from members, and you want to achieve a 55% margin, you will need to add your GP to your cost price, add VAT which will come off the retail price, then also add the discount that the members get, to provide the price you will sell to members at. One advantage of this is any purchases made by non-members will increase the Gross Profit you generate.

Equally you may decide that you will work to a possible 60%-70% GP rather than 55% to allow for discounts, if that is the number your calculations arrive at.