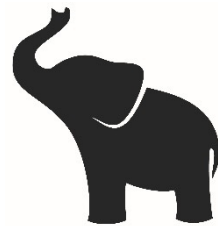


PRICING

Miranda Halladay

Naramata Cider Co & Elephant Island Winery



Trusting Your Costing Numbers

A Little History ...

Launched Elephant Island in '99, added the Naramata Cider label in 2015, and introduced Del's Super Cools in 2021

- Number of SKUs ballooned over the years; We currently have 31 active product SKUs and produce around 8,000 cases annually
- In retrospect, SKU evolution not accountable enough to costing realities;
- Driven by “perceived” demands and opportunities
- Cider and Single Serve operates under very slim margins, once storage and distribution is factored in
- One under costed SKU has potential to cannibalize bottom line revenue;
- Historically tracked our CoG by SKU on spreadsheet external to accounting software. Updates and reviews not conducted with regularity

Trust Your Costing

What was Required

1. Complete audit of what we were producing.
Too much!
2. Understanding and assigning what the indirect costs were to produce a unit of sale;
3. Understanding, assigning and reconciling the costs associated with our 3 primary distribution channels – DTC (Tasting Room, Club), Wholesale BC and Alberta

Trusting Your Costing

What Costing has Told Us:

1. Economies of scale are real. Decision: Elimination of very small batch SKUs like Cider Makers Select labels.
2. Pay attention to cost and price. Deep dive into cost and price of products across channels needs to be completed at least every 2 years, more frequently when input costs are increasing rapidly.
3. If you have lower priced SKUs pay attention to your distribution and storage costs

Trust Your Costing

WORK YET TO DO:

Although we have made real improvements to our costing framework, there is room for improvement.

Goal:

1. Improve real time accountability of costing reports. Indirect costing (production labor) still out of date, because it is based on most recent fiscal year end return;
2. Use monthly P&L to look at margins, not an external spreadsheet.

Trusting Your Costing

- Finally ... per Andrew Carnegie

WATCH YOUR COSTS AND THE PROFITS WILL
TAKE CARE OF THEMSELVES

Miranda Halladay

m@elephantislandwine.com