

## Draft Beer Profitability

### Overview

- Introduction** One of the most profitable items that a retailer can sell today is draft beer.
- Increase your establishment's profitability by properly installing and maintaining a draft beer dispensing system, and implement a beer friendly glass program to ensure maximum appeal and profits.
- Purpose** The purpose of this document is to bring awareness to the profits that can be realized by dispensing draft beer in an on-premise, retail account.

### The Draft Beer Profit Model

- The Profit in One Keg** Each 15.5-gallon keg ( $\frac{1}{2}$  Barrel) contains 1984 ounces of beer.
- Realistically, you could expect to get at least 130-140 16 oz pints (if a 16oz pint is served with a  $\frac{3}{4}$  inch head it has approx 14oz in the glass) from that keg.
- If a pint of beer was sold for \$3.00, this would generate a gross profit of \$390-\$420.
- The net profit from a keg based on the aforementioned figures (after subtracting the wholesale cost of the keg) would be approximately \$310-\$340.

- The Profit from 5 Kegs/Week** In a retail establishment if only five kegs a week are sold, a profit of over \$80,000 a year is possible.
- 5 kegs/week X 52 = 260 kegs/year
- 260 kegs X \$320 = **\$ 83,200** net profit
- !** Imagine selling 10 kegs a week or more

## The Draft Beer Profit Model (continued)

### Calculating Profit Margin

The formula for profit margin is gross profit divided by selling price.

In the previous example that would be  $\$310/\$390$  or 79% or \$0.79 per \$1.00 in sales is gross profit.

The inverse of gross profit is the pour cost, so in the example the pour cost would be \$0.21 per \$1.00 or 21% pour cost.

**!** The amount of profit realized could be affected by changing the glassware the beer is served in. Increase the number of glasses per keg and you increase the margin and profitability.

### Protect the Profit

The best way to maximize the profit per keg is to ensure that the draft beer system is properly balanced, installed and maintained system.

**!** See these and other topics at [MicroMatic.com](http://MicroMatic.com) - click on Beer Education.

An out of balance system will create excessive foam which is waste and lost profit, or it may create too little foam, and too much beer is poured into the glass. An incorrectly installed system can create foaming and over pouring resulting in lost profit.

A poorly maintained system will cost the retailer lost profit, not only from foaming and over pouring, but also lost profit when customers stop buying draft beer.

No one wants to drink something that smells like rotten eggs, taste flat or has impurities floating in it. When customers see and taste those things, they will stop frequenting that place of business and that will result in lost sales and profits, not just from draft beer, but for the entire establishment.

### Summary

Increase your establishment's profitability by properly installing and maintaining a draft beer dispensing system, and implement a beer friendly glass program to ensure maximum appeal and profits.