

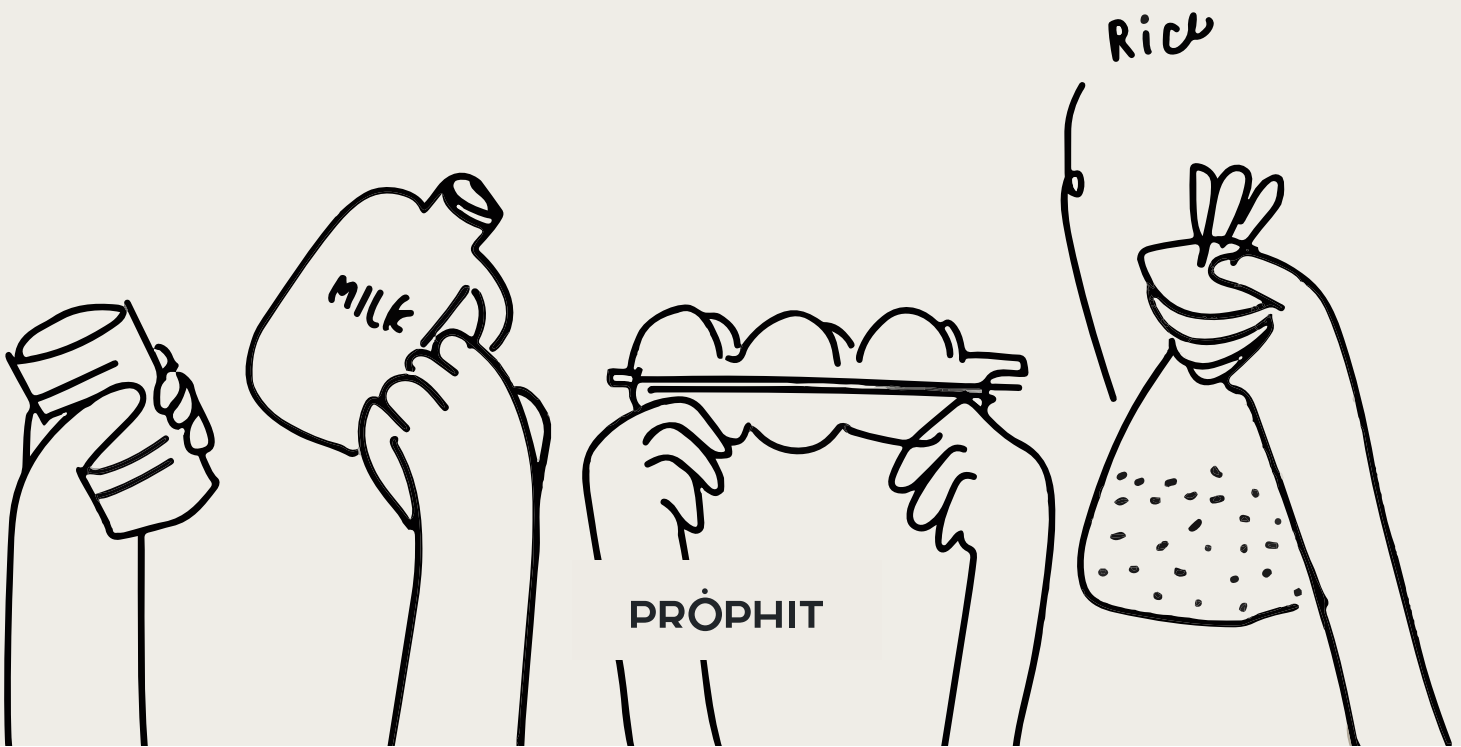
The Spreadsheet Delusion

4 Alarming Reasons

Your Packaged Food & Beverage Business is Crumbling

And the Key to Boosting Your Profit!

(Your Business Will Surely Flatline Without Addressing Reason #3)



The Spreadsheet Delusion

4 Alarming Reasons

**Your Packaged Food
& Beverage Business
is Crumbling**

PRÓPHIT

Introduction

In the rapidly evolving world of consumer packaged goods (CPG), foodpreneurs, and food manufacturers are under constant pressure to innovate, optimize operations, and deliver quality products. While spreadsheets have long served as a go-to tool for managing various aspects of business operations, their limitations are becoming increasingly apparent. This report explores four alarming reasons why relying on spreadsheets can derail your CPG food business, and highlights the importance of adopting more robust systems.

I have personally interviewed both early-stage and experienced food and beverage entrepreneurs who have achieved annual revenues ranging from \$10K to \$700K. My objective was to uncover the most significant challenges faced by food founders as they scaled their products and businesses. What I discovered was so compelling that I felt compelled to share my findings in this report.



Want to hear the audio from our founder interviews?
[Click here for digital report.](#)

As a result of this research, I discovered a common theme amongst food manufacturers. Despite valuing their time, they lack the tools to help them use their time effectively. Many businesses delay using automation due to the setup time. Manufacturers often prioritize order fulfillment over profit analysis, sometimes fulfilling orders with uncertain profits. This points to a trend of spending more time on daily operations than on strategic planning. In food production, self-imposed constraints often hinder time-saving measures.

This report will reveal the costly mistakes that have hurt their businesses more than they care to acknowledge. Regrettably, many confess that some of these errors still haunt them today. Continuing reading to discover the 4 reasons that hold most CPG food & beverage businesses from achieving real growth.



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#1 With a Time Scarce Mindset, You're Already Out of Time!

Time is a critical resource, and in the CPG industry, it's often in short supply. Although it's extremely time-consuming, businesses rely heavily on spreadsheets for time-sensitive tasks like food costing, inventory management, production planning, and forecasting. Spreadsheets require manual data entry and daily updates, leading to inefficiencies and frequent errors.

Regarding errors, here's one of our interviewees sharing her frustrations about their custom spreadsheet:

"We were really excited about the custom database that was built for us, for all of our products, all of our costs, all of our recipes, broken down into how many portions, to the gram for everything. And so, we have that, but it's not good! It's faulty, it's on excel spreadsheet, it's janky. And we paid a lot of money for it so we were a little bit bummed that, that's what we really wanted and needed but we did not get fully delivered that."



And here she continues about the necessity for a solution that is reliable:

"To be honest, there's a gap for me [with the spreadsheet]. Mainly because it's so glitchy and it's not easy to edit. Food prices change all the time. So I need

something that I can go in and [see] this week, roughly \$38.55 for 12 pounds, last week it was \$25. Like I need something that's going to update like that, in one click! I can't mess around with a sheet not loading, error message, and restarting. So I'm just like this is not consistent, so it's annoying!"

As you see, our guest expresses her frustration with her current spreadsheet for managing product costs and recipes, highlighting its glitches and difficulty in editing it.

Our research revealed, most food owners acknowledge their inability to track time effectively yet choose to delay implementing a system that allows them to do so – because they don't want to spend the time to do it. When we showed one participant a recommendation for tracking the production time of his recipes and products, he said,

"This [is] a painful exercise that I should definitely do. [I need] to make myself [record my assembly tasks and time]."

He recognized the need for a system that allowed him to analyze and improve his production cycles but had not prioritized implementing one due to the time to set it up.

Manufacturers blindly, and in some cases knowingly, prioritize fulfilling customer orders even if there's a chance they are not making a substantial profit.

Save time with Prophit

#2 The Food Industry is Consistently Inconsistent!

The food industry is marked by its volatility, influenced by fluctuating prices, high workforce turnover, shifting customer preferences, seasonal changes, and evolving regulations. Spreadsheets, with their static nature, struggle to keep pace with these dynamics. They lack the flexibility to adapt to rapid changes and can quickly become outdated.



Listen to what one cofounder said when we asked how often the price of their ingredients change:

“[They change per week–weekly. I am not alone in the world of produce. You know, there’s a hurricane in wherever, and it affects the whole supply chain – even product that is not even coming from that area. Produce is a never ending supply and demand thing. So what I pay for cucumbers on Monday could be different on Wednesday.]”

He then continues to share about his once-a-month process of manually tracking the frequent changes in costs. He admits that this method is not perfect.

Another guests talked about the advantage of substituting items in order to save on ingredient costs.

“At one point, lemons were super expensive and we were using them as just a garnish to add with a salmon dish, you know, for that freshness and of course, you know, you want a little lemon juice on there, but it’s not making and breaking the meal. So for us to have that be such an expensive cost when it’s not a major component, we talked with [our adviser] and she’s like, why don’t you just do parsley? Like do some fresh parsley? It’s way cheaper. It will save you guys like \$5 per every six meals or whatever. Like that’s a huge amount of savings!”

We learned that the total cost to produce goods continues to increase due to rising inflation and CPG brands have been forced to pass on higher costs to consumers and retailers. Inconsistent expenses make it difficult for businesses to accurately calculate their margins and pricing strategies using spreadsheets. Here are several inflation metrics that have been identified as impacting the food industry:

- According to the U.S. Department of Agriculture, fresh fruit prices rose by 7.5% in 2023, and egg prices surged by more than 11%.

- The price for raw food materials has risen by 2.9%, influenced by higher costs of ingredients such as milk, meat, poultry, fish, eggs, and bakery products.
- The total cost per product increased from 11% in 2021 to 15% in 2022
- 80% of food companies have been affected by increases in food costs

When it comes to rising costs, the price of raw materials most clearly reflects inflation concerns. However, employee wages and high turnover rates also pose significant challenges for small food and beverage businesses.

One interviewee mentioned that they are actively looking to use a co-packer for all their production needs. When I inquired whether this decision stemmed from the turnover of dependable workers, she replied,

“Oh yeah!”



Here's her insights on compensating employees and maintaining the viability of their business.

“We realized, in order to pay people fairly, it's just [that] things are not in alignment because we've increased wages over time so significantly and sales have not been rising at the same rate. It's just a necessary evil we had to come to terms with, you know, after all of last year feeling like, how are we going to be able to sustain the business, and also our quality of life?”

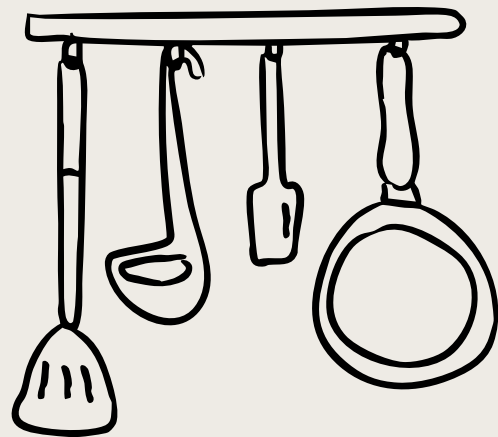
Things are constantly changing, from the cost of materials to labor. What price you might pay for produce on Monday might differ as soon as Wednesday. Even when purchasing ingredients and materials in bulk from the same supplier, prices are susceptible to change. Spreadsheets make it extremely challenging to keep up with these constant fluctuations, leading to increased costs and vague margins of profit.

Track your material and food costs with Prophit

#3 A Path to Confusion: The Importance of Having Scalable Systems

Without a structured system, spreadsheets can quickly lead to confusion. Managing multiple spreadsheets across departments or teams often results in version control problems, data discrepancies, and miscommunication, which can hinder decision-making and result in lost opportunities. Effective communication is the foundation of any successful organization, yet spreadsheets can obstruct it by creating silos and limiting real-time information sharing. When teams are unable to access accurate data promptly, it can lead to misunderstandings, duplicated efforts, and missed deadlines.

While spreadsheets aren't solely responsible for inefficient systems and disjointed teams, developing the skills of a product or operations manager requires time and experience, especially for those who are naturally creative when it comes to producing recipes and food products. An effective founder or manager must excel in team communication and have the capability to guide the organization towards sustainable growth.



Spreadsheets alone are insufficient for this level of decision-making, resulting in a significant learning curve for foodpreneurs.

A common reality for most of the food businesses I talked to was the lack of tools they had to track metrics essential to business growth, and organizational systems that optimized key business functions. Without a clear understanding of your business, it's challenging to:

- Create objectives and measure them
- Identify weaknesses in your production process
- Develop business strategies

Here's what two co-founders shared when I asked about the tools their company employs for production planning and assigning manufacturing tasks:

“So zero tools. There’s no tools at all. Zero method! It’s all in my head. Honestly, really what it is, the 5 staple SKUs we always have. So those are always prioritized. [We make] sure that we’re [always] holding good inventory on [these] SKUs [but] I don’t have a hard number to tell you [how much is in stock]. It’s just on me looking at [inventory].”

One cofounder continued to share,

“I take monthly inventory, but that’s more for accounting purposes. That’s [me at the] end of the month [manually] counting inventory.”

This method is problematic because it relies solely upon a single individual's judgment without any tools or systematic approach, leading to potential inaccuracies in inventory management and prioritization. Without concrete data or established methods, it increases the risk of stock shortages or even overstocking materials.

Many of the founders we spoke with were bootstrapped. They built their business from the ground up with their own sweat and hard-earned money. In hindsight, they realized the efforts that made them successful early on aren't scalable today. What was generally evident amongst our participant food companies, is production teams are lacking systems that allow them to follow manufacturing updates and they are desiring a solution that allows them to see clear and



actionable next-steps.

In addition, when it came to documentation and administrative practices, information was non-transferable from food owner to employee, specifically a potential manager. Owners had created spreadsheets that were difficult to manage or only understandable to them. This made it hard to relieve themselves of certain duties and hand responsibilities over to another team member. One owner said,

“We’ve been wearing too many hats.”

Teams can be torn apart due to ineffective communication. With no centralized system for communication, food owners can’t easily assign manufacturing duties to staff, or delegate production in accordance with stock. We were fortunate to hear inspiring success stories from resourceful entrepreneurs who used technology to collaborate efficiently with their teams. They shared how leveraging daily and weekly schedules helped streamline their production processes.

Listen to this case study from one of our founders:

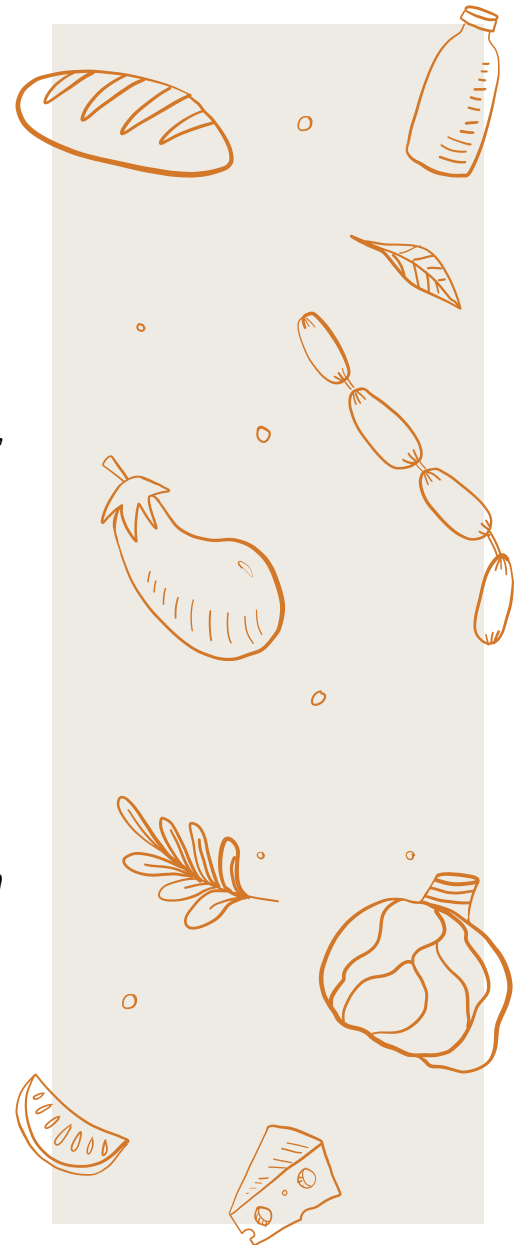
“So we have 8 kitchen staff and they’re all producing; they’re all touching it. I do all the prep lists so I [manually] calculate [all the ingredients and materials needed to fulfill open orders]. All of our stuff is digital. We’ve created our own system so we’re using OneNote, which is a Microsoft product. So we’ve created a template, which like I said, I am doing all of the math to calculate what they’re doing. And then I’m putting it into our spreadsheet that we’ve made. And then they’re on our iPads, so I’m seeing what they are doing in real-time; when they’re

checking stuff off of their prep lists, I can see ‘oh wow, they’re done with their 5 hour shift in 2 hours? So I need to take the load off of [worker A] and put in on [worker B’s] prep list.’

This companies approach enhances kitchen efficiency by utilizing a digital system to track real-time productivity. Using a tool similar to OneNote, teams can optimize their workloads, allowing for better resource allocation and management during shifts. I wanted to dive a little deeper into our guest’s process of manually calculating all of her raw material requirements.

After asking what is the biggest pain point in their digital journey, she describes the intense and very real struggle of getting up every day at 4 a.m. to create the prep list for the day ahead, well before the first shift starts at 6 a.m. Listen as she articulates their urgent need for a solution to address this challenge:

“If there was a way to calculate up all of the order, like how many of each meal because that’s not digital for us. Like we’re literally going through the back-end which breaks it down for us, you know, like it shows us how many of [each SKU was] sold, but if there was a way to take all of that data, put it into a prep list kind of thing, to take out the math that we have to do [manually], because if a team member wants to start at 6 a.m., I have to get up at 4 a.m. to get the prep list done [and] do all that math.”



CPG food founders currently utilizing spreadsheets desire a system that automatically compiles order data and creates a list of raw materials and quantities required to fulfill sales orders. This would eliminate the manual calculations required to determine product quantities, which in some cases require significant effort like tedious, early morning preparations.

Build your systems with Prophit

#4 Neglecting Your Costs: A Sweet Illusion with Toxic Consequences

There's nothing like hidden costs that will eat away at your profit margins. Business owners often underestimate their true costs, leading to financial headaches, and at worst, business failure. This is especially true in the food industry where production costs can fluctuate due to ingredient prices, labor costs, and other unforeseen expenses.

One common misconception that many early-stage food entrepreneurs fall victim to is the belief that they can disregard labor costs, and skip paying themselves to make their product pricing more appealing to potential customers. Many small businesses underestimate their labor costs because they often overlook the value of their time, as we observed in reason #1. This mindset is perilous, often leading to burnout and financial difficulties in the future. It is crucial to account for all costs and accurately calculate each one to ensure that a reasonable salary for yourself is included. This approach is essential for sustaining your business in the long run.

To illustrate this point, I spoke with two different food entrepreneurs who shared their experiences managing labor costs. When interviewing one of the guest, I asked if they are capturing their profitability. Here is what they had to say:

“We are definitely capturing that but I still believe that there’s a lot of hidden cost. While we’re capturing it, I don’t believe the number is its total cost. I don’t believe it is all encompassing because there are things that we’re not capturing, like my husband is not getting paid [for production]...so there are some holes.”

Another founder also acknowledged that he does not pay himself. Here is what he said when I asked how he tracks his labor cost:

“Well, if I am being honest with you, I don’t really. You know, in some of the projections that I’ve done, I include some labor time in my COGS (cost of goods sold), and I just estimate what it takes for me to [make] each bag. Because it’s just me right now and I don’t actually have to pay anyone, I’ve been a little bit

[relaxed] on that. It's probably one of two major things I need to do. As a cottage food business I'm only allowed to have one employee. So unless the change to commercial first, finding someone, getting my processes dialed in and then somebody else can do it. Right now it's just me. So I have a general sense that I'm getting faster [at production], but I don't keep track of it, like I should."

For food entrepreneurs, particularly those operating solo, managing every aspect of the business can be quite challenging. Balancing labor estimates with production speed is no small task, especially when you're handling it all alone. It's completely normal to feel a bit overwhelmed and let tracking slip, given your numerous responsibilities. However, the unfortunate reality—often recognized too late—is that scaling unproven profits can introduce unforeseen risks that could threaten your business. In such situations, your hard work might feel wasted, unless you consider it a costly but valuable learning experience. It's always better to track and account for your costs accurately from the start, rather than trying to fix things later on. This approach ensures a clear understanding of your financials and helps you make informed decisions that support long-term growth.

Reveal your true costs with Prophit



Free Spreadsheets: Are They Really Worth It?

While free spreadsheet software may seem cost-effective initially, the hidden costs can be substantial. Spreadsheets require significant time investment for data entry, maintenance, and troubleshooting. Additionally, the risk of errors increases with manual processes, potentially leading to costly mistakes.

Checkout what Forbes had to say about spreadsheets:

“It’s estimated that 9 out of 10 spreadsheets contain human errors from lack of version control, manually entering data wrong, copy and paste errors, and entry over-writes.”

And you won’t believe these numbers:

“JPMorgan Chase lost more than \$6 billion in its “London Whale” incident, in part due to Excel spreadsheet errors (including alleged copying and pasting of incorrect information from multiple spreadsheets). In a sad twist of fate, the British bank Barclays sent an offer to purchase another firm in 2008 that hid—instead of deleted—nearly 200 spreadsheet cells, resulting in unnecessary losses.”

Most of us don’t have 6 billion dollars to lose but as entrepreneurs, we all know how important every dollar is to our business. The reliance on spreadsheets in the CPG food business can no



longer be ignored. As the industry continues to face challenges and opportunities, it's crucial for foodpreneurs, CPG founders, and food manufacturers to reassess their reliance on outdated tools.

So let's quickly recap the 4 reasons we discussed in this report:

1. With a Time Scarce Mindset, You're Already Out of Time!

How can you simultaneously have no time left and use your time wisely? It's all about prioritizing the task that make our business most efficient. Recognizing the value of your time and leveraging modern technology to automate tedious and time-consuming tasks, will free up time for strategic decision-making.

2. The Food Industry is Consistently Inconsistent!

Static spreadsheets fall short in managing the constantly evolving data points such as inflation, increasing raw material costs, employee wages, and product assembly times. To stay competitive, it is essential to implement software that tracks and analyzes this data for you.

3. A Path to Confusion: The Importance of Having Scalable Systems

Many of the founders we spoke with realized the efforts that made them successful early on aren't scalable today. As operations expand, the complexity increases and a simple spreadsheet won't be enough. Modern technology enables the creation of systems that evolve alongside your business.

4. Neglecting Your Costs: A Sweet Illusion With Toxic Consequences

Forgoing your labor expenses and turning a blind eye to the cost of your goods will cripple your business. Without clarity, CPG food business are unable to developing pricing strategies that optimize profitability. Foodpreneurs must turn to a solution that accurately tracks all costs associated with their business.

By recognizing the limitations of spreadsheets and adopting modern systems, businesses can streamline operations, enhance communication, and gain a competitive edge. It's time for you to move beyond the spreadsheet delusion and invest in solutions that drive growth and success in this dynamic CPG landscape.

Takeaway

This report should be a wake-up call for those invested in unscalable and unstandardized systems. The food and beverage industry, like any other industry, is constantly evolving. The CPG market is growing more competitive every day, and staying ahead requires modernization and innovation. By being methodical in your operational practices and steering clear of these four costly pitfalls, you can accurately define your costs.

We conducted this research to empower foodpreneurs and CPG founders like you, with the knowledge and tools needed to overcome these challenges. We built Prophit to be an all-in-one software solution for CPG food and beverage businesses, aimed at streamlining costs, inventory, and production processes. My belief is that by equipping you with the right insights, we can inspire confidence, and foster prosperity and sustainability for your food business. Prophit enables you to make informed decisions that boost your business's profitability.

Launching your profit has never been easier

Get the profit-launching solution for CPG food and beverage founders, starting free with a 90-day money-back guarantee.

[Learn more now!](#)

The screenshot shows the PRÓPHIT software interface for managing a product. The main header includes 'Updates' and 'Help' on the left, and a user profile 'Chocolate Paradise' with the name 'Sophia Reese' on the right. The breadcrumb trail is 'Products > Classic Peanut Butter Marshmallow Case'. The product title is 'Classic Peanut Butter Marshmallo...' with a 'Product Cost \$18.20' and a profit indicator '+ \$51.80 (74%)'. There are 'Cancel' and 'Save' buttons. A central image shows the product: a tray of chocolate truffles. Below the image are sections for 'Product Details' (Price: \$70.00, SKU: TRC PBM), 'Additional Info' (Total Items: 25, Profit Per Item: \$2.10 (75%)), 'Product Recipes 1' (a table with columns for Recipe, Item, Quantity, Weight, Info, and Total Cost), and 'Product Packaging' (Packaging: Classic Truffle Case, Materials: \$1.18, Assembly: \$0.76, Weight: 2 oz, Total Packaging Cost: \$1.94).

Recipe	Item	Quantity	Weight	Info	Total Cost
Peanut Butt...	Classic	25	1,175 g	More	\$16.26

Total Items	Profit Per Item
25	\$2.10 (75%)

Materials	Assembly	Weight	Total Packaging Cost
\$1.18	\$0.76 2m 1s	2 oz	\$1.94

Don't break even. Break bread.



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