

John's Guitar Emporium
Solidbody GS Style Guitar Segment
Gross Profit Projections for Make vs. Buy GS Emblem/Logo Decision

	<u>CY 2024 - Actual Baseline</u>	<u>CY 2025 - Projected Make Emblem/Logo</u>		<u>CY 2025 - Projected Buy Emblem/Logo</u>
Sales				
Unit Sales (Distributors & Stores)	1,423	1,352	5% Dec.	1,352
Mfrs. Selling Price/Guitar	\$ 1,850.00	\$ 1,915.00	\$65 Inc.	\$ 1,915.00
Gross Sales - Dist. & Stores	<u>2,632,550</u>	<u>2,588,793</u>		<u>2,588,793</u>
Unit Sales - Online Sales	968	1,104	14% Inc.	1,104
Selling Price/Guitar	2,590.00	2,655.00	\$65 Inc.	2,655.00
Gross Sales - Online Sales	<u>2,507,120</u>	<u>2,929,846</u>		<u>2,929,846</u>
Total Gross Sales	<u>5,139,670</u>	<u>5,518,638</u>		<u>5,518,638</u>
Less				
Discounts (Select Customers)	78,977	77,664		77,664
Returns	<u>228,149</u>	<u>256,865</u>		<u>256,865</u>
Net Sales	\$ 4,832,544	\$ 5,184,110		\$ 5,184,110
Direct Expenses				
Labor	\$ 898,853	\$ 964,244		\$ 964,244
Material	1,797,706	1,928,489		1,928,489
Job Supplies	149,809	160,707		160,707
Amortized Expense - Equipment	<u>179,771</u>	<u>192,849</u>		<u>192,849</u>
Total - Direct Expenses	\$ 3,026,139	\$ 3,246,289		\$ 3,246,289

Decision Table - Relevant Per Unit Sales and Expenses to Machine & Finish Emblem In-house or Buy Finished Emblem				
Selling Price of Emblem/Logo per GS Guitar	N/A	\$ 65.00		\$ 65.00
Expenses per GS Guitar				
Labor:				
Add 1/3 Full-time Equivalent Head - Wages		9.50		
Payroll Costs (7.65% of Wages) for added Labor		0.73		
Assembly Labor for Purchased Emblem/Logo				0.67
Payroll Costs (7.65% of Wages) for Assy. Labor				0.05
Material - Blanks (Make); Finished Emblem (Buy)		5.50		<u>38.05</u>
Job Supplies		0.70		
CNC Cutter:				
Operating Expenses		<u>13.33</u>		
Total - Direct Expenses - Make (per Guitar)		\$ 29.76		
Gross Profit - Make Emblem (per Guitar)		\$ 35.24		
Total - Direct Expenses - Buy (per Guitar)				\$ 38.77
Gross Profit - Buy Emblem (per Guitar)				\$ 26.23
Gross Profit - Emblem @ Projected Sales Volume		\$ 86,519		\$ 64,404
Gross Margin (%)		54.21%		40.35%

Note: Cost of used 3-axis CNC Machine, Fixtures and Tooling for make in-house decision + Interest on 10-Yr. Note = \$209,327