

Unit 6: Profit Margins of Frozen Desserts

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Desserts provide a dramatic finish to a dining experience. Guests are reminded of homemade comfort foods or enticed to try bold fusions of sweet and savory creations. Companies capitalize on these emotions to increase sales.

Restaurants purchase products that they hope will meet customer demands and provide high profit margins. To reach a high profit margin, restaurant owners must convince the public that frozen desserts are of high quality. With proper marketing, frozen desserts can yield great profits. Real dessert costs may rise because of incorrect portioning, employee tasting, and spoilage. Frozen desserts are easy to store, portion, and garnish for unique presentations.

Profit Margin Profit margin is the amount of profit an item generates stated in percentages. To calculate profit margin, divide the gross profit by the total revenue. Each item will have a different profit margin depending on the total cost.

- For example, at \$2.00 per slice, a six-slice pie generates \$12.00 in total revenue. If it costs the restaurant \$6.00 to make the pie, \$12.00 minus \$6.00 equals \$6.00 gross profit. \$6.00 divided by \$12.00 equals a 50% profit margin.
- The restaurant can buy the same pie frozen at \$5.00, does not have to make it, and sells six slices at \$2.00 each to generate \$12.00 in total revenue. \$12.00 minus \$5.00 equals \$7.00 gross profit. \$7.00 divided by \$12.00 equals a 58% profit margin.

About 90% of U.S. households consume ice cream and frozen desserts. About 40% of adults are dieting, so single-serving, fixed-size portions help in portion calorie control. Customers will be happy with small portions of rich products, and the check average will rise.

Today, health-conscious customers expect the use of unadulterated, rich, natural products with no additives or artificial colors. Recent trends stress color, sensory quality, and flavor. Feature regional ingredients like Madagascar vanilla, Venezuelan Criollo chocolate, or Vermont maple syrup.

Showcase specialty items, such as green tea ice cream, emerging fruits like açai and goji berries, or island coconuts and tropical fruits. Offer low-fat yogurt selections with toasted macadamias or dried fruits. Even childhood favorites like waffle cones and ice cream sandwiches are making a comeback.

For guests who are too full to enjoy desserts on site, take-home desserts fit the bill and attract additional traffic. The business will benefit from free advertising as customers carry to-go packages home.