The Numbers Behind a Retail Bakery

A free field guide from Bytell Press. The figures come from our example financial model for a neighborhood bakery with a retail counter, wholesale accounts and custom cakes. They are planning assumptions, not quotes for your market; the worksheet at the end is for your own numbers.

Flour is cheap, which makes a bakery look more profitable than it is. The real costs are the bakers, the lease and the ovens. This guide shows what the shop has to sell each month to carry them.

1. How the work is priced

The example model prices every item from a costed recipe. It uses these lines:

Product	Model price	Ingredient cost in the model
Hearth sourdough loaf	$8.00	$0.85–$1.10, or 11–14% of the price
Croissant	$4.50	$0.55–$0.80, or 12–18% of the price
Custom and celebration cakes	$60–$450 and up	Made to order, with a deposit
Wholesale bread and pastry	Lower per unit	Sold in standing volume
Blended across the mix	**Cost of goods about 48%**	**Gross margin about 52%**

Ingredient cost alone always looks comfortable. Add the bakers' production labor and cost of goods reaches 48% of revenue. Cakes are made only to confirmed orders, so they carry almost no waste.

2. What it costs to open

The example model opens on about **$350,000**: a $260,000 loan and about $90,000 from the owner.

Use of funds	Amount
Leasehold improvements	$130,000
Baking and refrigeration equipment	$110,000
Initial inventory	$12,000
Signage, furniture and decor	$18,000
Working capital and operating reserve	$65,000
Fees, deposits and professional services	$15,000
Total	**$350,000**

The loan payment in the model is about $3,508 a month.

3. What it costs to stay open

The model carries about **$21,200 a month** in costs that do not move with sales:

Monthly cost	Amount
Lease	$4,500
Utilities	$1,600
Insurance, software, repairs and miscellaneous	$2,400
Counter labor	$8,500
Depreciation	$2,000
Loan interest, early months	$2,200
Total	**$21,200**

Two things are not in that total: the owner's draw of $5,500 a month and about $1,300 a month of loan principal.

4. The break-even: the one number to know

Break-even revenue = monthly fixed costs ÷ gross margin.

Card fees and marketing rise with sales, so the model takes them off the margin first: 52% – 2.2% – 2% = 47.8%. Then $21,200 ÷ 0.478 = about **$44,000 a month**. At the model's mix, 55% of that crosses the retail counter. That is about $24,200, or roughly **1,730 counter sales a month** at a $14 average ticket.

In cash, the model drops the $2,000 of depreciation and adds the draw and the loan principal. That makes about $26,000 of monthly cost, and $26,000 ÷ 0.478 = about **$54,400 a month**. The model's steady month is $58,000, only about 6% above it.

5. The risk the numbers show: the opening months and January

The model does not open at $58,000. It takes eight months to get there, and the early months, at $18,700 to $37,000 of revenue, run at a loss. The first month loses about $12,300.

Point in the model	Figure
Operating reserve at opening	$65,000
Lowest cash balance, month 8	About $7,200
Same model with a $45,000 reserve	About $12,800 below zero
January revenue, at 0.85 of a normal month	$49,000–$53,000

The reserve is what pays for the ramp. With $20,000 less of it, the same model runs out of cash. Later, January still falls below the $54,400 cash break-even every year.

6. Your numbers

Fill this in with your own lease quote, recipes and wages before you sign anything.

Question	Model	Yours
Cost of goods, including bakers' labor	48%	_____
Monthly fixed costs	$21,200	_____
Break-even revenue (fixed costs ÷ margin)	$44,000	_____
Monthly draw you need to take	$5,500	_____
Cash break-even with draw and loan principal	$54,400	_____
Operating reserve in dollars	$65,000	_____

If your cash break-even is above what the shop can sell in a normal month, fix the plan before you sign the lease: find a cheaper space, raise prices, or start with a smaller draw.

This guide is general business information, not legal, tax, accounting or investment advice. The figures are illustrative assumptions from an example model and are not a forecast or a promise of results. Licensing and insurance requirements vary by state and are not covered here; check yours with the state agency.

Bytell Press publishes the full business plan, the editable financial model behind these numbers, and the operating playbooks for a retail bakery.

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