**Bevo Energy Drink Inc.** Selling $ Var. Cost CM Sales Volume Contribution

per unit per unit per unit in units Sales Mix Margin

**Budgeted data for October**

Wholesalers $13.37 $12.88 $0.49 712,000 80% $348,880

Retail $14.10 $13.12 $0.98 178,000 20% $174,440

Total 890,000 100% $523,320

**Actual Results for October**

Wholesalers $13.37 $12.88 $0.49 756,000 84% $370,440

Retail $14.10 $13.17 $0.93 144,000 16% $133,920

Total 900,000 100% $504,360

**Additional Information** 1. Budgeted industry market size = 3,560,000 units

2. Actual industry market size = 4,000,000 units

**No Name I Static Budget**

Actual Quantity Sold (total) 900,000 Budg. Quantity Sold (total) 890,000

**From last page** Budg. Sales Mix .80, .20 Budg. Sales Mix .80, .20

Standard CM per unit .49, .98 Standard CM per unit .49, .98

**No Name I**  **No Name II Static Budget**

Actual Market Size 4,000,000 Actual Market Size 4,000,000 Budg. Market Size 3,560,000

Actual Market Share 900k/4M=.225 Budg. Market Share .25 Budg. Market Share 890k/3,560k=.25

Budg. Sales Mix .80, .20 Budg. Sales Mix .80, .20 Budg. Sales Mix .80, .20

Standard CM per unit .49, .98 Standard CM per unit .49, .98 Standard CM per unit .49, .98

Wholesale $352,800 $392,000 $348,880

Retail $176,400 $196,000 $174,440

Total $529,200 $588,000 $523,320

$58,800 U $64,680 F

Market-share Variance Market-Size Variance

$5,880 F Sales-Quantity Variance

Another former student’s story about market-share and market-size variances…

In 2018 I had a full-time MBA student who owns a food truck. He said there is a website that estimates how many people will be at ACL Music Festival, Trail of Lights, Eyore’s birthday, various festivals, etc. Then after the event the website lists how many people actually went. My former student said he went and sought out the website after my class on sales variances. He told me with the information on this website he is able to calculate is market-share and market-size variances. He said calculating this information has been a great piece of information in running his food truck. Calculating his market-share vs market-size variances per event tells him if his F or U Sales Quantity variance was due to the event (more or less people showing up) or from his performance at the event (menu, food quality, marketing, word-of-mouth) against the other food trucks at the event.

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Another student…

From: xx  
To: Lendecky, Brian  
Subject: Re: Our discussion after class

…what makes it more challenging is that we don't know how the competitors are doing. There is a secondary rental market that cannibalizes the sale of our equipment that is doing great (we are not involved in rentals). And the little sales feedback I get is qualitative about a specific order and lacks a macro industry view. We need to get a better feel on how much work we are winning/losing. We have a relatively high quote-to-order ratio, but an unknown actual demand-to-quote ratio (aka Level 4 analysis). We stop at your so-called Level 3 analysis. So, I am going to try and add the Level 4 analysis because I think breaking out our Sales Quantity Variance into Market-Share and Market-Size Variances will be extremely beneficial to our executive team. I will keep you posted.

(Note from Brian Lendecky – the follow-up e-mail simply said “I think I just secured a promotion.” 😊 )

**Wrap-up – How and why does management use variances?**

For managing the business:

1. The goal of variance analysis is for managers to understand why variances arise, to learn, and to improve future performance.

2. General Rules for Analyzing Variances (key word here is “general”)

a. Investigate all significant variances, whether favorable or unfavorable.

b. examine trends

c. recurring

d. consider the total picture

3. For Performance Evaluation:

As we’ve seen simply seeing a U or F shouldn’t be used for performance evaluation. What is important is the reason behind the U or F.

4. From a Full-Time MBA student two weeks after taking our Final Exam. The e-mail included a picture of Bernie Sanders.

-----Original Message-----  
From: xx  
Sent: Wednesday, May 17, 2017 10:50 AM  
To: Brian Lendecky <Brian.Lendecky@mccombs.utexas.edu>  
Subject: Performance Management

Hey Brian,

I'm sitting in the Senate Committee on the government budget as part of the D.C. Campus class. Man, could these guys use your class! If I heard correctly, it sounds like 18 agencies don't even report budget discrepancies - no control.

That's Bernie Sanders in the attached picture. He sounds exactly the same in person.