

# University of Southern Indiana

## 2024 High School Student Case Study Competition

### Amy's Empanadas

#### **Introduction**

Amy is a small business owner and is considering expanding her empanada business and needs help to evaluate the first 6 months of operations and determine for to reach her profit goals.

#### **Background**

After graduating from her university's hotel and restaurant administration program, Amy combined her newly obtained skills and knowledge with her long-standing reputation of having the best empanadas in town and created **Amy's Empanadas**, a wholesale-food-service company selling her empanadas to local restaurants.

The company opened on April 1 in a metropolitan area with a total population of about 400,000, including almost 20,000 students attending the area's several private colleges and one technical college (all of which offer restaurant administration degrees).

Amy sells three kinds of empanadas: chicken, beef, and vegetarian. They are assembled in a rented kitchen with fully cooked fillings, then are baked and placed on trays in batches of 8 empanadas. Currently, Amy sells the three types for the same price. Restaurant clients unwrap the tray, brush the empanada tops with egg wash, and heat them for 10 minutes before serving them as appetizers.

#### **Details**

Amy's profit goal is \$4,000 per month by the end of her first year. She signed a one-year lease on a kitchen near a university that would provide sufficient capacity and a good labor supply to help her reach that short-term goal. She does the majority of the preparation on her own but does hire additional labor as needed (mostly students) to help make and deliver the product. Preparation and assembly are done by hand and the dough is made daily. Additionally, Amy relies on quality and excellent taste to differentiate her product, so she uses the best quality ingredients. She understands, however, that price point is a factor in gaining a foothold in the market. The trays for the empanadas are made locally and are recyclable, but not reusable.

Before her doors opened, Amy made a budget for April – September (Table 1). Now in early October, she is comparing her actual results (Table 2) to the budget and is happy that she sold 569 more trays than budgeted, and profit exceeded the 6-month budget by \$435. Based on this early success, Amy's Empanadas is considering expanding her operation to a larger space and investing in more kitchen equipment and delivery trucks. However, her part-time accountant isn't as excited about that plan. He did some additional analysis across the three types of empanadas offered and found that the overall cost per tray for each type differs significantly (Table 3), yet they are all priced the same to the customer. He is concerned that she needs to address pricing changes before expanding if she wants to meet her goals.

### **Task**

Amy recognizes that she needs some professional help and hired your consulting team to complete the task.

1. Based on Amy's Empanadas overall actual results compared to her budget for the first 6 months, do you see any reasons why her accountant would be concerned with expanding right away?
2. Based on your analysis, should Amy expand her operations to a larger kitchen and purchase delivery trucks at this time? What other potential alternatives, services, or marketing options do you think would help her meet profit goals?

Prepare a presentation addressing the above items and on Tuesday, November 12, 2024, you will have 10 minutes to present your case. Please bring your presentation saved on a flash drive. It is encouraged that all team members participate in the presentation.

(Tables mentioned in the case are on the following pages)

Table 1:

## SIX-MONTH BUDGET (APRIL-SEPTEMBER)

	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	TOTAL
Trays sold	300	350	450	500	650	1,100	3,350
Sales revenue	\$3,450	\$4,025	\$5,175	\$5,750	\$7,475	\$12,650	\$38,525
Cost of sales:							
Ingredients	\$725	\$845	\$1,087	\$1,207	\$1,570	\$2,657	\$8,091
Labor	1,035	1,208	1,552	1,725	2,243	3,795	11,558
Trays	90	105	135	150	195	330	1,005
Rent	1,000	1,000	1,000	1,000	1,000	1,000	6,000
Utilities	121	125	131	135	146	177	835
Delivery	650	700	800	850	1,000	1,450	5,450
Total cost of sales	\$3,621	\$3,983	\$4,705	\$5,067	\$6,154	\$9,409	\$32,939
Operating profit	\$(171)	\$42	\$470	\$683	\$1,321	\$3,241	\$5,586

**NOTE - MIXED COSTS    VARIABLE COST PER TRAY    FIXED COST PER MONTH**

Utilities	\$0.07	\$100
Delivery	\$1.00	\$350

Table 2:

## ACTUAL RESULTS (APRIL-SEPTEMBER)

	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	TOTAL
Trays sold	300	340	470	672	847	1,290	3,919
Sales revenue	\$3,450	\$3,910	\$5,405	\$7,728	\$9,741	\$14,835	\$45,069
Cost of sales:							
Ingredients	\$725	\$901	\$1,214	\$1,760	\$2,212	\$3,255	\$10,067
Labor	1,139	1,290	1,784	2,550	3,214	4,896	14,873
Trays	90	102	141	202	254	387	1,176
Rent	1,000	1,000	1,000	1,000	1,000	1,000	6,000
Utilities	121	124	133	147	159	190	874
Delivery	665	707	844	1,056	1,239	1,547	6,058
Total cost of sales	\$3,740	\$4,124	\$5,116	\$6,715	\$8,078	\$11,275	\$39,048
Operating profit	(\$290)	(\$214)	\$289	\$1,013	\$1,663	\$3,560	\$6,021

**NOTE - MIXED COSTS    ACTUAL FIXED COST PER MONTH**

Utilities	\$100
Delivery	\$350

Table 3:

# ACTUAL INGREDIENT COST BY TYPE AND SALES MIX BY MONTH

	<b>QUANTITY</b>	<b>VEGETARIAN</b>	<b>PERUVIAN (CHICKEN)</b>	<b>ARGENTINIAN (BEEF)</b>
April	300	20%	40%	40%
May	340	5%	45%	50%
June	470	10%	42%	48%
July	672	8%	42%	50%
August	847	8%	43%	49%
September	1,290	12%	44%	44%
Total	3,919	10%	43%	47%
Cost per tray		\$1.265	\$2.300	\$3.105