



The Daily Grind Coffee House

Team Accounting Challenge



A Semester Project

Each week, you'll be presented with a situation that touches on one of the business areas accountants contend with, such as management, marketing, operations and finance. In teams, you must discuss the situation & the proposed strategic options for dealing with that situation. In addition to selecting the option you is best for the company, you will create a list of questions to ask, info you will need, & factors you should consider in making the decision.

Once teams make their decisions & compile lists, there will be a class discussion about which of the three options would be best for the company. Discussions should revolve around supporting rationale for the best decision, reasoning as to why the other options weren't as strong & what your group was able to come up with for their list. Sharing lists as a class will help present additional discussion topics & how they relate to the curriculum, as well as, develop your soft skills for future employment.

Hello!

I am Jayden Cadrey.

I am here because my friend & I co-founded The Daily Grind Coffeehouse in 2007.

As the company has expanded, we now rely on the expertise of others to continue to be successful & meet our goals.



Week 1:

Evaluating Key Partnerships



Ben's Beans, the local roastery that The Daily Grind has been using for the last 2 years, has been late in delivering orders several times in the past quarter. This has forced The Daily Grind to temporarily pare down their various coffee offerings to guests - which has had a slightly negative effect on quality and guest experience. As a result, The Daily Grind has decided the current partnership is longer working.

Start Buying Beans that are Pre-Roasted ...

To keep it local, which is very important for The Daily Grinds brand, their only option would be to go with the one other coffee roaster in town, Java Jane's which sources their own beans. Although the beans would not be hand-selected by The Daily Grind, there would be an overall cost savings of 17%. Java Jane's also vacuum seals their bags increasing their shelf life from one month to 12 months. As a result, on-time fulfillment of specific single origin and coffee blends would not be an issue.



Buy out the Roaster ...



This option would bring The Daily Grind's roasting in house, making it solely responsible for every step from sourcing all the way to brewing. Ben's Beans currently can't afford to expand to meet your growing demand. As a result, they would be willing to sell the business to The Daily Grind for \$325,000. The Daily Grind would then invest an additional \$55,000 into expanding the roastery's output. Current staff at Ben's Beans would continue to work in the roastery providing the expertise The Daily Grind has come to expect from them, while also training select The Daily Grind employees on the roasting process.

Become an investor in Ben's Beans ...

The Daily Grind could invest \$100,000 into Ben's Beans so they would be able to make the necessary expansions to fulfill The Daily Grind's orders. As a result, The Daily Grind would own 33 % of the roastery and would be able to negotiate a discounted price for roasting its beans.



Week 2:

Analyze Sales Reports



Based on your item sales analysis reports for the past two quarters, you've brought it to the attention of the executive team that sales in the grab & go cases in all of the stores have become stagnant. The executive team has talked you with bringing them several suggestions - including one recommendation - for new products to try. Your recommendation will be piloted for three months in the busiest location to assess demand for this new product. After researching lots of options, you've narrowed down your suggestions. Of the three options you're proposing, which one do you recommend?

Local fresh-pressed juices ...



Nature's Nectar is a local artisanal juice bar that offers 12-oz juice blends at wholesale for \$4.75 per unit. The drinks have a shelf-life of three days and come in eight different juice blends. Nature's Nectar will offer The Daily Grind a special pack sie during the trial run, as a result of the exposure they'll receive at your busiest location. This special pack includes four units (per flavor), with a minimum order of six packs every-other-day, which is in line with their delivery schedule.



Bagel chip & flavored cream cheese snack packs ...

This is a relatively new product from a well-known national brand. These snack packs come in four different varieties, two savory and two sweet. They have a shelf life of approximately four months and wholesales at \$0.65 per unit. A case includes 24 units and your distributor requires a four case minimum for every order.





Local chocolate confections ...

A friend of one of The Daily Grind's store managers is trying to get her confectionary company off the ground. For the opportunity to showcase her produces, Ellie is willing to negotiate several factors. She'll deliver product weekly for free, requires no minimum order and will provide marketing materials to promote the new product. Ellie's Bon Bons include two large pieces of decadent chocolate candy per pack, have a shelf life of one week and wholesale for \$1.50.

Week 3:

Competing in the Marketplace



The largest national coffee chain has decided to expand aggressively in your market. While The Daily Grind is confident their coffee is better tasting & fresher, they have seen a 10% drop in sales at their three locations closest to the competitor's new locations since they've opened. As a result, the exec team has decided to invest more money into marketing & promotions. They've come to you with several ideas they'd like to get your perspective on. Which option would you advise them to go with?



Introduce Customer Loyalty Program

The Daily Grind could create their own rewards program offering discounts and small-value incentives to guests. It could be based around a buy-10-coffees-get -one-free model and/or include random freebies, such as size upgrades or additional espresso shots. The Daily Grind could legally modify the program without giving customers prior notice - making it easy to tweak the program as it develops. On top of the value of freebies themselves, costs for setting up a loyalty program like this include scannable key tags costing \$0.74 per unit (with an initial activation fee of \$0.30 per unit)

Invest in New Digital Menu Boards

Transitioning to digital menu boards in all 11 Daily Grind locations would be another option. Digital menu boards make it easy to add new products & promote various selections quickly based on supply, profit margins, etc., & are proven to influence customer purchasing patterns. The salesperson at BCG Signage has quoted a cost of \$3,790 per store to equip them with digital boards. BCG also offers hour- long training sessions to teach store managers and assistant managers how to operate, change and troubleshoot the boards. They recommend training two employees from each store at a cost of \$50 per employee. Based on BCG's customer research, these boards can increase sales anywhere from 10-25%. BCG also estimates it will take The Daily Grind 24 months or less to recoup the initial cost of the digital menu board investment.





Volunteer staff time & donate product to local events.

The Daily Grind could also choose to focus on increasing community involvement. This would involve finding local events that align with The Daily Grind's mission & brand—as well as donating product, in the form of coffee and food. Costs could run anywhere from \$50-\$1,000 per event, depending on size, audience, etc. Employees would be able to volunteer a set number of working hours per quarter, so their hourly wages would also be a cost to consider. (Baristas earn \$10-\$15 per hour, while assistant managers make a salary anywhere from \$28,000-\$35,000 and store managers \$40,000-\$55,000.) While it would be a one-time expense, The Daily Grind would also need to create various sizes of signage to use for different events that would cost approximately \$4,300 to design and print. All expenses incurred would be in addition to the 5% of profits already donated to The Daily Grind's farming partners.

Week 4:

Employee Benefits



The exec committee has asked you to join them to discuss what to do with this year's training budget. Currently, The Daily Grind has a program in place where employees can request outside training opportunities to be approved by their supervisor. Within the program, non-management employees can receive up to \$500 & managers up to \$1,000 for relevant training. To access this training benefit, employees fill out a form detailing the training they're interested in, how it will expand their knowledge how it will improve their ability to do their job.

Over the past five years, fewer & fewer employees have taken advantage of the program. Of those who have, many submitted the same training opportunities, making it difficult to accommodate everyone & continue running a business on those days. During this discussion, several ideas are brought to the table. Which would you recommend & why?

Create a Professional Barista Program

This elite program would be created as a way to reward those baristas who really know their stuff—both with recognition and increased earning potential. It would also establish a clear path for baristas who are being groomed for management positions. The program would require management to comprise a series of learning modules for baristas to study, train on and be tested on to showcase their knowledge and skills. To maintain its exclusivity, baristas would have to be nominated by their supervisors and there would be a limit of two baristas per store in the program at any given time—although some stores might not have any. The program could potentially take a year for management to design and deploy. Hard costs would include the creation of printed materials along with the food costs associated with the training (a comparable expense to the one incurred during new employee training).



Invest in regular on-site cuppings & classes

Cuppings are a great way for staff members to learn about the various coffees that The Daily Grind serves. The practice involves smelling and slurping a variety of coffees in order to study their distinct aroma, taste (i.e., mouthfeel, sweetness, acidity and flavor), aftertaste and region of origin. This option would include monthly cuppings and quarterly training courses (in subjects like latte art) by trainers who are brought in by the company. Cuppings and courses would all take place at headquarters, but each event would be offered at several different times to allow for the greatest staff participation. Hard costs for cuppings would consist of purchasing extra cups, spoons, tables, coffee grinders and kettles. Bringing in outside trainers would average \$3,000-\$8,000 per engagement.



Expand bean-sourcing trips to include more employees



Each year, the president and CEO take a few trips to find new fair-trade farming partners across the globe. This allows The Daily Grind to ensure they're getting the best possible products and continuing to expand their coffee selection. Past destinations have included Ethiopia, Guatemala, Costa Rica and other top coffee-producing regions. Expanding the sourcing team to include district managers and two top-performing store managers would mean cutting down the number of sourcing trips per year, at least in the short term. However, over time, this expanded sourcing team could theoretically divide and conquer with a portion of the group going to each planned destination, making it more cost-effective over time.

Week 5:

Negotiating w/ Marketing Agencies



It's been almost three years since The Daily Grind last negotiated a contract term will be up for renewal in three months. Currently, The Daily Grind works with a local agency, Isley+Ava, for the design & production of its branding, signage, collateral, packaging, printed materials & digital assets. The Daily Grind has been happy with the work quality of Isley+Ava, however, the company wants to make sure they're investing their money into the most beneficial marketing & advertising option. Of the following marketing & advertising choices, which one would be in the best interest of The Daily Grind?

Sign another contract to stick with their agency

Currently, The Daily Grind has a monthly retainer of \$15,000 with Isley+Ava based on 100 hours at a \$150 blended hourly rate. If projects go over the retainer, The Daily Grind is charged anything from \$60-\$250 per hour, depending on the hourly rate of the employee working those hours. Last year, The Daily Grind had four months where they didn't need all of the hours included in the retainer, five months where they went over between \$1,500-\$3,000 and three months that went over between \$3,001-\$8,300. The contract also includes a 15% mark up on all materials used (copies, supplies, proofs, etc.), media purchased and third-party vendors used.



Bring a copywriter and designer/art director on staff permanently.

The Daily Grind could also hire a full-time, in-house creative team (consisting of a copywriter and an art director or designer). Securing a creative team with would mean adding two salaries, each between \$62,000-\$80,000, depending on applicants' experience, plus benefits. Finding candidates would require creating and paying for job postings on several sites as well as updating the jobs page on The Daily Grind's own website. The hiring process would also mean carving out time for multiple members of the leadership team to review resumes and portfolios, reach out to applicants and conduct interviews.

Use a local team of freelance creatives.

One of the district managers knows a freelance copywriter and art director who would be willing to take The Daily Grind on as a client. Brandon and Elizabeth's individual hourly rates are \$75, they only charge for the hours they spend and do not charge a mark-up on media purchases or working with third-party vendors. Brandon is really into coffee and has been a customer at The Daily Grind for more than six years, so he's familiar with the brand and excited by the prospect of having the company as a client. They each have over 10 years of experience and their portfolios show a wide variety of solid creative work including several award-winning campaigns.

6:

Expansion of Store Front



Based on your item sales analysis reports for the past two quarters,