



# HiFive

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## Setup up your Company Pricing and Product Portfolio

*When setting up your company you need to make sure your pricing model matches your cost model. The break-even analysis will reveal if your financial model makes sense. You can adapt your pricing and product strategy once you have a better view on your company financial return.*

*Let's discuss this sandwich shop called "what I like" located in Belgium. They sell sandwiches to consumers. The V.A.T. on these products is 12%. We start with offering a sandwich at 3,36€ (retail price). We know every consumer entering the shop will buy on average 2 sandwiches, a total of  $2 * 3,36€ = 6,72€$ .*

*The salary cost per employee is 30.000€ per year.*

*The lease cost of the shop is 30.000€ per year.*

*Utilities (electricity, gas, internet, water, trash ...) are 15.000€ per year.*

*Equipment depreciation is 15.000€ per year.*

*The margin on all products sold is 50% (net sales price minus purchase price).*

*The shop is open from 8h00 until 18h00 every day, Thursday is closed. Consumer visits are concentrated for 90% between 11h00 and 13h00 and 17h00 and 18h00 (peak moments). The shop is open 50 weeks a year. There are 3 employees working in the shop on average. The quiet moments are used to clean-up, to prepare sandwiches, to buy products and to do administration and promotion. The quiet moments are mostly too quiet so 1 or 2 people are sent home during these quiet moments, without losing their salary. 1 is working in the kitchen, 1 behind the counter and 1 employee does both depending on the traffic. One employee can serve up to 20 sandwiches per hour. The shop infrastructure capacity is about 100 sandwiches per hour, up to 10 employees could work in this shop at the same time.*

## Assignment Sandwich Shop

- 1. How many customers per day should this shop have to break-even?*
- 2. How many sandwiches should be sold during the peak moments?*
- 3. Is this shop using their fixed costs in an optimal way?*
- 4. What would you suggest concerning their product portfolio?*
- 5. What would you suggest concerning their pricing strategy?*
- 6. What would you suggest to improve the time spend per customer?*
- 7. If you run a promotional campaign, what would be the message?*