Coffee Business Management

[Enter name of student here]

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**Fixed costs /(Revenue-Variable cost per unit)**

2700/2-0.25 = 1542.85

2700/3-.5 = 1080

2700/4-2 = 1350

2700/1.5-1= 5400

**Break even in sales**

2700/0.25 = 10800

2700/0.85 = 3176

2700/.95 = 2842

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**Total sale at breakeven point = 19660**

Break even analysis is a technique used to know the economic feasibility of any product sold. This is done by considering the fixed as well as variable costs for that product. The break-even point is the one where no losses occur and revenues and costs are just equal to each other (Holland, 1998). Sales above that level will result in profits and sales below that level will result in losses. Break-even is considered in terms of units and dollar sales. In case of company under consideration, there are four products and coffee is the major product sold by the company. The supremacy of coffee in the product line is shown by the amount of revenue generated by selling coffee at the break-even level. Thus, the major focus of all the company activities will remain on the coffee.

**Recommendations**

It is suggested for the company to focus on the coffee item because it contributes majority of its revenues. Thus, the company should consider alter its price. It is a general perception that increasing the price will increase the revenue of the company but there are many other factors that have to be considered while altering the price. One of the most important factors that has to be considered while considering any alteration in prices is elasticity of demand of any given product. Coffee is a product with elastic demand because a change in price will result in a higher percentage increase in the quantity demanded (Hutchinson). The main reason for this assessment is the presence of a close substitute for coffee in the form of tea. An increase in price of coffee will make tea cheaper for the customers and they will buy more tea. In case of the elastic demand as in case of coffee, a decrease in price will result in an increase in total revenue. Thus, company should implement a minimal decrease in price of coffee. There will be a small proportion of people who are addicted to coffee and they will not bother about the increase or decrease in prices of coffee. For this small segment of population, the demand for coffee will be inelastic but for the bulk of population, demand of coffee will be elastic and they will respond according to the changes in coffee prices. The company can stop selling the product that is contributing only 5% to the revenues and focus more on the other three products. Thus, it is important to consider the nature of price elasticity of demand for any product because it is closely related to the revenue management and resulting change in revenue will depend upon the nature of elasticity of that product.

The owner of the company can keep some part time employees in combination with the full-time employees which will mean that the company will have to make lesser amount of payment to them as compared to the permanent employees. The fixed costs related to the employees will also decrease as a result of keeping some part time employees. With the advent of modern industrialization, it has become possible for the organizations to find people with high-profile skills to work on contracts for a certain period. When recruited on contract, the company does not have to pay for any expensive benefits. Therefore, recruiting for short-term is cost effective. There is no need to bear costs of recruiting, training, etc. for the new hires if an organization is using services of an agency. The performance of temporarily employed workers will be assessed without having to make commitment for long term. The potential of the worker can be evaluated more precisely because the performance will be based on professional attitude and behavior at work.

Marketing efforts should focus on the major product that is prepared by the company in the form of coffee. Both electronic and print media should be used for advertising efforts. The company can come up with more than one flavors of coffee and advertise them appropriately. There can be a fresh segmentation undertaken by the company to assure that it is reaching the right type of people with its product. Different segments can be targeted with different products (Brizek, 2012). There is another option for the company to introduce exclusive coffee shops without any other product to be sold. The company can also offer some free samples to the customers so that they can check the taste of various flavors. The company will have to make sure that there is no change in the quality of product offered by it over a period of time. The best mode of advertising will be television advertisements because it will reach a huge number of people at a single point in time.

The location of shop should also be reconsidered in terms of ease for the customers to reach. If the customers find it difficult to reach the shop, it will affect the sales badly, Shop should be at a convenient place for all the customers to reach. It is better for the shop to have some competitor’s shop alongside it so that customers coming to that shop may also come to his shop. The atmosphere within the shop is also an important aspect when considering the business enhancement.

# **References**

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