COMPANY BACKGROUND

The Daily Grind Coffeehouse was founded in 2007 by two friends who love nothing more than a hot cup of joe. The company has always prided itself on putting quality first—from the beans they brew to the knowledge and friendliness of people who serve it. Their goal has always been to be the coffee shop that makes the absolute best cup of coffee in town. They strongly believe in fair trade and donate 5% of their profits to support the communities of their farming partners.

Over the last 10 years, The Daily Grind has managed to grow from a single storefront to a local coffee chain with eleven brick-and-mortar locations. The Daily Grind Coffeehouses are decorated with a retro industrial vibe. They feature art and signage that tells the story of their crop-to-cup process and educate customers on various coffee-related topics.

This privately held, LLC offers premium coffee beverages and breakfast items. Each of their cafés average $2,750 in sales per day, with some locations performing much higher than others depending on location, square footage and whether or not they have a drive-thru (all but two locations do). The average transaction is $5.74. Last year, The Daily Grind saw $10,900,000 in total revenue.

As the accounting department for The Daily Grind, your team is responsible for evaluating strategic decisions for the company that come down from the owner and CEO. Your advice and input provide direction for the company, so that The Daily Grind can continue to grow its profits.

WEEK 1

Ben's Beans, the local roastery The Daily Grind has been using for the last two 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 no longer working. Should The Daily Grind:

A.) Start buying beans that are pre-roasted. To keep it local, which is very important for The Daily Grind's 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.

B.) 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.

C.) 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.