

# Sandwich Shop Economics

You own a sandwich shop and want to pay your employees a living wage. You are open 18 hours a day and have 2 employees on duty at all times with a total of 6 employees. You sell 120 sandwiches a day at \$8 each. You sell chips and drinks to 80% of sandwich buyers at \$2 each. You provide health insurance to your employees and pay the employer's share of fica and unemployment taxes. You also have some things like rent, phone, utilities, and advertising and a loan to cover your equipment. You are also part of a national chain and have to pay a franchise fee on total sales.

Your profits (or your wages as owner) are \$3172 per month. If you want to sell more sandwiches, you have to do more advertising or lower the price of your sandwiches, and you may have to hire another employee to handle the increase.

You can make more money by firing an employee (but you have to work their shift), or cutting their wages. You can make more money by buying cheaper ingredients for your sandwiches, but they will taste terrible and your customers will go somewhere else and reduce your sales. You can raise the price of your sandwiches, but some of your customers will leave (they're poor) and you will sell fewer sandwiches, which means lower revenue and profits for you. You can give your employees a raise, but that comes directly out of your pocket.

Maybe it's a snowy month and some of your customers stay home and eat soup, so your sales go down. You, as owner, get to clean up every day - bathrooms, sinks, ovens, counters, or you could hire someone to do it, which costs you money.

So play with the **green** numbers in the SandwichShop spreadsheet in columns B, C, and D and see what happens.

Line 8 is number of employees, hours, and hourly wage.

Line 11 (col B) is overtime hours per month.

Line 14 (col D) is sandwich unit cost.

Line 15 (col D) is chips and drinks cost.

Line 16 (col D) is the franchise fee.

Line 19 is sandwiches sold per day, days, and price your customers will pay.

Line 20 is chips and drinks sold per day, days, and price your customers will pay.

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