

5.13: Business Case

Wedding Event for Cy's Catering

Background

Upon graduation, Jenny landed a junior marketing director position in the Cy's Catering department of a university in a midwestern state. As a division of the larger dining operation, Cy's Catering provides catering services for intermural events on campus and wedding events for off-campus clients (E. Laska, personal communication, August 14, 2018). Most off-campus clients are from the state's capital. Within a couple of months on the job, Jenny was asked to develop an income statement template for three new buffet menu themes developed for millennial clients. Jenny thought that this project would be a great opportunity for her to apply the concept of design thinking that she had learned from her event management class. The cost structure for each menu option will be first built based on the consultation with the catering and main kitchen managers. With the cost items laid out, she will incorporate them into an income statement template (see example) on a spreadsheet she will create. Then multiple simulations will be test-run by changing fixed costs and revenues for each menu item. The simulation results will be shared with the direct supervisors and kitchen management.

Design Thinking

Still a nascent idea in service management, design thinking is an effective iterative process for generating a new idea that focuses on customers (Liedtka, 2018). Today's customer demands change quickly, stemming from their constant exposure to trends through social media. Customers are increasingly looking for personalized and memorable wedding experiences. To stay current with changing customer preferences, agility in service offering is the key if an event business is to step ahead of its competition. Event organizers are keenly aware of the need to adapt rapidly to changes in the marketplace. Design thinking emphasizes the customer-centric management of service innovation. Customer needs remain central to designing service offerings. An innovative approach to meeting customer needs is achieved through the iterative process of design thinking that involves defining problems, determining needs, brainstorming, prototyping, and testing. Following the basics of design thinking that she had learned, Jenny laid out the process map with the design thinking steps that must be taken when developing an income statement for the new buffet themes:

1. **Define the problem** –Create a new set of buffet menus that appeal to the growing segment of millennial wedding clients.
2. **Determine needs** –Millennial clients are more open to international tastes and prefer options for personalization.
3. **Brainstorming**–Consult with the dining managers and executive chefs from the main kitchen.
4. **Prototyping** –Build a prototype income statement template for three different menu options.
5. **Testing**–Test the prototypes and adjust if needed.

Once all the items were incorporated into her prototype income statement, Jenny decided to test the prototype with one of the new menu options: East Meets West Buffet. After a series of discussions with her two dining managers, she ran a simulation with an \$80 per meal option for 100 wedding guests. The total sales revenue from the event equals \$8,000 (\$80 per meal×100 guests). The simulation also generated an estimated dollar amount for each of the line items of the income statement, expressed as a percentage value of the event revenue. Based on the estimated event revenue given, fill in the blanks in the income statement below and answer the following key questions.

1. What is the contribution margin (CM)?
2. What is the contribution margin per guest for this buffet meal option?
3. What is the net profit for this simulation and the break-even point with regard to the number of guests required?

| INCOME STATEMENT | | | |
|--------------------------------|-------------------|------------------|------|
| Total Sales Revenue (R) | \$8,000.00 | \$80 (per guest) | |
| Variable Costs | | | |
| Catering Costs | \$ _____ | 27.5% | of V |
| Facilities Costs | \$ _____ | 22.5% | of V |
| Labour (Payroll) | \$ _____ | 35.0% | of V |

| | | | |
|--|----------------|-----------------------------------|-------------------|
| Overhead (Linen and tablecloth cleaning) | \$_____ | 15.0% | of V |
| Total Variable Costs (V) | \$_____ | 50% | of revenue |
| Contribution Margin (CM = R – V) | \$_____ | | |
| CM per guest | 50% | | |
| Fixed Costs | | | |
| Advertising/Promotion | \$_____ | 5.0% | of F |
| Payroll (Office personnel) | \$_____ | 15.0% | of F |
| Rent | \$_____ | 30.0% | of F |
| Supplies (Audio/Visual) | \$_____ | 25.0% | of F |
| Taxes | \$_____ | 7.5% | of F |
| Insurance | \$_____ | 7.5% | of F |
| Utilities (Water, Electric etc.) | \$_____ | 10.0% | of F |
| Total Fixed Cost (F) | \$_____ | 25.0% | of revenue |
| Profit (CM – F) | \$_____ | | |
| Break-even | _____ | as number of guests served | |

? Specific Questions/Choices

1) Which of the following is NOT an activity of event financial management?

1. Securing financial resources
2. Monitoring financial resources
3. Allocating financial resources
4. Forecasting costs and benefits
5. Minimizing the recurring natural events

2) As a wedding planner, your recent wedding event had 120 guests in attendance and charged \$30 per guest.

Revenue: _____Costs: \$2,500 Profit: \$1,100

Based on your calculation, what is the percentage of the profit made on the wedding event?

1. 30.5%
2. 84%
3. 58%
4. 85%

The next two questions are related to the following information:

Emory gathered the following information from her recent wedding event that she had managed:

Flat fee per guest: \$200

Variable cost per guest: 50% of the fee

A total of 250 guests attended the wedding

The sales amounted to \$50,000

Variable cost: \$25,000

Net income: \$3,000

3) Calculate the contribution margin ratio.

1. 30%
2. 50%
3. 80%
4. 45%

4) Calculate the fixed expenses.

1. \$14,000
2. \$15,000
3. \$16,000
4. \$22,000

5) The average fixed assets were \$68,000 for Swartz's event planning company last year. The year's total revenues were \$330,000. What is the fixed asset turnover ratio for the last year?

1. 5
2. 3
3. 6.5
4. 4.85
5. 32.5

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