

Case Study



Sandwich Blitz, Inc.

Sandwich Blitz, Inc. is a small growing specialty sandwich shop chain in a large city. The business is owned by Dalman Smith, who is the President and Chief Executive Officer (CEO) and Lei Lee who is the Vice-President and Chief Financial Officer (CFO). The company currently operates eight free-standing sandwich and beverage shops located near three universities, one hospital, and four high-traffic office complexes in the metropolitan area. The firm serves mostly upscale breakfast and lunch customers and specializes in organically grown food ingredients and health-conscious beverages. Currently, the firm employs a staff accountant, eight unit managers, and forty employees. The corporate headquarters occupies rented space in an office park which houses Dalman, Lei, and the corporate accountant, Jayin Chopra. Each operating sandwich shop is staffed with a manager, a crew supervisor, and four customer associates. Revenues from 2013 operations were substantial with a ROI (Return on Investment) of 30%.

Beginnings

Sandwich Blitz was the idea of Dalman Smith whose previous experience was in middle management for a wholesale food distribution company headquartered in a large European city. An ardent devotee of healthy food, Dalman received the inspiration for Sandwich Blitz while visiting the Mediterranean area on corporate business. Dalman noted the presence of healthy sandwich shops in that area of Europe and was surprised on his return home that no such models were in operation in his local area. After considering the idea for several weeks, Dalman approached his long-time friend Lei Lee, a CPA working within the insurance industry with his idea. Lei considered the idea a good one but was concerned with the overhead expenses involved in leasing and developing retail commercial space in the expensive urban area. One day, while driving to work, Dalman noticed a small, free-standing prefabricated building located on a piece of land adjacent to a shopping center. Suddenly, he envisioned the Sandwich Blitz model: small space, great location, negotiated low costs on small parcels of land unsuitable for most commercial purposes, and most of all, great healthy food! Dalman could not wait to show Lei this model. Within 3 weeks, Sandwich Blitz, Inc. was born. The sufficient start-up capital was evenly split between Dalman and Lei. Dalman was able to obtain a loan using his house for collateral and his personal credit line for most of his share. A gift from Dalman's father completed his share of the funding. Lei was able to use her substantial personal savings to finance her share of the capital. The first lease of land was signed and a prefabricated unit was ordered on July 21, 2004. Sandwich Blitz opened its doors for business on October 15, 2004. Dalman, Lei, and two college students were the first employees. A picture of them standing in front of the store was taken on that day. It is still proudly displayed in the corporate office.

Operations

The Sandwich Blitz operational model reflects both Dalman and Lei's management philosophy that allows each operating unit a great measure of autonomy. This allows each location manager to make the day-to-day decisions dealing with their unit budgets, employee matters, and customer service issues. Each location manager is carefully chosen and given a compensation package which includes incentives based on the performance of that location. These are based on location sales estimates. Each location manager is presented with quarterly budgets and is accountable for meeting these guidelines.

Each work team supervisor is responsible for ensuring good customer service by making sure that all employees, which Sandwich Blitz refers to as customer associates, adhere to the Sandwich Blitz Motto which is proudly displayed over each location's counter: "Sandwich Blitz – Where our quality, freshness, and customers always come first."

Because of this motto, each customer associate is empowered to resolve any customer-related complaint. This allows the customer associate to refund purchases, replace food, and take other measures to satisfy the Sandwich Blitz customer. The original location also serves as a training center for the company and Dalman is a regular fixture at these training sessions. Food recipes and preparation techniques are of particular concern to Dalman since he feels that a consistent product is critical to the company's competitiveness. Dalman considers a few ingredients in their products to be important enough to justify a making them into private brands (brand names that are owned by Sandwich Blitz) to protect them from potential competitors.

Lately, Dalman has mostly been visiting the operating locations and dealing with problems and issues that each manager requests help with while Lei has concentrated on financial matters like budget preparation, leases, taxes, and overseeing the daily accounting process. Both Dalman and Lei are pleased with Sandwich Blitz's past performance but feel that they are each unable to devote their time and energy to expand the business significantly. All of their time seems to be occupied with "fighting little fires" within the existing operation.