Bene Petit: An Integrated Analytics Case

Case Overview

This case describes an entrepreneurial venture that has both a business and social mission. The case setting is a hypothetical meal delivery service that utilizes a "one-for-one" business model in which the owner pledges to donate one meal for every meal sold. The case storyline is modeled after Bombas®, which was featured on Shark Tank and is one of the show's biggest success stories.[1]

The case is suitable for an undergraduate or MBA managerial accounting course; and could also be used in a cross-functional introductory business or entrepreneurship course. The case is designed to run throughout the entire course and includes various assignments that faculty can discuss in class, assign as homework, or use as individual or team projects.

Objectives of the case include:

- Increase students' appreciation for the role of managerial accounting in an entrepreneurial business.
- Illustrate the importance of social responsibility and sustainability in modern business strategy.
- Apply managerial accounting topics to a simple but non-traditional setting than blends manufacturing and service.
- Require students to integrate course concepts and methods to make data-driven decisions.
- Enhance students' analytical skills through Excel- and Tableau-based projects and assignments.

The case covers the early stages of the business's life cycle, including concept/beta-testing, start-up/introduction, and expansion/growth. It is divided into five parts, which could be assigned separately or one culminating project :

- Part 1: Understanding the Business
- Part 2: Product and Service Costing
- Part 3: Managerial Decision Making
- Part 4: Budgetary Planning and Control
- Part 5: Performance Evaluation and Analysis

Each part includes discussion questions, assignments, and Excel or Tableau based projects.

Case Background

This is the story of Taylor, a 35-year-old entrepreneur. Taylor graduated from Western State University (WSU) with a degree in journalism and culinary arts. Taylor had always dreamed of opening a restaurant, but soon realized just how challenging the restaurant industry can be. After moving to the city to work for a small advertising agency, Taylor fell in love with a young lawyer named Alex. They got married, adopted a dog, and eventually started a family. When their second child arrived, Taylor decided to stay home and focus on raising the kids while Alex started a new law practice.

Taylor took on the role of stay-at-home parent with dedication and gusto, but also volunteered at a local food bank and wrote the monthly newsletter for a nonprofit organization. Dinner time was particularly important to Taylor and Alex, as it was the one time the family could sit down, put away electronic devices,

[1] Bombas Net Worth 2021 - What Happened After Shark Tank - Insider Growth

and spend quality time together. At least three nights a week, Taylor planned a meal that the entire family prepared and cooked together. Taylor had always been an excellent cook and had a knack for making healthy meals that don't taste healthy.

One day when Taylor was telling the other stay-at-home parents what was on the weekly menu, Jackie lamented that she had tried "family meal night" but struggled to find recipes the entire family liked. Ben said he recently tried Blue Apron, a meal delivery service, but found the recipes a bit too "gourmet" for his family's tastes. And Maria said one of their kids has a severe peanut allergy, so they must prepare everything from scratch to avoid cross-contamination.

Suddenly Taylor saw an opportunity to combine her love of food, dream of being an entrepreneur, and desire to go back to work now that the kids were more independent. To test out the idea, she convinced five neighbors to let her plan their meals for a month. Each week, Taylor would develop three recipes that were nutritious, delicious, and family-friendly. On Monday she delivered a box that included all the ingredients needed for three meals, along with detailed instructions. Taylor also agreed to be available every night from 5:00 to 7:00 to answer questions about how to prepare and cook the meals.

At the start, Taylor only charged for the actual cost of the meals. She was careful to keep detailed receipts for all the ingredients and supplies used each week and would divide by five to figure out what each family owed. Taylor included an invoice in each meal box, along with a note to drop off a check or pay using the Venmo or Cash app. She also included a feedback form asking about ease of preparation, appeal to adults and children, and suggestions for other menu ideas.

Soon Taylor realized it was not practical to keep track of the cost of every item she used to prepare the meals. For example, it was much more cost-effective to buy staples such as spices, olive oil, rice, and flour in bulk; and she didn't want to keep track of the exact amount used for these miscellaneous ingredients. She also bought some refrigerated boxes and ice packs so the items could be left on the porch for a few hours and then reused. Taylor also had to dedicate some space in an extra bedroom/office for supplies and buy an extra refrigerator to store fresh ingredients. Taylor wasn't sure how to charge her neighbors for these indirect costs in a simple but fair way.

Despite her best efforts to minimize waste, Taylor usually ended up with left-over ingredients each week. Depending on how the items were packaged, it wasn't always possible to buy the exact amount needed. It was also easier to buy a little extra to avoid running back to the store at the last minute. Taylor usually used any extra ingredients to make a meal or snack for her own family; or added a little extra for families with hungry teenagers.

Then one Sunday Taylor heard about a local family trying to get back on their feet after some difficult times and a period of homelessness. Taylor emailed the neighbors and asked if they would mind paying a little extra to provide a week of meals to this family in need. They enthusiastically said yes! Over the next few months, Taylor gradually increased the amount she was charging her neighbors for the meal delivery service and began working with a non-profit organization to provide more meals to families in need.

Taylor ran the pilot project for four months. Although one neighbor had to drop out after the first month due to a family emergency, several others heard about it and wanted in on the system. The goal of the pilot had been to test the viability of the business idea and work out some of the kinks in the recipes. Of course, once Taylor starts to invest even more time and money in the business, including hiring employees and expanding to a nearby facility, the business will need to do more than just cover the cost of the meals. Taylor wants to turn it into a profitable business that serves a greater purpose.

Providing meals to local families was personally rewarding to Taylor, and it also made her customers feel that they were doing something good. Taylor has read about other socially responsible companies that manage to "do good while doing well." Taylor would like to focus on families with young children as she knows how critical a stable and nutritious food supply is during their formative years. Taylor's goal is to donate one meal for every meal sold to a paying customer.

Taylor has decided to name her business **Bene Petit**. It sounds like bon appétit (enjoy your meal), but *bene* means "good" and *petit* means "small." [2]

The mission of Bene Petit is to provide delicious and nutritious meals to families with young children and to contribute to society through small acts of kindness.

Part 1: Understanding the Business

In part 1, students will consult with Taylor on the start-up of her business, including identifying the business strategy, determining the business model, understanding the role of accounting information and other data for making management decisions, classifying the different costs that the business will incur, and identifying target markets.

Because it has a dual mission, Bene Petit serves two important stakeholder groups: customers/clients and community partners/homeless families.

- Target customers or clients are busy, socially conscious professionals and families with high disposable income who live in areas with a high rate of homelessness.
- Partners are local nonprofit organizations that will distribute meals to families in need. Taylor would like to focus on families living in transitional or temporary housing, as this is an important bridge between homelessness and permanent housing.

Taylor's first task in launching her business is to gain a better understanding of each of these stakeholder groups. The analytics assignment will require students to analyze household income and other demographic data from the U.S. Census Bureau and combine it with homelessness statistics provided by the U.S. Department of Housing and Urban Development (HUD). Students will then create data visualizations to communicate the business problem to potential investors. More specific requirements and data for the assignment are provided in the teaching note.

Part 2: Product and Service Costing

In part 2, students will help Taylor design a cost system by deciding what type(s) of cost system(s) to use and how to assign direct and indirect costs to various products, customers, and services. To do so, they must understand how Bene Petit operates and the different types of products and customers it serves.

Bene Petit uses a "one-for-one" business model. This approach was first popularized by Blake Mycoskie, founder of TOMS, who started out by donating one pair of shoes for every pair sold, and more recently pledged to donate a week's worth of clean water for every bag of coffee sold.[3] This social entrepreneurship model has been adopted by other businesses, including Warby Parker (eyeglasses) and Bombas (first socks, then t-shirts and underwear). At the time this case was written, none of the major meal delivery services were using a "one-

[2] The company name (Bene Petit) was modeled after the story of Bombas, which is a Latin word for bumblebee. The founders chose the name because bees must work together to make their hive a better place. The company symbol is a bumble bee and the motto "bee better" is stitched into every sock Bombas sells and donates.
[3] The Founder of TOMS on Reimagining the Company's Mission (hbr.org)

for-one" model. However, industry leaders such as Hello Fresh and Freshly often donate meals on special occasions such as National Philanthropy Day,[4] or in response to crises such as a natural disaster or the COVID pandemic.[5]

Bene Petit's pledge to "donate one meal for every meal sold" is a core part of its value proposition that differentiates it from competitors. While it is marketed as a "one for one" business, the meals are not equivalent from a production and delivery perspective. The same is true at Bombas, as the socks the company donates to the homeless are intentionally designed to be more generic (plain black sock) and durable than the colorful socks that are marketed to consumers.[6]

Similarly, the production and delivery process at Bene Petit is different for the meals that are sold to customers/clients (referred to as a customer meals) and the meals that are donated to partner organizations (referred to as donated meals).

CUSTOMER MEALS

Meals that are sold to customers are individualized based on choices customers make on a week-to-week basis, as follows:

- Each week, customers select from a menu of 20-30 different meals. Some of the most popular recipes are kept on the menu for several months, while others are changed out each month.
- The ingredients are prepared (e.g., sliced, chopped, seasoned, etc.) and packaged separately to maintain freshness, but are not assembled or cooked.
- The cost of ingredients varies between menu options, as does the amount of labor time required. For example, meat and seafood recipes tend to have higher ingredient costs, while vegetarian recipes require more prep time and packaging.
- Each customer order is delivered in a refrigerated box that contains several meal "kits." A kit includes everything needed to prepare one meal, along with a detailed recipe card.
- Meal kits are available in 3 sizes: Single-serving (1 adult serving), dual-serving (2 adult servings), or family-sized (4 adult servings).
- The minimum weekly order size is 4 single-serving meals (4 adult servings), 3 dual-serving meals (6 adult servings), or 2 family-sized meals (8 adult servings). The most common order size is 4 family-sized meals, which is 16 adult servings per week.

DONATED MEALS

Taylor partners with local community organizations to distribute meals to families in need. The donated meals are more standardized than those that are marketed directly to consumers. These meals were developed to meet the needs of families living in transitional or temporary housing. Some key features of the donated meals are described below.

- Donated meals are produced in large batches and delivered in bulk to community partners.
- The donated meals come in one size (4 adult servings) and will feed a larger family with children.
- To allow more time between production, delivery (to community partner), distribution (to families) and consumption, donated meals are pre-cooked and frozen.
- The meals can be reheated in a microwave or oven, or on a stovetop.

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[4] Donate Meals With Meaning This #NationalPhilanthropyDay | The Fresh Times (hellofresh.com)

[5] Freshly and Nestlé partner to donate $500,000 to Meals on Wheels America, supporting their vital work to help vulnerable seniors amid COVID-19

[6] 10 Million Pairs – Bombas

- All recipes must meet the nutritional guidelines recommended by the FDA.
- The recipes are designed to appeal to a broad cross-section of children and adults.
- Based on these criteria, Taylor developed the following three recipes for the donated meals:
  - Creamy chicken with vegetables
  - Spaghetti with meatballs
  - Vegetarian chili with cornbread
- The total cost of ingredients used in the three recipes is roughly the same, and each batch takes about the same amount of time to prepare and package.

Taylor is unsure how to compute the cost of the different types and sizes of meals she sells (and donates), but knows she needs this information to make decisions.

For part 2 of the case, students will apply concepts from job order costing, process costing, and activity-based costing to determine the most appropriate cost system(s) for Bene Petit. The analytics assignment for Part 2 requires students to analyze a large data set using simple and multiple regression and recommend the most appropriate driver(s) for assigning indirect or overhead costs to products and customer orders.

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Part 3: Managerial Decision Making

In part 3 of the case, students will help Taylor make a variety of managerial decisions based on cost information and other operating data. The following table summarizes the operating results for the first year of operations:

Bene Petit First year operating data:				
	Single (1 serving)	Dual (2 servings)	Family (4 servings)	Total
Customer Meals Sold	3,000	5,000	12,000	20,000
Total Customer Servings	3,000	10,000	48,000	61,000
Customer Orders (Average = 4 meals per order)	750	1,250	3,000	5,000
Number of Donated Meals (1 per customer meal)	3,000	5,000	12,000	20,000
Number of Donated Deliveries (500 meals per delivery)	6	10	24	40

Additional information about selling prices, variable costs and fixed costs is summarized below:

- The sales price for customer meals is $5 per serving.
- The average direct materials (ingredients) cost of customer meals is $1 per serving.
- Direct labor costs average $0.75 per customer meal.
- Variable manufacturing overhead costs are applied at a rate equal to 60% of direct labor.
- Delivery expense for customer meals is $2 per customer order.
- The incremental cost of producing donated meals is $1.25 per meal.
- Delivery expense to community partners is $125 per delivery.
- The following fixed costs are allocated to customer meals based on total sales revenue:
  - Fixed manufacturing overhead costs are $75,000 per year.
  - Fixed selling expenses are $29,000 per year.
  - Fixed administrative expenses are $40,000 per year.

Based on this information, students will prepare a segmented (contribution margin) income statement for Bene Petit. The statement should be created in Excel and should include formulas linking to the starting data above so that students can easily perform "what if" and "goal seek" analysis, including the following independent decision scenarios:

Scenario 1: COST-VOLUME-PROFIT ANALYSIS

- What was Bene Petit's net operating income during the first year of operations?
- What was the average contribution margin per customer meal sold?
- What was the overall contribution margin ratio (as a percentage of total sales revenue)?
- What is Bene Petit's breakeven point based on the current mix of customer meals? How many single-, dual- and family-sized meals must be sold to breakeven? How much is total sales revenue at the breakeven point?
- What was Bene Petit's margin of safety for the first year of operations?
- What is Bene Petit's degree of operating leverage for the first year of operations?

- If sales increase by 10% during the second year of operations, how much operating profit will Bene Petit earn, assuming all other variables remain the same?
- If the sales mix shifts to 10% single serving, 20% dual serving and 70% family-size, how many total meals must be sold to earn $106,000 in net operating income.
- If Bene Petit wants to earn increase net operating income to $121,000 by changing only the selling price per serving, what should the new price be? Hint: Use the goal-seek function in excel (select data/what-if analysis/goal seek) to target net operating income by allowing the sales price per serving to change.

Scenario 2: SPECIAL ORDER ANALYSIS

The athletic director of a local high school has approached Bene Petit with a special offer. The director would like to promote meals to athletes and their families to encourage healthy eating and as a fund-raising opportunity. The meals would be delivered to the school each week, where families would pick them up and pay the school. The school would then pay Bene Petit. The following additional details are available about the special order:

- The athletic director has requested a 40% discount off the normal price for this bulk order. Families who purchase the meals would receive a 20% discount and the school would keep the other 20% to support an athlete's award banquet.
- The fund-raiser would run for 3 months (12 weeks) and the director estimates that about 25 families would order 3 family-sized meals per week.
- Weekly delivery expense is estimated at $50 for this special order.
- One of Bene Petit's managers has suggested that this special order be counted as part of the business's social mission (helping the local community) instead of donating meals to the homeless, but Taylor is not sure whether that is consistent with the "one to one" business promise.
- Bene Petit has the capacity to fill the order without disrupting normal operations, but it is possible that a few of the families are already Bene Petit customers.

Scenario 3: MAKE-OR-BUY ANALYSIS

Bene Petit is currently paying employees to deliver the meal boxes to customers' doorsteps using a small fleet of delivery trucks. As the business expands, Taylor is trying to decide whether she should outsource to a private delivery company such as FedEx or UPS. The following additional details are available:

- Variable delivery expenses for fuel and driver wages are $2 per customer order.
- Fixed delivery expenses for depreciation, insurance and maintenance on delivery trucks is currently $12,000 per year.
- To expand delivery capacity beyond 7,500 meals per year, Bene Petite would need to invest in additional delivery trucks, which would increase fixed delivery expenses to $30,000 per year. This would provide the capacity to deliver up to 15,000 meals per year.
- The contract rate for 3rd party logistics providers such as UPS and Fed Ex is $5.00 per delivery.

Scenario 4: DROPPING PRODUCTS OR SERVICES

Bene Petit currently offers three meal sizes: single-serve, dual-serve, and family-sized. Single-serve meals make up about 5% of total sales revenue and have the lowest contribution margin of the three products. Taylor is trying to decide whether to eliminate single-serve meal kits but is unsure how it would affect profit and the number of meals donated to homeless families. The following additional details are available:

- The variable costs of the single serve meals (as well as the donated meals) could be avoided.
- About 10% of the fixed costs that are currently allocated to the single serve meals could be avoided.
- Taylor believes that about 25% of single serve customers would switch to dual-serving meals, but would reduce their order size to from 4 meals per week to 2 meals per week.

Part 4: Planning and Control

In part 4 of the case, students will help Taylor create an operating budget for Bene Petit's second year of operations, including the following.

- Sales budget broken down by meal size.
- Direct materials (ingredient) purchases budget
- Direct labor budget
- Manufacturing overhead budget
- Selling and administrative expense budget
- Pro-forma income statement

Students will then perform a comprehensive variance analysis to reconcile the difference in actual and budgeted results, including the following variances:

- Total budget variance
- Flexible budget volume variance
- Sales price variance
- Direct materials (ingredients) price variance
- Direct materials (ingredients) usage variance
- Direct labor rate variance
- Direct labor efficiency variance
- Variable manufacturing overhead budget variance
- Fixed manufacturing overhead budget variance
- Selling and administrative expense budget variance

More specific requirements and data for each scenario are provided in the teaching note.

Part 5: Performance Evaluation and Analysis

In part 5 of the case, students will help Taylor design a performance measurement system and evaluate Bene Petit's performance during the first three year of operations, including the following:

- Creating a simple balanced scorecard for Bene-Petit. It should list at least one objective and at least two measures for each of the four categories.
- Benchmarking the performance of a competitor (Hello Fresh) in terms of return on investment (ROI), investment turnover, and profit margin
- Evaluating the sustainability report for a competitor (Hello Fresh) and describing how sustainability metrics could be incorporated into a Balanced Scorecard.
- Computing financial ratios for Bene Petit's first three years of operations.

More specific requirements are provided in the teaching note.