

# Good essay on amy's bread case analysis

[Business](#), [Company](#)



Amy's Bread is the brainchild of a woman who quit her job as senior marketing executive and jumped into this bakery business. From the experience she acquired from around the world; she finally ventured in Manhattan to implement her idea of serving specialized handmade breads to customers. From her initial business operations in 1992, her innovative breads have always tantalized the taste buds of the customer, which has resulted in a demand which her company finds challenging to meet (Goethals, Sorenson & Burns, 2004). Amy's Bread serves 50 wholesale customers that include hotels, restaurants, and gourmet food shops in Manhattan. With its ever-increasing demand, Amy's Bread has around 30 customers who are in the waiting list. 75% of her business is from wholesale and 25 percent of it is from retail customers.

## **SWOT Analysis**

### Strengths

The first and the foremost strength of Amy's bread is their novel concept of handmade breads. Rather than any other feature, the quality of the bread is the main feature that inclines and increases its customer base. The innovative product that Amy herself has brought to her business assists her to overshadow her competitors. She mastered the art of bread making by taking advance courses and working in leading bakeries of the world that allowed her to come up with her own brand of breads.

Major strength of Amy's Bread was also the way they positioned and marketed their products. Rather than focused much on high-end marketing, they relied on positive customer word of mouth. In an industry, which was much dominated by males, Amy's position as a successful female

entrepreneur was enticing for the media. Amy was frequently invited by media outlets, newspapers, magazine, television shows to give her interview and share some tips on bread making (Friedlob, Schleifer & Plewa, 2002). She did not ever miss this opportunity to promote her business. She even came up with the idea of a cookbook, which was an instant success. The notion of handmade breads made by a female who travelled around the world to learn this technique was itself an interesting story and thus all media attraction. According to her, after media coverage her business received, she always experienced a boost up sales for the next two to three weeks.

The motivated employees of Amy's bread are another added advantage of the Amy's Bread. All the employees of Amy's bread are paid better salaries than the industry average and many employees including the Assistant Manager are serving the company for many years. Employees in Amy's Bread work under an open and friendly environment that inclines them to make quality breads for the retail and wholesale customers.

## **Weaknesses**

One of the foremost weaknesses of Amy's Bread is the way it manages their finances. During the last few years, they have not increased their prices in many of their products. According to the owner of the company, Amy, she explains that she sometimes checks the rate card of their competitors, but it is not for the intention of upgrading the prices of the bread products. A business that uses multiple raw materials, that is inflating frequently, must make its price competitive to survive in the business. The contribution margin of Amy's Bread is 35 percent for the whole business and 47 percent

for retail business. This margin is comparatively lower than its competitors are making. Although, they are offering a premium product that is handmade, but prices in comparison are not charged on a premium.

Another weakness of Amy's Bread is the fact that they their actual strength of hand making breads is an operational and financial weakness. An amount of bread, which takes a normal mechanized bread maker to have three labors, Amy's Break needs 20 labors to do the same task. Due to these factor economies of scales is not possible because a large amount of bread will need more labors. If Amy's Bread were a mechanized bread maker then it would have done large capital investment by installing a bigger production line but this is not possible in this case. Other bread makers have this advantage, due to which they are able to balance the demands that arise from the wholesale customer and retail customers (Carsrud, 2007).

Another weakness is the fact that production area of their business is much smaller than the actual demands are in front of them. The business was found in the year 1992 and since then they have been progressing but they have not increased their production facility. They have around 30 wholesale customers on waiting. This waiting 30 customer is not a good sign for the company. This waiting list invited other people to venture into this business, and they have a chance to loosing this segment of the market (Jenster & Hussey, 2001). The company, itself is trying to hamper its growth by not going into the retail business due to less space. The production facility needs to be upgraded as soon as possible to address this issue of urgency.

## **Opportunities**

Amy's Bread has a multitude of opportunities to expand its business. As the taste and idea of the Amy's Bread is hit, there are already myriad customers who would like to have this bread. A long list of waiting wholesale customer also identifies that it has immense opportunities that need to be capitalized. The organization has opportunities in two areas:

### **Wholesale Segment**

This segment is although less profitable with contribution margin of 47%, but it is more reliable and consistent segment. In Manhattan area, there are a number of hotels, restaurants, and other foodservice stations that are its potential customers. Due to its innovative recipe and good media coverage, this product is already considered novel; therefore, it has a potential to grow in this segment.

### **Retail Segment**

Although, this segment represents only 25% of the revenues of Amy's Breads but it is more dynamic and profitable. Amy's Bread can open up several restaurants that can introduce several soft of bread with coffee and other allied food items. This segment has better contribution margin towards the business. There can be other items introduced here that can ensure better profit figures (Hisrich & Peters, 2002).

### **Geographical Expansion**

Another significant opportunity for Amy's Bread is its opportunity to expand in other areas and other cities. This business has already received much

national recognition and publicity due to its coverage in many famous media outlets, so it has a better ratio of market acceptability.

## **Threats**

One major threat for Amy's Bread is the notion that other upcoming bread makers can take the potential business from Amy, as they are not able to satisfy the production demands by their customers. Many upcoming businesses can imitate the same concept of bread making and can capture the untapped market.

Another threat for Amy's Bread is the fact that there are numerous businesses that have huge capital and are spread in diverse geographical boundaries in comparison with Amy' Bread.

## **Difference between Retail and Wholesale Operation and Expenses**

Amy's Bread retail and wholesale business was a bit different. For the retail operations, the business required additional retail counter staff. Rather than just selling breakfast breads, the retail channel also introduced additional items like sandwiches and started festival based decoration (Ruiz, 2010). The contribution margin of Amy's Bread is 35 percent for the whole business and 47 percent for retail business. According to the official statistics of the company the bread, which is sold at \$1. 10 in wholesale, is sold at \$1. 75 in retail. This figure showed a 59% increase in sales with the increase of only 14% for counter staff, table space and another related cost. This also represents a 45% increase in profit for the company. This margin is comparatively lower than its competitors are making. Although the contribution margin of the retail business was higher but for retail, Amy

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required additional counter staff to facilitate the retail customers (Hair, 2003). The business of the wholesale clients is consistent, regular and high in volume in comparison with the retail staff. If Amy's Bread needs to have an expansion of the retail business, then it would need to have a place in a better area that has good footfall of customer rather than the wholesale customers. As both the segments are attractive, she should go for some financial assistance from a bank and must serve both the chunks of the market for long-term sustainable growth.

### **Concentration on Retail or Wholesale Business**

According to the estimated future sales and opportunities available for Amy's Bread, it should have its more focus towards the wholesale business. The business is already flourishing, and there is much demand for their breads, which they are not able to meet. The current customer base consists of around 50 wholesale customers and the waiting list is of 30 customers. This figure clearly identifies that the business has the potential of growing directly to 60% if they increase their production facility. Retail business is although attractive, but it is more volatile.

The business figures generated by the wholesale clients are consistent, which can be managed easily. As the demand figures from them is consistent; therefore, the demand forecasting and production can be done with ease (Jenster & Hussey, 2001). As they are wholesale clients, therefore, there is no requirement to beautify the venue for special events, which drops down the additional expenses.

## **Rationale for Implementation to the Recommendation**

Since both the segments of the business offer opportunity to grow; therefore I should not miss this opportunity to target both the business segments.

According to the official statistics of the company the bread, which is sold at \$1. 10 in wholesale, is sold at \$1. 75 in retail. This figure showed a 59% increase in sales with the increase of only 14% for counter staff, table space and another related cost. This also represents a 45% increase in profit for the company. Apart from just sales figure, another benefit of retail business is the fact that these customers generate cash sales for the company.

Considering this situation, Amy should go for a dual business model that is retail and wholesale. Amy's Bread should accept the offer from the developer who is ready to give 7, 500 square feet space on 15th street. As this space has a good potential for retail customers, she should go for it. Popularity at retail level is a good notion to enhance its strong grip in wholesale side as well. This scenario can be understood by the example of Intel Processor. Although, Intel processors are not directly purchased by consumers, but its market is the computer manufacturer. Although, its market is somewhat other but still they market their products to the final consumer. The reason of following this strategy is to incline all the manufacturers to buy Intel Processors as most of the people are looking only for those computers that have Intel Processors (Sadler, 2003). Following a somewhat same concept of marketing, Amy's Bread can further, enhance its brand image. After this position is made in the market, they can also convince the wholesale customer to pay more for their products.



## **Mistakes and Successes of Amy' Bread**

### Successes

Rather than just being a run-of-the-mill bread maker, Amy's Bread created a novel idea of being innovative handmade breads. This unique image separated it from many other bread makers and even in a market that had big players of bread maker, Amy was able to make strong foothold in the market.

Another big success of Amy's Bread was its achievement to received excellent media coverage that allows free publicity. Her story has been coverage by a number of high-profile publications including New York Magazine, The New York Times, Gourmet, Modern Baking, Wine and Food. She has also been featured as a successful women entrepreneur in the famous " The Opera Winfrey Show".

Another big success of the Amy's Bread was their consistent commitment towards the product quality. Although, they had huge number of customers willing to have their breads who were on waiting list, but they did not compromise on quality and served any substandard breads to them (Hisrich & Peters, 2002). They could have gone to mechanized bread and could have outsourced their production facility, but they never did so, as it has high chances of quality issues. In an industry, which was much dominated by males, Amy's position as a successful female entrepreneur was enticing for the media. The motivated employees of Amy's bread are another added advantage of the Amy's Bread. All the employees of Amy's bread are paid better salaries than the industry average and many employees including the Assistant Manager are serving the company for many years.

## Failures

Right from the start of the business, they just restricted themselves to the idea of handmade bread making. They had the idea that a quantity of bread, which takes three people to make bread in a mechanized bakery, it takes around 20 staff in Amy's Bread because of their idea of making handmade breads. With keeping their specialty of handmade breads in store, they should have introduced some innovative mechanized bread as well (Zimmerer, Scarborough & Wilson, 2008). As they already have developed an excellent reputation in the market, they had the option of introducing some other products as well. This strategy could have decreased their expenses and had the ability to increase the profit figures.

Conclusion

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