



UNTANGLING

Problem Solving for Student Businesses

FROM the catering case files

Dear Rosemary,

It's the catering committee from the Sylvan Snack Bar, and we just had a couple of questions about our catering gig we are doing for September 2nd.

1. The people that we are catering are the Sylvan Area Government. And they need to fill out a yellow interactivity Recharge form. Do we need to fill that out before the event? Or since we will not be back to school until the 2nd of September, can we have it signed the day of the event? We are having her sign the SSB contract that we have and get the advisor signature before the event. Can you please advise us on the proper protocol for this situation?

2. Also, just another thing we were wondering. How much should we be marking up the gig? The Sylvan Government is on a budget and we might be over it if we multiply it by 2.5. Is 2 an appropriate multiple to use?

Thank you so much for the advice.

Sincerely,
SSB Catering Committee

Hi, Catering Committee,

You have asked some very good questions. I'm so impressed that you are trying to work this out now. I also think it's a great learning experience, as you'll see from below.

Since Sylvan Area government is initiating the event, **they** should initiate the interactivity recharge form. Then their business person signs off on it and they give the yellow copy to you. They should give that to you before you do the event. If they don't want to process it before school starts or say they can't, the catering contract **can** serve as a contract and I will work with their advisor on getting payment, if any problems arise later.

Regarding the pricing for the event. First, compute your total actual costs: your time organizing, pricing and working it out, the time of anyone working the event and the cost of the product. That is your bottom line. If you cater the event for less than that, you will essentially be **paying them** to do the event. If you only cater for the costs of your bottom line, that is the same as a donation because you will not be contributing to overhead. You should only do this if your business is making a profit and can afford to do so.



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To clarify your markup: anytime you have an event that you cater, you should be doing it for the contributions it makes to the other costs of your business, your overhead. (These costs are the hidden costs such as University Full Costing, CSB Tax, Ucard fees, non food items such as napkins, small wear, aprons, advertising, copying office supplies, telephone....etc. Even if these are not clearly used in this catering event, they are part of the structure allowing you to offer your services.)

Your markup can be computed in **two ways**:

- the actual costs plus a 25% surcharge to cover your overhead
- OR you can use **just the food costs** and mark them up by 2 - 2.5 as long as that is sufficiently above the bottom line costs.

For instance, you plan that you will use 5 tubs of ice cream at \$30 each and have two people work for 5 hours including set up and planning at \$7.50 each.

Ice cream	\$150
Payroll	\$75
Total actual costs	\$225

Food mark up of 2 = \$300
Service fee of 25% = $\$56.25 + 225 = \281.25

Your food mark up at 2 would be \$300 or service fee would be \$281. So either way is legitimate. It is important that you cover your costs and that you don't try to "make a profit" from them. And it is important that you know that the markup is **not to make a profit** but to **cover your costs of doing business** that allow you to be a service for them and the other students in Sylvan.

You could also try to negotiate with the Sylvan Government. Ask them what they have to spend and then say "these are the goods and services we can supply you with". For instance, let's say they say they have \$300 in their budget. You figure out the above estimates would work for them.

What if they only have \$250 in their budget?

In the above example you mark up your food by 2, it will be \$300 and that is over their budget. So if they only have \$250 in their budget, you can tell them that you can offer them two people at 4 hours and 4 tubs of ice cream.

Ice cream	\$120
Payroll	\$60
Total	\$180

Food mark up of 2 = \$240
Service fee of 25% = $\$45 + 180 = \225

A reduced mark up of 2 would put this at \$240, well within their budget.

The biggest issue is that there is a fair price. You have to cover your costs but they only have so much money in their budget. Remember each of you (Sylvan Area Government and Sylvan Snack Bar) is just trying to get to the best exchange for goods and services. Ultimately all the money comes from the student fees and we don't want to take advantage of that. You can reduce what they can get for the amount of money they have to spend but you can't change the prices of what the ice cream or payroll costs you.

Any questions, let me know. Rosemary