Subway Economics

Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Date:\_\_\_\_\_

Case Study:

Mark and Mindy have just entered graduate school and are working full time. They are having trouble finding time making lunches and dinners to go, never mind the time to grocery shop and wash the prep dishes. Mindy’s coworker told her about the $5 subs that Subway sells and claims that she could not buy the ingredients for less money than just buying the sub sandwich. Skeptically, Mindy tells Mark about her coworker’s statement and Mark tells Mindy to “run the numbers” to see if it would actually work, after all, they are keeping a close watch on their budget while their paying for school.

1. Based only on the case study list the steps you would take, in the order you would take them, to solve this problem.
2. Price out the cost of both the homemade and Subway 6” sandwich. The fastest way is to go on [www.peapod.com](http://www.peapod.com) or [www.netgrocer.com](http://www.netgrocer.com) and look up the price of ingredients. Be sure to look at the serving size of each item or write your assumptions in the chart. Ex. One plum tomato will be enough for two 6” sandwiches.
3. Mark & Mindy both like the club sandwich so price out the cost of making vs. buying a Footlong club sandwich. Discuss which plan they should go with and why.
4. Look up the definition of economies of scale. How does this definition apply to Subway and Mark & Mindy?
5. What are the assumptions made in this case?
6. Are there any other solutions to their problem that have not been explored? Suggestions to save them time, money, etc?

**Six Inch Pricing**

|  |  |  |  |
| --- | --- | --- | --- |
| **Cold Cut Sub Ingredients** | **Grocery Store Quantity** | **Grocery Store Price** | **Price per** **(serving size)** |
| Ham (2 slices) |  |  |  |
| Salami (2 slices) |  |  |  |
| Bologna (1 slice) |  |  |  |
| Swiss Cheese (1 slice) |  |  |  |
| Tomatoes (3 slices) |  |  |  |
| Lettuce (6” piece) |  |  |  |
| Banana Peppers (5 ct) |  |  |  |
| Whole Wheat bread (6” ) |  |  |  |
| Ranch Dressing (1 Tbsp) |  |  |  |
|  | **Total** |  |  |

|  |  |
| --- | --- |
| Total Cost of Homemade Sandwiches per Week |  |
| Total Cost of Subway Sandwiches per Week |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **Tuna Sub Ingredients** | **Grocery Store Quantity** | **Price per** **(serving size)** | **Grocery Store Price** |
| Tuna (1/4 cup) |  |  |  |
| Mayo (1 Tbsp) |  |  |  |
|  |  |  |  |
| Swiss Cheese (1 Slice) |  |  |  |
| Tomatoes (3 slices) |  |  |  |
| Lettuce (6” piece) |  |  |  |
| Banana Peppers (5 ct) |  |  |  |
| Whole Wheat bread (6”) |  |  |  |
| Ranch Dressing (1 Tbsp) |  |  |  |
|  | **Total** |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| Tuna Sub Price |  | Cold Cut Sub Price |  |
| Sales Tax |  | Sales Tax |  |
| Total |  | Total |  |

**Footlong Pricing**

|  |  |  |  |
| --- | --- | --- | --- |
| **Footlong Club Sub Ingredients** | **Grocery Store Quantity** | **Grocery Store Price** | **Price per**  |
| **(serving size)** |
| Turkey (4 slices) |  |  |  |
| Roast Beef (4 slices) |  |  |  |
| Ham (2 slice) |  |  |  |
| Swiss Cheese (4 slice) |  |  |  |
| Tomatoes (6 slices) |  |  |  |
| Lettuce (2 -6” pieces) |  |  |  |
| Banana Peppers (10 ct) |  |  |  |
| Whole Wheat bread (12” ) |  |  |  |
| Ranch Dressing (2 Tbsp) |  |  |  |
|  |  |  **Total**  |  |
|  |  |  |  |
|  |  |  |  |
| **Analysis**  |
| **$5 Footlong Sub Price** | **$5.00**  |
| **Sales Tax** |  |
| **Total** |  |
|  |  |  |  |
|  |  |  |  |
| **Total Cost of Homemade Sandwiches per Week** |  | **Total Cost of Groceries** |  |
| **Total Cost of Subway Sandwiches per Week** |  |   |  |
| **Annual Savings by eating at Subway (50 wks/yr)** |  |  |  |
|  |  |  |  |
| **Assumptions** |
|  |
| **Discussion** |