AMY’S BREAD

Amy glanced at the clock and moaned. It was 3:30 a.m., time to get up and head to her Manhattan bakery, but she hadn’t slept all night. She had a big decision to make. “No,” she muttered to herself; she had a multitude of big decisions to make.

Amy muttered to herself, “There are already so many days when I feel stretched past the breaking point. There are so many demands.” Amy mentally ticked them off: Ensuring consistent quality, scheduling and training

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staff, ordering supplies, developing new recipes, contacting potential customers, collecting from slow-paying clients... the list was truly endless. Amy wondered, “If I decide to expand, can I do it successfully? Can I find another trustworthy manager, like Toy Kim Dupree, to help me manage the staff and maintain bread quality? Can I find expansion space in Manhattan? Should I close our current location and expand to a much larger space, thus eliminating the need to manage two locations? Should I look for a location for my wholesale production, or a space that would provide both retail and wholesale opportunities?” There was so much to decide. Right now though, Amy’s dough starters were waiting, as were her employees. She had to get up and face another busy day at her bakery.

Amy’s Bread, founded in 1992, served about 50 wholesale customers, including some of the finest restaurants, hotels, and gourmet food shops in Manhattan. Amy’s Bread also had a waiting list of more than 30 wholesale customers from other quality restaurants, hotels, and shops.

Amy thought, “I really want to meet their needs and accept their business, but any further production expansion in my existing space is impossible. I know I can’t produce one more loaf without hurting bread quality, which is absolutely unthinkable! We are already working three shifts, and there is no more room for additional equipment.”

Amy and her assistant manager, Toy Kim Dupree, had commiserated: “The bakery is stretched to the limits. Dough production ranges from 1,800 to 3,000 lbs. of bread per day, well over capacity for just 1,300 square feet.” As Toy described, “We are like sardines making bread. Surviving in these close quarters is so difficult. Not only do we produce all of the wholesale and retail bread in this one location, but we also store ingredients and have a small office.”

Amy worried that some of the customers on her long waiting list were on the brink of turning away. But, Amy thought, “Am I really ready to tackle a major expansion? On the one hand, I have worked so hard to make my dreams a reality, I can’t imagine stopping now. But, can I handle an expansion and larger ongoing operations? Financially? Mentally? Physically?” Amy remembered Toy’s recent comment: “Amy’s Bread is finally turning a profit.” The thought of an expansion and additional debt was very scary.

**AMY’S PERSONAL HISTORY**

Amy was born and raised in Minnesota, where her father was a high-level executive for Pillsbury and her mother was a gourmet cook with a family reputation for baking fresh breads. As a child, Amy remembered coming home from school to the smell of her mother’s homemade breads wafting from the kitchen. After high school, Amy earned a degree in economics and psychology. She then moved to New York in 1984 to try her luck in the Big Apple.

Amy soon found that an office job was not for her, and that she longed to pursue a more creative career. She talked endlessly to her managers and coworkers about her dream of opening her own business. It was then that Amy began to solicit support and promises of financial backing if she were ever to start her own business. After 3 years, Amy left her white-collar marketing position to pursue her dream. She decided to attend the New York Restaurant School for culinary training. After graduating from their program, Amy landed a job as a chef for one of New York’s most highly acclaimed French restaurants. After 2 years of very challenging work and longer hours than her marketing job, Amy escaped to Europe. Amy said, “It was there I discovered my true passion: bread baking.” She backpacked around England and Italy and eventually settled in France, where there are strong traditions of bread baking. Amy worked at French bakeries in three different towns, spending a month at each. “When I returned to New York in 1989, I was brimming with ideas and excitement about opening my own bakery,” Amy recalled.

Amy spent the next 2 years as a pastry chef and bread baker for another top New York eatery. As Amy worked, she simultaneously developed recipes and business plans. Amy dreamed that someday soon she would be working for herself.

**HISTORY OF AMY’S BREAD**

Amy knew that opening a bakery in New York would be extremely challenging. First, it was a highly competitive industry with low wholesale profit margins. Second, space in New York was always at a premium, and renting a desirable location was going to be extremely expensive. Third, she discovered that banks would not loan her money. Banks viewed bakeries as restaurants—far too risky an investment without a prior proven track record. Amy remained undaunted. She was determined to achieve her goal of running her own business, one that sold a million dollars worth of beautiful breads each year made by employees who took pride in their work and were rewarded for their efforts. Amy had

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clear goals: “I wanted to be famous for making a great product and for creating a good place to work. I did not care a lot about being rich. I just want to sell beautiful breads from a cute, cozy place.”

In 1992, armed with some savings, a loan from her parents, private loans from her former colleagues in the marketing profession, a good business mind, and a very determined spirit, Amy took the big step. She quit her restaurant job and opened Amy’s Bread on Ninth Avenue in a tough area of Manhattan known as Hell’s Kitchen. The space she found was an old storefront that had been a fish market and had been empty for 5 years. Although only 650 square feet, it was still expensive, but it was the most affordable space she could find. With the help of family and friends, it still took 6 months to renovate the space, including plastering and painting. Amy installed equipment, hired and trained staff, developed a customer list, and began production.

**CURRENT OPERATIONS OF AMY’S BREAD**

**Personnel**

Amy’s Bread started with a staff of six dedicated employees who scrubbed up used equipment, built shelves, and lent a hand as needed. Amy recalled, “I taught them bread making techniques, and then, with little idea of what was to come, we opened for business.” Amy’s Bread sometimes used newspaper advertisements for attracting employees, but most responded to a “Now Hiring” sign in the bakery’s window. Assistant manager, Toy Kim Dupree, described reasons employees came to work for Amy’s Bread. “Some were interested in bread baking, but many came because we offered a 5-day workweek while many bakeries and restaurants have a 6-day workweek. We also worked hard to create a happy, open, and friendly environment. It’s what we wanted for ourselves and what we hoped to create for our employees. Our aim was to have a perfect product, but we recognized that we were dealing with human beings. Anyone who is too intense does not fit in well here. We don’t have any room for prima donnas. We also tend to pay more than our competitors.”

A typical employee would begin in the shaping area, working to form the bread loaves. From there, they can move to baking the bread and, finally, to the mixing of the dough. Toy described a key management challenge as “helping employees to beat the boredom of their repetitious work.” Toy said, “Our most successful employees have a positive outlook, are dependable and conscientious, think on their feet, and interact well with their coworkers. We have no cubicles here!” Employees suggested solutions to management issues, with Amy having the final say. As Toy described, “We all put our heads together, bringing in our separate areas of expertise. Our goals were to produce very high-quality breads by hand, pay our employees a decent living wage, and ensure that our customers get good value for their money.”

Over the years, Amy’s Bread had experienced very low turnover. Retail staff started at $8.00 an hour and baking staff at $10.00. In fact, Amy’s Bread’s lowest paid employees were the cleaning staff, and they started at $7.50 an hour, well above minimum wage. Benefits were available to employees who worked more than 20 hours a week, and employees who were with the company longer than a year were eligible for a 401k plan. The majority of her employees (88 percent) were minorities for whom English was a second language. Training was often done by demonstration. Payroll expenses were extremely high, representing over 50 percent of sales. With a handmade product, it was difficult to attain any economy of scale concerning labor. New sales led to additional payroll expense.

Amy reminisced, “The first year was by far the toughest. We learned to handle dough in stifling hot weather. We had to keep going on only a few hours of sleep a day and get by without money when our customers were slow to pay. Our space was so narrow and cramped that we struggled to get racks of dough through it. However, sales were good, and sometimes all the bread was sold by noon!”

**Bread Production**

Amy surmised that “practice and patience were the keys to perfect bread, and all successful bread started with quality ingredients.” Amy explained, “Dough batters are very challenging. They can be too dry, too wet, not rising quickly enough, or rising too quickly. Many external elements can affect the dough, including the air temperature, the temperature of the water, the timing of each step.” One of the most critical aspects of the success of Amy’s Bread was her devotion to sourdough starters. The starters are essentially flour, yeast, and water. Amy quipped, “The starters are the miracle ingredient that gives life to the bread.”

Amy mused, “A baker’s work is really never done. The demands are constant. The dough keeps rising and must be carefully watched throughout the process. The bakery operates 24 hours a day, 7 days a week. Whole-