

Case Study: MOD Pizza

As a MOD Pizza franchisee, would you use process-costing or job-costing for this build-your-own-pizza business?



The **acronym** "MOD" in the company's name stands for "Made on Demand." The restaurant's menu consists of pizzas with gourmet ingredients and organic dough cooked in three minutes using stone ovens at 800 °F (425 °C). Customers identify the ingredients they want to add to their order, and can then watch the preparation process. The restaurant also offers recommended combinations and has been called the "**Chipotle** of the pizza industry."

MOD Pizza offers individual, artisan-style pizzas, where customers can build-their-own pizza or salad, and the cost is the same regardless of the number of toppings they choose. MOD also has 9 classic pizzas, a seasonal pizza and salad, and a pizza salad.

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https://en.wikipedia.org/wiki/MOD_Pizza

The pizzas and salads are offered in three different sizes – Mini, MOD, and Mega. The restaurant also serves hand-made milkshakes, fountain drinks, beer, and wine.

In 2020, the price of each pizza was; Mini - \$6.27, MOD - \$8.27, and Mega - \$10.27.

MOD Pizza was founded in 2008 in Seattle, WA, and has more than 260 locations in the United States and the United Kingdom. It has several franchise operators and in May 2019, MOD Pizza raised \$160 million in a funding round and plans to expand to 1000 stores within the next five years.

To get a more robust picture of the company, visit the MOD website

<https://modpizza.com/menu> to see the variety of toppings they have and then answer the following questions.

Questions

1. Does an individual MOD Pizza franchise operator need to decide whether to use a job-costing system or a process costing system for the pizzas it sells?
2. If you think a franchise operator needs a costing system, what are the reasons for your selected costing system?
3. What if MOD Pizza decides to expand into grocery stores with frozen MOD Pizza pizzas. Do you think MOD Pizza would use more of a job-costing system or a process costing system for the pizzas it produces for grocery stores? Explain your reasoning.

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