Restaurant Management

Second Edition

Customers, Operations, and Employees

Robert Christie Mill

RESTAURANT MANAGEMENT
Customers, Operations, and Employees

Second Edition

R o b e r t   C h r i s t i e   M i l l

School of Hotel, Restaurant, and Tourism Management
Daniels College of Business
University of Denver

Prentice
Hall

Upper Saddle River, New Jersey 07458

> *Dedication*
> *For Christian, Jordan,*
> *and Mikayla*

Prentice
Hall

10 9 8 7 6 5 4 3 2 1
ISBN 0-13-027364-3

PREFACE

In writing this book I wanted to identify the crucial elements involved in the successful operation of a restaurant and show their interrelationships. In providing what John Fuller, the former head of the Scottish Hotel School, called the "meal experience," the restaurant manager brings together three elements: customers, the operation (consisting of food and beverage items as well as the physical facility), and employees. The operator's task is to manage these elements to produce satisfied customers. How to do this is the thrust of this book.

In Chapter 1 we provide a financial overview of the restaurant industry while looking at the major factors affecting the growth of the business and considering the factors that make the difference between success and failure in running a restaurant.

In Chapters 2 through 6 we consider the first of the three elements of the meal experience: the customer. The eating habits of the various segments of the market are described in Chapter 2 and the major trends in customer behavior that affect the business are identified. Chapter 3 goes on to show how to develop a marketing plan to attract one or more of the segments identified in Chapter 2. The importance of promotion as a marketing tool is recognized in Chapter 4 as we consider how and when to use various types of advertising to bring people in the front door. The role of the menu as a crucial part of the marketing effort is covered in Chapter 5, with sections on pricing and design to develop the strongest possible promotional vehicle. The culmination of the marketing effort to the customer is the provision of high-quality service, the topic of Chapter 6. The features that make the service encounter unique are identified and strategies developed to provide service to the customer that will result in satisfied patrons who want to return and who will tell their friends to visit.

Chapters 7 through 11 deal with the physical facilities. In Chapter 7 we show how the front of the house can be designed to positively impact on the psychological needs and behavior of the customer. The effect on employee pro-

ductivity of the design of the back of the house is also covered. Chapter 8 follows the flow of food and beverage items from supplier to customer through the various departments within the operation in developing procedures for effective purchasing, receiving, storing, and issuing of items used. The various production and service systems are compared within the context of developing effective cost control. Chapter 9 focuses on kitchen equipment and interiors. Guidelines are given on the proper procedures to follow in selecting, cleaning, and repairing kitchen equipment. Readers are shown how to develop a comprehensive energy management program. The importance of sanitation and food safety is stressed in Chapter 10. The major sanitation problems faced by restaurant managers are identified and procedures developed for preventing foodborne diseases. A program to build effective employee habits is presented. In the final chapter in this section, Chapter 11, we show how to analyze financial statements systematically to determine the profitability of the operation.

In the third section of the book we examine the role of employees. Chapter 12 deals with employee selection, identifying the work groups that managers will turn to increasingly in the next decade. The legal environment within which managers must operate is described and the steps involved in staffing the operation are noted and guidelines given on how to improve the quality of employees selected. The design of effective orientation, training, and development programs is covered in Chapter 13, together with tips on how to develop the skills necessary to be an effective trainer. The topic of employee motivation is dealt with in Chapter 14. Suggestions are given as to why employees behave the way they do, and techniques are developed that will allow managers to channel and maintain employee behavior through the implementation of various process theories of motivation. In the final chapter we examine the National Restaurant Association's report on the manager in the year 2000, indicating the major skills and knowledge that will be required of restaurant managers by the turn of the century.

ACKNOWLEDGMENTS

CONTENTS

Chapter 5
Pricing and Designing the Menu   108

Chapter 9
Kitchen Equipment and Interiors:
Selection, Maintenance, and Energy Management   237

Chapter 10
Sanitation and Food Safety   265

Chapter 11
Controlling Costs   289

Chapter 12
Employee Selection   318

Chapter 13
Training and Development   354

Chapter 14
Motivating the Employee   378

C h a p t e r   15
Restaurant Manager 2000   413

INTRODUCTION

learning objectives

By the end of this chapter you should be able to:

1. Identify the major factors affecting the growth of the restaurant industry.
2. Identify the common denominators of restaurants.
3. Provide a financial overview of the restaurant industry in the United States.
4. Identify the reasons that restaurants fail.
5. Identify the major reasons contributing to the financial success of a restaurant.
6. Identify the skills necessary to manage a restaurant.

The Best Restaurant in the World

The menu should be a personal expression of the chef and at the same time respect the traditions of both classic and regional good taste.

Dishes should be simple and unfussy and garnishes kept to a minimum and entirely edible.

The kitchen must be capable of cooking seafood with the same degree of refinement as it does meat and poultry.

Breads and desserts must be made on the premises.

There should be a good cheese selection.

The wine list must have great depth and breadth.

There should be a first-rate selection of brandies, dessert wines and other spirits.

The restaurant should be elegant but unpretentious.

The restaurant must take reservations.

There should be no tables any guest might possibly perceive to be an "A" or "B" table, and table settings, from silverware to napery, should be of the finest quality.

A member of the service staff should always be in sight of every table and be ready for any request but must never intrude on a table's conversation.

The generosity of spirit at the restaurant should endure from the moment a guest enters the door until the moment the guest leaves.

Source: John Mariani, restaurant critic, quoted in *Dining Out.*

THE FOOD SERVICE INDUSTRY

The importance of the foodservice industry can be seen from the following figures [1]:

- The restaurant industry provides work for almost 8 percent of those employed in the United States.
- Forty four percent of the consumer's food dollar goes to meals and snacks prepared away from home.
- There are almost 800,000 locations offering food service in the United States.
- The restaurant industry employs more than 10 million people. This number is projected to reach 12 million by 2006.
- More than 37 percent of all adults have, at some time during their lives, worked in the restaurant industry.
- Almost 50 billion meals are eaten each year in restaurants and school and work cafeterias.

The foodservice industry as a whole had projected 1999 food and drink sales of almost $354 billion from three segments: commercial, noncommercial restaurant, and military restaurant services. The military restaurant services part of the business accounts for just 0.3 percent of the total and includes services in officers' and NCO clubs and military exchanges. The noncommercial restaurant sector accounts for just under 9 percent of total sales and includes catering operations in offices, factories, hospitals, schools and colleges. Sales in the commercial restaurant services sector account for an overwhelming 91 percent of the total. From 1996 to 1999, revenues in all three segments of the foodservice industry grew from $308 billion to $354 billion [2]. The 1999 figures for the various segments of the commercial sector were as follows [3]:

Segment	Revenue (billions)	1996–1999 Compound Annual Growth Rate
EATING PLACES		
Fullservice restaurants	$117,278,905	5.2%
Limited service (fast food)	110,408,547	4.7
Commercial cafeterias	4,190,798	2.9
Social caterers	3,352,804	5.4
Ice-cream, frozen custard, yogurt stands	2,877,959	3.9
Bars and taverns	11,459,442	3.7
MANAGED SERVICES		
Manufacturing and industrial plants	6,023,016	5.9%
Commercial and office buildings	1,740,235	5.0
Hospitals and nursing homes	2,331,379	3.6
Colleges and universities	5,378,230	7.6
Primary and secondary schools	2,116,670	6.2
In-transit restaurant services (airlines)	2,242,798	5.0
Recreation and sports centers	3,127,055	4.8
LODGING PLACES		
Hotel restaurants	$17,629,158	5.2%
Motor-hotel restaurants	429,711	0.4
Motel restaurants	614,590	0.1
OTHER		
Retail-host restaurants	$16,584,521	7.2%
Recreation and sports	4,603,311	4.4
Mobile caterers	1,218,576	5.3
Vending and nonstore retailers	7,747,605	4.6

In this book we focus on the two largest segments of the commercial industry: quick- and full-service restaurants.

INDUSTRY TRENDS

The restaurant industry does not operate in a vacuum. Industry trends directly reflect changes in the society within which the business operates. The manager who is aware of (and, better still, able to anticipate) these trends is in a position to take advantage of opportunities in the marketplace. This involves conducting a scan of the environment. The National Restaurant Association (NRA) offers periodic analyses of trends as they affect the restaurant industry.

Tableservice Trends

In its 1998 survey of tableservice restaurant trends the NRA found that [4]:

- One of the biggest concerns of tableservice operators is winning customer loyalty. Operators, especially those with lower average check sizes, report it is more difficult to maintain customer loyalty than it was two years ago.
- Tableservice restaurants derive a large proportion of their revenue from repeat customers.
- At restaurants with an average check of less than $8, local customers are responsible for 80 percent of annual revenues; at restaurants where the average check is $25 or more, business is split equally between local customers and visitors.
- Half of all operators report that their customers are more value conscious than they were two years ago.

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quick bite 1.1
Hot Concepts: Atomic Burrito

As bagel shops across the country close by the dozen, James E. Blacketer would like to jump into the now-empty stores. The stores' sizes and layouts are a good fit for Blacketer's new Atomic Burrito chain. Blacketer, the president and chief executive of Western Country Clubs, Inc. (WWCI), entered into a joint venture with the struggling Wichita, Kansas–based New York Bagel Enterprises Inc. The agreement will switch eight of the bagel stores to Atomic Burrito stores in college towns in Texas, Oklahoma, Kansas, Tennessee, Missouri, and Nebraska. The joint venture allows WCCI to save building costs. The conversions are expected to only cost $200,000 to $250,000.

Atomic Burrito's checks average from $6.25 to $6.50. Burritos are priced from $3.95 for a regular-size veggie burrito, to $7.95 for a two-pound "Super Atomic" size burrito. Customers can pick other ingredients including rice, cheese, beans, pico de gallo, diced tomatoes, cilantro, onions, jalapenos, lettuce, and bell peppers. For a little extra, customers can order sour cream, avocado, guacamole, or queso. Other menu items include quesadillas, salads, and tacos, including a "Baja fish taco."

Atomic Burrito is decorated in a fun style with bright colors. The restaurant's theme includes a small, mad-scientist character carrying a huge burrito. The outlets have room for about 100 in the dining room and about 20 more on a patio. The chain receives about 60 percent dine-in business and would like to become a hangout for college students after the bars close.

Source: Hamstra, Mark. "Atomic Burrito hopes to fill bagel chain's excess sites." *Nation's Restaurant News*, v. 32, no. 51, December 21, 1998, p. 110.