

Case Synopsis

This case describes the challenges faced by two restaurant entrepreneurs, Leroy Morrison and Eglon Walker. They are perplexed as to why their restaurant has not achieved the level of growth they anticipated. The case opens with a discussion of the company, IRIE Caribbean Restaurant, the Toronto marketplace, the restaurant's operating environment, its product-service offerings, the owners' background, the company's marketing efforts and its competitors. The case concludes with a discussion of the company's financial position and the challenges faced by the owners.

Morrison and Walker are faced with the challenge of how to increase patronage and revenues. The restaurant is in its second year of operation and is a fully licensed forty-seat casual style, ethnic restaurant specializing in Caribbean cuisine. The restaurant should be entering the growth stage of the product life cycle but was experiencing declining sales and customer volume. The restaurant is currently ranked as the second best Caribbean restaurant in the city; however, this high ranking is not leveraged or translated into increase patronage. The restaurant also enjoys a strong reputation with regular patrons.

The restaurant's ambiance and décor support its fundamental concept—a typical Caribbean style beach shack eatery. The product-service mix is authentic and somewhat unexpected. The owners, who are actively involved in the daily operation of the restaurant, are qualified and experienced chefs, who are familiar with Jamaican culture and cuisine and managing kitchens. However, they lacked accounting and marketing skills. The restaurant is located amongst a cluster of restaurants in the "Little Italy" area of Toronto. Collectively, these restaurants form a gastronomic destination, with Irie Caribbean Restaurant being the only Caribbean style restaurant within the cluster. The area is serviced by the city's efficient street car system and is predominantly inhabited by people of Italian and Portuguese descent. The restaurant is also located within walking distance from the University of Toronto's St. Georges campus, which has over 45,000 students and student residences housing over 11,000 students. There were also four major residential areas within a ten mile radius of the restaurant. The extensive menu offers an interesting variety of traditional Caribbean delicacies, served with attention to detail. Menu items were reasonably priced, in relation to the restaurant's competitors. Information obtained through an intercept survey suggests there is potential to expand the catering component of the business.

Fact Synopsis

- Forty seat casual style ethnic restaurant
- Specializes in authentic Caribbean cuisine
- Offers dine-in, take-out and catering services
- Two years of operation
- Voted the second best Caribbean restaurant in Toronto
- Located in the heart of an area known as "Little Italy"; an area

inhabited predominantly by people of Italian and Portuguese descent

- Close proximity to the University of Toronto's St George Campus
- Located within a ten mile radius of four large residential communities
- Owned and managed by two Jamaican born chefs
- "Catchy" identifiable name and recognizable and representative logo
- Good employee selection and training
- Low employee turnover
- Relatively low food costs
- Customer base has not expanded
- Steady base of loyal customers
- Revenue has declined in the second year of operation
- Slow lunch business, steadily declining dinner business
- Primary competitors are identified as located in the "Little Italy" area
- Secondary competitors are identified as other Caribbean style restaurants in Toronto
- The restaurant relies on "word of mouth advertising"
- The company wants to gain financial viability and awareness and eventually start a franchising system

Industry

This case focuses on the food and beverage segment of the hospitality industry.

Research Methodology

This case is based on observations and interviews. The author visited the restaurant over a two week period and interviewed the owners to write the case. An intercept interview was also conducted with patrons of the restaurant. The case is a true incident. Actual names are used; however, financial information is disguised. The case was tested in class with sophomores, juniors and seniors. The students were hospitality and business majors.

Teaching Objectives

- To become familiar with the challenges faced by entrepreneurs in the food and beverage industry
- To understand the importance of marketing in product and service development
- To understand the challenges of developing an authentic ethnic restaurant
- To recommend a course of action to improve restaurant performance
- To illustrate the challenges of passing from initial entrepreneurial stage to a going concern

- To understand some of the factors that lead to restaurant failures
- To conduct a SWOT analysis
- To evaluate restaurant facility, design and layout

Recommended Reading

Students will benefit from reading the case in conjunction with the following articles:

Berger, Florence. *Entrepreneurs in the Hospitality Industry: A Psychological Portrait*. *Cornell Hotel and Restaurant Administration Quarterly* 22(2), 1981, 52-56.

Brizek, Michael G. & Khan, Mahmood A. *An Empirical Investigation of Corporate Entrepreneurship Intensity in the Casual Dining Sector*. *Hospitality Management* (26), 2007, 871-885.

Heroux, Lise. *Restaurant Marketing Strategies in the United States and Canada: A Comparative Study*. *Journal of Foodservice Business Research* 5(4), 2002, 95-110.

Li, Lan. *A Review of Entrepreneurship Research Published in the Hospitality and Tourism Management Journals*. *Tourism Management* (29), 2008, 1013-1022.

Parsa, H.G, Self, J., Njite, D. & King, T. *Why Restaurants Fail*, *Cornell Hotel and Restaurant Administration Quarterly* 46(3), 2005, 304-322.

Intended courses and levels

This case is relevant for undergraduate levels and is appropriate for restaurant management and operations courses, basic marketing courses, and entrepreneurial courses. It can be positioned anytime during the semester.

Proposed Teaching Plan (60 minutes)

Pre-assignment: Read case prior to class; read supplemental material(s). Divide the class into small groups

Discussion Questions

1. Students could be asked to conduct a SWOT analysis of the

	Timing	Activity	Organization	Student Outcomes
I	0-10 minutes (10)	Review the facts	Group discussion	Understand the facts
II	10-30 minutes (20)	SWOT Analysis	Group discussion	Surface, operational, managerial, and micro or macro forces causing the situation.
III	30-50 minutes (20)	Discussion Questions	Group discussion	Generate and examine alternative solutions to the problems.
IV	50-60 minutes (10)	Offer recommendations	Group discussion	Discuss how the selected alternative(s) would be implemented.

business as a precursor to other discussion questions. Students could also be asked to perform a SWOT analysis of each of the restaurant's identified market segments.

SWOT analysis of the Business

Strengths

Human Element

The owners are highly experienced chefs who were able to utilize their expertise to translate their dream into a concept that delivered a product-service mix that won the award for second best Caribbean style restaurant in two years. They also excelled in relationship marketing as indicated by the number of repeat customers and general atmosphere of camaraderie. The owners and staff members are a friendly, service-oriented, out-going team. The low staff turnover is indicative of both the work environment and the careful selection of the team members. There is a balance between full time and part time staff, as well as a pool of family and friends to assist with both the restaurant and the catering component of the business.

Location

The restaurant is located in close proximity to several demand generators including shopping and entertainment. It is located in the heart of a shopping district and is part of a gastronomic destination, with Irie Caribbean being the only Caribbean style restaurant within the destination. The restaurant is situated along a major public transportation route that has metered parking and three parking lots with a capacity for over 40 cars. The University of Toronto's St. George campus, a major potential demand generator is located within ten minutes walking distance from the restaurant. The campus had over 45,000 students and faculty, and 11 residences housing over 11,000 students living in residences. The restaurant is also located within a 10 mile radius of four large residential communities. Finally, Toronto is regarded as one of North America's most diverse city, and has a large population of Caribbean immigrants and Canadians who are familiar

with Caribbean cuisine.

Physical Plant

The restaurant is 1,600 square feet and is licensed for forty customers. The décor, ambience and atmosphere are representative of a typical Caribbean beach restaurant; casual, friendly, unpretentious, homely. The decor centers around the traditional Rastafarian colors-red, green, and yellow which is highly recognizable by the Caribbean

community and those who have traveled to the Caribbean. The environment is enhanced by the use of the thatch, bamboo and galvanized zinc which are used to decorate the walls. Retro-reggae music, calypso music, and a large tropical fish tank and posters of Caribbean folk heroes complete the Caribbean setting.

Name, Logo, and Symbols

The word IRIE is highly recognizable and known throughout the Caribbean and amongst visitors to the region, and conveys a positive image. The palm and banana trees on the logo captured and supported the island theme, while Dunn's River Falls is known to Jamaicans and visitors to Jamaica.

Product & Service

Traditional Caribbean foods are prepared with careful attention to quality, quantity and presentation. Generous portions and competitive pricing are indicative of value to the consumer. Menu decisions are based on profit margins and popularity before being put on the "static" menu. The menu offers a variety of soups, appetizers, salads, entrees, desserts, and beverages. The restaurant offers a good selection of imported beers, tropical fruit juices and soft drinks in addition to traditional (Caribbean) alcoholic beverages. The catering menu includes the specialties as well as customization options. The service is friendly and efficient. Services provided are dine-in, take-out and catering. Irie Caribbean has succeeded in achieving low food & beverage costs, which are reflected in the operating/financial information.

Local competitive environment

Irie Caribbean is the only Caribbean style restaurant along College Street, a gastronomic destination. Its competitive advantage comes from the fact that it is the only restaurant of its type in this unique location. Its identified direct competitors (five restaurants) offer similar products (Italian and Portuguese cuisine). Competing Caribbean restaurants (four) are identified as secondary competitors. IRIE Caribbean fares well against them as indicated by the fact that the restaurant was voted second best in the city. The restaurant voted as the best had a longer presence in the marketplace.

Public Relations & Relationship marketing

IRIE Caribbean's involvement in the community via sponsoring a little league program and inviting students to visit the restaurant were great for public relations. Its customer appreciation days also appeared to be a great tool for promoting the restaurant and its services. The company's reliance on word of mouth advertising appeared to have some success as indicated by the high percentage of respondents who indicated that they had learned about the restaurant via this communication mode.

Other Strengths

- Employees are well trained and knowledge about the menu

- Monthly staff meetings keep employees informed
- Décor captured the "island theme"
- Excellent service
- Good repeat patronage
- Great potential for "foot traffic", especially during the summer period

Weaknesses

Marketing

The restaurant did not have a marketing plan or strategy in place and relied heavily on the uncontrolled method of word of mouth advertising. A marketing plan (including detailed promotion strategies) could have been extremely helpful especially since this was a new restaurant. The restaurant had no web, radio or television presence. In addition, it did not have a systematic advertising campaign for the limited print advertisements they placed in the weekly magazine. The restaurant had clearly identified the market segments it wanted to target, however, there were no direct marketing efforts targeted at these segments. Furthermore, there were no promotional materials for the restaurant's services-lunch, dinner and catering. In fact, a significant proportion of the restaurant's customers were unaware of the restaurant's catering component.

Parking

The restaurant had no designated parking spaces or public parking, although paid metered parking and parking lots was available in close proximity.

Layout, Design & Decor

The restaurant had a small entrance, or foyer, with no designated customer waiting area. During busy periods, this area and the bar area were heavily congested. In addition, the restaurant did not have a coat room or coat racks. This could be a challenge for customers, since a coat is an essential piece of clothing, given that Toronto is known for extremely cold winters and chilly springs and autumns. The restaurant was wheelchair inaccessible. Additionally, signage was not distinctive, unlighted and hard to read. The restrooms located in the basement could be a turn-off for some customers. Furthermore, they were small, and could also detract from the restaurant. Moreover, if the restaurant increased its customer base, it might be unable to accommodate or absorb increased demand since it cannot grow or expand due to the physical confines.

The décor appears to be "Jamaican" centric, since the majority of the artifacts and the color scheme represented symbols of Jamaican heritage, instead of "Caribbean" heritage. By using Jamaican artifacts, the restaurant runs the risk of isolating members of other Caribbean islands or of other Caribbean heritage. Artifacts or heroes (including sports heroes) from other islands might help to convey the Caribbean theme.

Menu

The layout of the menu is unappealing since it was printed on plain paper. Furthermore, it is not utilized as a sales tool, except for a footnote informing customers to inquire about catering services. Instead, it is used to simply provide information on prices. The large volume of items on the menu also suggests that the restaurant must have a large inventory, thereby tying up financial resources. There appeared to be “concept confusion” which was highlighted on the menu. The menu did not offer popular North American soft drinks such as Coke or Pepsi despite the fact that these were popular items in the Caribbean. However, the restaurant included Heineken from Holland, Guinness from Ireland and Tusker beer from East Africa. This illustrates the difficulty of developing restaurant concepts to accurately capture and convey an ethnic theme.

Other weaknesses

- Protruding coat hooks can be a hazard to customers
- Declining revenues
- Low demand

Opportunities

Expand customer base

Irie Caribbean is within a ten-minute walk from the University of Toronto, St. George’s Campus. This university had a large residential population as well as a large commuter population. University communities are traditionally multi-cultural, offering a large potential market for Irie Caribbean. This group could be targeted with direct promotions during the lunch period, for dinner and for catering events for sororities and fraternities as well as other student of faculty organizations.

Residential & local communities

Opportunities exist for targeting the four residential communities located within a ten mile radius of the restaurant. Businesses within the area could also be targeted to increase patronage, especially the lunch and the catering components. Since the restaurant is located within a gastronomic destination, customers entering the area are predisposed to dining. These customers could be targeted by forming relationships with area businesses such as the thrift stores and shops in the area.

Catering

Catering is an area that appears to have potential for the restaurant. The University of Toronto, the residential communities as well as the Caribbean community could be targeted for catering services.

Franchising

Long term, franchising is one way for the restaurant to grow and build name recognition. Currently, there are no Caribbean style franchised restaurants in North America. However, the restaurant must first and foremost be financially sound and build a stronger reputation

in the marketplace.

Threats

Location

The restaurant’s location is heavily reliant of the city’s street car system. Union led strikes by workers of the system (strikes, though infrequent often cripple Toronto’s transportation system for weeks) could affect the restaurant’s profitability.

Competitors

As Caribbean cuisine becomes more popular, the number of Caribbean restaurants could increase proportionately. Although Irie Caribbean considers itself as having no primary Caribbean style competitors within their geographic location, within the city of Toronto, they are competing with all other Caribbean style restaurants-Caribbean Flava, Jamaica Sunrise, and the Real Jerk. Furthermore, since the area is a gastronomic destination, there is the possibility that other restaurants with similar concepts will open in the future.

Caribbean food supply

The restaurant imports ingredients from the Caribbean. Therefore, factors within the region such as natural disasters could affect the availability and prices of these items.

Seasonal business

Due to Canada’s four seasons, demand may be unpredictable and might be highlighted by large fluctuations. Spring, summer and fall attract more customers to the area for shopping than in winter months. Limited parking becomes an obstacle for customers wishing to dine at Irie Caribbean during snowy months.

2. Students could be asked to conduct a SWOT analysis of the Restaurant’s market segments.

This analysis should generate considerable debate as students will quickly realize the difficulties involved in targeting different market segments for the same product-service offering. This analysis will also highlight the importance of developing sound strategies since a strength for one segment maybe a weakness for another segment and vice versa. This holds true for opportunities and threats as well. Instructors might want to point out to students that the restaurant’s stated target markets are: Torontonians of Caribbean heritage (this segment can be targeted for both the catering and in-restaurant dining components); Torontonians who want a Caribbean gastronomic experience; students and faculty members from the University of Toronto; and businesses located in close proximity to the restaurant. Answers to this analysis will differ.

3. Is IRIE Caribbean a “true” Caribbean style restaurant?

This question illustrates the difficulty of developing an authentic ethnic restaurant and should generate considerable debate. The

restaurant has positioned itself as an ethnic restaurant specializing in Caribbean cuisine. However, the menu is a reflection of the expertise and influence of the owners, who are both Jamaicans. Hence, the menu tends to be “Jamaican centric”. Some students might argue that since “jerk” is perhaps the most popular Caribbean cooking method, it represents the Caribbean islands. Others, especially those familiar with culinary forms might argue that the restaurant is Jamaican centric and as such, is not a true Caribbean style restaurant. These students might also argue that the restaurant’s logo, name and décor all represents symbols, and artifacts that are symbolic of Jamaican culture, and from a “technical” perspective, should be a Jamaican ethnic restaurant instead of a Caribbean restaurant. The inclusion of Tusker beer from East Africa and Guinness stout from Ireland and the exclusion of Coke and Pepsi might also suggest concept confusion.

4. Suggest target markets and strategies to increase the restaurant’s lunch, dinner and catering revenues.

Lunch & Dinner

Target Market: University of Toronto students:

The students at St. George’s campus, University of Toronto, could be targeted, particularly during the lunch period since the University of Toronto is located approximately 10 minutes from the restaurant. The student population exceeds 45,000 and has a residential community exceeding 11,000. Following are strategies the restaurant can adopt and implement:

- Advertise in the various on-campus newspapers
- Offer discount coupons in the newspapers
- Develop website and offer specials on the website
- Contact sororities and fraternities and promote “frat” nights at the restaurant
- Offer promotional specials for both meal periods
- Offer catering and lunch packages
- Offer student-only daily specials
- Promote the specials using flyers
- Offer student dinner specials
- Obtain permission and advertise in student residencies
- Offer delivery service-this could increase revenues especially during the winter period
- Improve on-campus presence by getting involved in “Campus Days”
- Start a customer loyalty program, using coupons
- Have customers complete comment cards to solicit feedback & use information to develop e-mail lists. Use e-mail list to target customers.

Include Coke and Pepsi on the menu

Target Market: University of Toronto Faculty & Staff

This target market has been chosen for the following reasons:

- Have a higher disposable income than undergraduates
- Are culturally aware and diverse
- Have had more opportunity to travel outside of Canada & experience Caribbean cuisine
- Schedules tend to be more flexible within this target market
- A ten minute walk from the university to the restaurant
- Are price sensitive yet enjoy a quality meal with good value
- Increasing Catering Revenues

Target Market: Toronto’s Caribbean Community

This segment could increase the catering business as well as both launch and dinner. Information in the case suggested that the Caribbean community had a history of almost fifty years in Toronto and as such, had more than one generation that could be targeted for catering functions. The restaurant could target this segment via ethnic community newspapers. These newspapers are distributed freely and reach a wide audience.

Other options

- Target student groups
- Target companies and offices, offering catering services
- Use in-house table tents to advertise the catering aspect of the business

To communicate with the businesses and offices, the restaurant’s owners could develop relationships with various offices through personal selling. A member of the team (perhaps one of the owners) could make cold calls. This might be more effective than the current method of e-mailing or faxing menus.

5. Should Morrison & Walker close the restaurant and return to the industry as chefs? Why or why not?

Students will differ on this topic. Possible answers will be:

No, they have a great product, great location, loyal customers and received good reviews. However, they should develop strategies to expand their client base. Furthermore, restaurants can go through a period of slow growth during their early stages.

No, I do not believe they need to or should close the restaurant. The restaurant is not a failure by any means (not yet), they simple need to adjust their strategies, especially their marketing strategies.

No, the current issues faced by the restaurant are fixable with the right strategies.

Yes, they are chefs, not restaurant managers.

6. Should Morrison and Walker relinquish operational control and hire an operations manager?

This question should generate lively debate amongst the students. Students might immediately suggest that the restaurant should hire an operations manager, especially since the owners are not adept in marketing or accounting. Thus, it might seem that the natural response

should be to hire a manager with operations, marketing and accounting skills to complement the culinary expertise of the owners. However, it should be noted that restaurant entrepreneurs are sometimes skittish about relinquishing control over their “dream” restaurant. Furthermore, hiring a manager will require upfront costs, while the actual or perceived benefits of hiring a manager will be realized in the long term. Additionally, functions such as human resources functions are currently handled by the owners. A likely solution could be hiring accounting or marketing professionals on a consulting basis.

7. Was the layout & design appropriate?

Responses will vary to this question. Students might argue that the layout of the restaurant was appropriate for the concept the owners were trying to convey—a rustic Caribbean beach shack restaurant, which “captured” the “island feel”. They will also highlight the décor and artifacts as positives. They might also suggest that the owners were restricted by the existing configuration of the building. Conversely, others might state that the layout was inappropriate, highlighting the narrow passage-way which led to congestion. The small washrooms in the basement might be highlighted as a layout flaw. Students might also highlight the unlighted signage as a possible design weakness. The lack of wheelchair access will also be highlighted as a design/layout weakness.

8. What communication mix should Irie Caribbean Restaurant and Caterers adopt to reach this target market?

Currently, there is an over reliance on using personal communication channels, particularly direct conversations with customers. They should use a combination of both personal communication channels as well as non-personal channels such as the print media—newspapers, broadcast media—radio, television; digital media—e-mail blasts, websites. It appears as though they are using “atmospheres”—they are currently using the décor to reinforce the concept; events—they are currently using “staged-occurrences” (the student visits and annual customer appreciation days) to target their audiences.

9. What recommendations would you offer Morrison?

This question should generate both operational and strategic responses. Suggestions will include:

- Hire an operations manager
- Focus on advertising
- Target students at the University of Toronto
- Close the restaurant and return to the industry as chefs
- Conduct menu analysis to determine popularity and profitability of menu items and remove unpopular items
- Downsize the menu
- Open for one meal period—dinner
- Develop strategies to build catering revenues
- Offer discounts to students

- Include Coke and Pepsi on the menu
- Add a “kids” menu to make the restaurant “family friendly”
- Hire a bartender
- Develop standard portion sizes
- Offer catering packages
- Develop a website

10. Financial questions can be asked that utilize the operating statistics in tables 4, 5 and 6. Examples include:

a. How can the restaurant achieve or exceed year one’s operating income?

i. Students might be quick to point out that the solution is to increase sales. This is correct. However, they should be more specific and identify that the restaurant’s cost of sales and operating expenses have not increased. In fact, food, beverage and labor cost percentages have remained relatively constant, while operating expenses have decreased (except occupancy costs which have remained constant). Hence, the issue is not one of cost containment, but one of revenue generation. This question could be tied to strategies that will increase sales per meal period.

b. Instructors might also want to establish benchmark sales goals and ask students to determine:

- The combination of covers and average check per meal period that should be achieved to accomplish these goals.
- The number of catering functions and average revenue per function.

Epilogue

Faced with increased competition and declining customer base, Irie Caribbean was forced to close its doors by the middle of their third year of operations. Both Morrison and Walker went back to work as chefs in hotels. They both attributed the failure of the restaurant to increasing occupational costs combined with a significant decline in revenues. They also suggested that the restaurant’s failure was also caused by the “betrayal” of one of their employees. Early in their third year of operation, one of the restaurant’s employees opened a new Caribbean themed restaurant in the “Little Italy” area. Initially, the restaurant received the blessings of both Walker and Morrison. In fact, they allowed the employee to use the same menu concept as Irie Caribbean restaurant. Morrison also “loaned” one of the restaurant’s experienced line cook to this new venture to help the restaurant get started. Unfortunately for Morrison and IRIE Caribbean, the cook chef did not return. Additionally, the name of the new restaurant (cannot be used here as permission was not obtained) could be confused with Irie Caribbean. By all accounts, the new restaurant was doing extremely well and had already received several accolades. At the time of writing this case, a lawsuit was pending. Both Morrison and Walker were planning a restaurant comeback.