

case study

Qdoba Mexican Grill and Virginia Tech: A case study of a strategic partnership

By Manisha Singal and Lance Mailem

Introduction

On October 12, 2012, representatives of Virginia Tech Dining Services (VTDS) stood at the entrance of the Qdoba Mexican Grill restaurant at Turner Place, a brand new student dining facility awaiting the ceremonial ribbon cutting at 10:30 a.m. With cameras clicking and flashing, it was the culmination of long hours of hard work and months of preparation that included recruiting, training, and setting up the restaurant. The management team felt that they had reached a significant milestone.

For Lance Mailem, a manager and student, with over 14 years of food service management experience at Virginia Tech's D2, an all-you-can-eat facility, and the Operations Manager of the Virginia Tech Qdoba Mexican Grill, setting up the Qdoba Mexican Grill, a fast casual restaurant on campus, was a professional career challenge, a rewarding, albeit a challenging experience. Learning the franchise aspect of the food service industry meant focusing more on the restaurant policies and procedures set forth by the franchisor, while also maintaining the established policies and procedures of Virginia Tech Dining Services (VTDS). As the Operations Manager for the new on-campus franchise, it was Mailem's responsibility to ensure that the restaurant and the vision and mission of VTDS were met with every guest and product.

The opening of the Virginia Tech Qdoba location provided a challenge because it is not like any traditional Qdoba restaurant in terms of volume, layout, and overall operations. The location is unique because the franchisee is a University (i.e. VTDS), and not a traditional business entity. What important aspects would Qdoba and the University deal with beyond the franchise agreement? What obligations does the franchisee have besides generating revenue for the franchisor, in terms of obligation to uphold the integrity of the brand and its identity? What lessons are learned for Qdoba Mexican Grill and VTDS? Being the liaison between Qdoba and Virginia Tech, Mailem reflected on his experience in building this strategic partnership.

It all started with the burrito

The Mexican Grill concept is a dominant fast casual segment in the food service industry (Mintel, 2010). It begins with a burrito and an assembly line process where ingredients of customer's choice are

inserted to create a made-to-order Mexican Grill food product. Allowing the consumers to choose quality fresh ingredients from a predetermined menu to be added to their food defines the fast casual experience as compared to the fast food concept delivered by Taco Bell. Within the Top 50 limited-service Mexican chains, the fast-casual sub segment grew sales by 11.8 percent to \$3.7 billion and units by 6.6 percent to a total of 3,348. In comparison, traditional quick-service chains grew sales at a modest 1.8 percent to \$7.4 billion and declined in units by 0.4 percent to 7,307 locations (QSR, 2009). Two of the most competitive and successful Mexican fast casual restaurants are Chipotle and Qdoba. The fast-casual sub segment's sales leaders are Chipotle Mexican Grill (\$1.3 billion), Qdoba Mexican Grill (\$447 million), and Moe's Southwest Grill (\$350 million), with growth rates of 20.7 percent, 17.8 percent, and 15.9 percent respectively (QSR, 2009).

Qdoba Mexican Grill is an artisanal fast casual Mexican restaurant that has over 600 restaurants throughout the United States and Canada. Qdoba was established in 1995 by business partners Anthony Miller and Robert Hauser under the original name of Zteca. In 2003, Qdoba, a privately held company based in Denver, Colorado, was acquired for 45 million in cash, by Jack in the Box, Inc. It had approximately \$65 million in 2002 system wide sales and was the leader in the fastest-growing segment of the restaurant industry. The concept specializes in the San Francisco style burrito as well as signature sauces of Three-Cheese Queso, Ancho Chili BBQ, and Ranchera (QSR, 2003).

One of the key differences in business strategy between Qdoba and its closest competitor, Chipotle is that Qdoba has both corporate and franchised restaurants throughout the United States. Chipotle has over 1,000 corporate-owned locations in the United States, while Qdoba with its 600 locations is concentrating on North America focusing on how its network of multi-concept franchisees can help in the expansion of its restaurants. Several new locations have been developed, and with changes to its menu and physical restaurants, Qdoba hopes to compete with other similar concepts such as Moe's Southwest Grill, Baja Bistro and its largest competitor, Chipotle. Todd Owen, vice president of franchise development for Qdoba, says the brand is trying to penetrate new markets across the country, and that multi-concept franchisees have established infrastructure that can help them do just that. "There are deeper pockets, and more understanding that business is cyclical – sometimes are really good, and sometimes are not," Owen says. (Oches 2010b).

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With a steady pace throughout its history, Qdoba is setting its goal on expansion. Qdoba's CEO in 2011, Gary Beisler, stated that over the last decade, Qdoba had become one of the most successful fast-casual Mexican restaurant companies, having established a national presence covering 45 states, and believed that there was tremendous growth opportunity for the brand, with the long-term potential for 1,800–2,000 locations operating in the U.S. (QSR 2011a). The current CEO and Chairperson, Linda Lang, similarly stated, "We believe in the tremendous potential of the Qdoba brand, and we plan to continue expanding in North America, with 70 to 75 new locations expected to open system-wide in fiscal 2013, including approximately 40 company locations. In 2014, we expect 60 to 70 new Qdoba restaurants to open, approximately half of which will be company locations" (Business Wire, 2013).

Continued growth opportunities and franchising

Growth for any food establishment is a sign of success. Finding the markets that help sustain the brand, having the financial funding and the business organization to develop a concept is not an easy task for any company. As Qdoba is constantly striving to expand into different markets, 2012 seemed to be the year to venture outside of the traditional and the ordinary to foray into non-traditional franchise locations. While Qdoba has locations near college campuses such as the University of Virginia (Charlottesville) and in other states, it did not have locations directly on a college campus.

Virginia Tech was one of two universities in the United States to open a Qdoba Mexican Grill on a college campus. The first campus location that Qdoba opened was at Arizona State University on August 20, 2012; Virginia Tech opened their restaurant the following week on August 27, 2012. Although, these universities were the first franchisees in an institutional setting, VTDS is self-operated, while the Arizona State University location is franchised through Aramark, one of the largest food management companies in the world. These franchise openings are categorized as non-traditional restaurants because they are not in the typical retail environment, nor are they traditional free-standing or part of a retail establishment. The most common non-traditional locations are found in airports. With the opening of the Virginia Tech and Arizona State University locations, Qdoba had a new type of guest: the college student with a meal plan.

For VTDS, having a franchisee on the college campus was not a new concept. With some of the highest grossing sales locations on a college campus for a Pizza Hut, Chick-fil-A, and Au Bon Pain, with \$4 million in sales in 2009 (VTDS, 2012), VTDS as a self-operated department had the financial and operational background to make franchises successful. The captive audience of student meal plan holders allows for a steady stream of guests; with over 10,000 on-campus residents and another 9,000 off-campus students. One of the popular student meal plans includes three levels of flex dollars which works like a debit card that is accepted at all dining facilities. The highest

premium level is purchased at \$1608 per semester with a buying power of \$714 (equivalent to approximately 14 meals/week, the other plans allow fewer meals), with the rest of the funds going into the overall operation expenses for Dining Services (For details regarding meal plans, see <http://www.dining.vt.edu/plans/majorplans.php>).

If you build it, will they come?

After years of planning and design, the Virginia Tech Qdoba Mexican Grill is open but the set-up process presented a unique challenge. The concept of the design was inspired by the New York location (one with expected high traffic) with two assembly lines and 120 seats for guests. The location at Virginia Tech is alongside seven other dining concepts. One of the key lessons learned was the understanding that this Qdoba is only 1/8th of the business in Turner Place, the new campus dining facility (see Appendix 1 for a description). Alongside Qdoba, are seven different concepts that includes a Bruegger's Bagel (franchise), Dolci e Caffè (desserts and grab and go), Origami (Japanese Teppanyaki Grill), Soup Garden (gourmet salads), Jamba Juice (franchise), Atomic Pizzeria, and 1872 Fire Grill (Southern Fare with Wood Fire Grill). Turner Place was built with the input of students and is strategically located within the academic side of the campus allowing for easy access to students from instructional classrooms and laboratories.

The university franchised Qdoba Mexican Grill has both internal and external considerations. The restaurant had to not only compete with other concepts next to it, but also compete with other dining facilities with similar in-house branded Mexican grill concepts like La Cantina in Owens Food Court, and Salsas in D2 at Dietrick Hall, as well as other campus operated facilities. In addition, other Mexican grill competitors like Chipotle Mexican Grill and Moe's Southwest Grill operated not far from campus and were popular with students and the local community. The management team had to realize that collaboration and compromise were necessary in ensuring the success of the operation. The lessons learned are based on building a strategic partnership that combines strengths of both partners.

Building a strategic partnership

The franchising partnership between Virginia Tech and Qdoba is considered important and strategic for several reasons. For Qdoba, it represents entering a new target market hitherto not explored- targeting college students directly on campus. If young adults are introduced to the brand early during their college days, and form strong loyalty, the company would benefit in several ways, attracting both customers and future employees. Secondly, it represents an opportunity to franchise at an educational institution, a departure from the traditional Qdoba business model. A partnership with a publicly funded university would provide Qdoba with several learning opportunities that could be leveraged and scaled for the future. Thirdly, the location's unique characteristics, such as being housed in a campus building, which would

operate only on weekdays (closed on weekends), and only during the academic year (for nine months), accepting meal plans issued by the University, were novel to the brand's operations and would require quickly adapting to a new culture. Finally, this strategic partnership involves several stakeholders with often divergent interests- from Qdoba's investors interested in the return on their investment, and protection of the brand reputation and quality, to the franchisee's (Virginia Tech's) stakeholders like the university administration, parents, and students whose goal is less revenue-oriented but more likely to be the supplying of wholesome, healthy food at a convenient time, location, and cost to the campus community, especially the students. Thus, building a strategic alliance with a non-traditional approach meant that the reputation and interests of both Qdoba and Virginia Tech remain protected and aligned through positive collaboration.

On August 27, 2012, the first day of the Fall semester, the Virginia Tech Qdoba opened at 10:30 am. With the anticipation of large crowds, this was a 'hard' opening for both Qdoba and Virginia Tech. Although, not fully staffed, but with two assembly lines open, the location had impressive gross sales amounting to \$15,380.28, one of the largest opening day gross sales in the history of Qdoba. It was not an entirely smooth operation but with the help of corporate management it was a successful day with a continuous line for the entire eleven and half hours of service. The majority of guests, who were meal plan holders, waited over 45 minutes to get a taste of what Qdoba Mexican Grill had to offer. Unanticipated large crowds and large sales volume, challenged the operating staff and management at the Virginia Tech Qdoba who had to deal with several aspects of the restaurant operation from equipment handling to abiding by standardized procedures, and ensuring collaboration and compatibility.

Operational Challenges

At the heart of any food service operation is a common philosophy: to provide the best quality food along with excellent customer service. Qdoba Mexican Grill and VTDS worked together to face the challenges and to create the right environment for the guest experience. (See Appendix 1 for company philosophies). The behind the scenes work involved thoughtful collaboration and matching of policies and procedures that in some cases meant compromise without losing the integrity of either established organization.

Equipment and Layout

The franchise agreement between Virginia Tech and Qdoba was the first contract to be signed for the new Dining facility at Turner Place. The franchising process started 2 years prior to the construction of the building. This meant that the specifications of the equipment and layout were based on what was available at the time the contract was signed, resulting in the purchase of models that became slightly outdated by the restaurant opening time. For example, the hot steam wells and cold

wells were not specified for the heated table to keep the burritos warm through the assembly process. The purchased equipment only had cutting boards that needed to be fabricated to a larger surface area on the table which made it difficult to keep the edges clean. Not having a heated surface table also resulted in cold tortillas that often meant torn burritos that needed to be replaced, which slowed production.

Being unfamiliar with the overall production needs of the new operation, the estimates for the kitchen equipment that was needed to produce the various products, such as pico de gallo, were based on a traditional franchise. In the case of creating the pico de gallo, two hand dicers with the Qdoba specifications were used but the management team quickly realized that this was not going to be feasible in this non-traditional location with its large volume needs. One solution was utilizing the VTDS pre-preparation facility where vegetables and fruits are cut to specific recipes. Most of the other dining programs on campus used this facility, however food pre-preparation was conducted off-site and the pre-cut produce had to be transported to the restaurants, making continuous replenishment during peak periods difficult.

The overall layout and space were both beneficial and challenging for the volume of the business that was anticipated. Pre-opening figures suggested that gross sales would range between \$7,000 and \$10,000 per operating day for the first year- implying that the right infrastructure to prepare, produce, and serve was essential for efficient and proper delivery of the product and service. The two assembly lines allowed for fast service processing once the guest arrived at the order location. The efficiency of food preparation and the production kitchen, as well as the cold storage, posed a challenge for maintenance due to the large number of ingredients needed. Therefore, a supplementary off-site cold and dry storage facility about 15 minutes away was utilized. One of the biggest challenges in the overall layout, space and equipment, was the small space to hold hot products. During the restaurant opening phase, it was decided to place two portable hot boxes to accommodate the food produced.

Food Safety

Integrating the distinct safe food handling standards necessitated the collaboration of the Qdoba Operations Manager and the VTDS Registered Dietitian. VTDS uses the Hazard Analysis and Critical Control Point (HACCP) system in managing its safe food handling protocols. Both systems involved maintaining proper heating and cooling logs as well as Line temperature and Quality checks. In the process, it was realized that generally following the highest standards was the best solution. For example, line temperature check standards with VTDS were stricter because it was taken at an hourly rate instead of the every three hours for Qdoba procedures. Initially, the stricter policy of taking temperatures every hour was enforced but after a month of service and the understanding of the Qdoba timers for holding hot products, that standard was relaxed to every 3 hours of service.

Another example of compromise dealt with the length of storage of certain food products. The storage times for cooked and cooled shredded beef and black beans, for example, were changed to a shorter amount of time from Qdoba's 7 days to Virginia Tech's 4 day holding time, in consideration of the fact that the location would be closed on the weekends resulting in a shorter operational week.

VTDS also required extensive documentation with the cooking and serving of the food products on the assembly line, including the process of cooking fajita and grilled vegetables as well as reheating signature sauces. HACCP procedures ensure that the flow of food is clearly documented to protect against potential foodborne outbreaks within the dining facility. Even cold food products, such as guacamole, needed to be documented after they were prepared due to propensity for spoilage. The challenge in food safety was ensuring that standards of both partners were met in the overall process. In essence, each policy picked up where the other left off; making for a better overall system.

Recipes and Procedures, Food Storage, and Handling Systems

Another area of integration was the food ordering system and the coordination of recipes. This involved converting confidential recipes from Qdoba to standardized recipes within the Virginia Tech FoodPro system, with the objective of ensuring that the recipes were available for nutritional labeling and proper portioning of food products located at the point of sale. This conversion also ensured that individual ingredients and dry products would be available in the system for proper ordering. For the traditional corporate and franchised Qdoba locations, a system called Menulink is used where point of sales, inventory/ordering, and labor are integrated and reported to the corporate center in Denver, Colorado, the advantage being that the integrated system makes it easier for ordering and tracking the necessary amount of food and raw material needed to run the specific locations. Menulink was customized for Qdoba products, however, at the Qdoba Virginia Tech location, the items had to be grouped and listed separately from all the other food items for the other dining concepts at Turner Place. Hence transferring and storing food became challenging issues because of the holding time, storage space, and other rules that the Qdoba franchisor had established for quality control purposes.

Therefore, the first step taken was standardizing the Qdoba recipes into the current FoodPro system, by redefining the measurements, and typing in the method of preparation on standardized recipe cards. Further, the ingredients used for the recipes had to be individualized in the system as separate products so they could be ordered based on quantities required for the final product. The items included both dry goods and fresh produce that was ordered directly from the Qdoba approved distribution center (Gordon Food Service in Greenville, South Carolina). The overall system involved ordering twice weekly (Tuesday and Friday) from Gordon Food Service to be delivered and

stored in the VTDS commissary at Southgate. The challenge with this system was not only getting the specific Qdoba products to campus but also the transfer from the Southgate warehouse to Turner Place and finally to the restaurant within the building. The lead time to get transfers to Turner Place was two days, and since Qdoba is one among eight restaurants needing the limited storage space, it became challenging to meet the strict Qdoba holding standards, and in accessing the proper amount of products and items when necessary.

In terms of recipe adjustments and equipment, large industrial kettles to cook black beans and pinto beans were designed and created based solely on Virginia Tech specifications. The Operations manager from Qdoba had to arrive three weeks prior to opening day to test the process and the use of the large 60 quart kettles, as well as the industrial blast chiller to cool the beans to the proper cold holding temperature, ensuring that beans were cooked and cooled properly without compromising the quality of the food product. This entirely new procedure was customized for the Virginia Tech location in terms of the settings and procedures, which greatly helped expedite the volume of production needed and freed up equipment for other items.

Point of Sale

Another difference is the point of sale system and the use of student meal plans; having a captive audience that has already paid for their share of the Dining program means ensuring that Qdoba has its share of the overall funds. For most Qdoba locations, the point of sale is the Aloha system which is integrated with MenuLink; an inventory/ordering and labor system. Virginia Tech already has a point of sale system with Diebold which is integrated with the Hokie Passport / Banner system that the overall University uses in its daily operation. The VT Qdoba management team, after training at a corporate location in Denver, Colorado needed to take what they learned from the Aloha point of sale system and create a template for items within VTDS with a similar flow of transaction. While VTDS had experience operating a cashless dining facility that only accepted meals plans and Hokie Passport account (a campus account), this facility would also accept credit cards. The pricing of items at this Virginia Tech location was based on a national Qdoba pricing tier that reflected those of a regular location in a larger city based on the assumption that meal plan holders would constitute the majority of the guests.

Personnel, Staffing, and Training

For a traditional Qdoba restaurant, the management team consists of a General Manager and at least two Assistant Managers. At Virginia Tech, the management team consists of an Operations Manager, Kitchen Manager, and two Food Production Supervisors. The Operations Manager serves as the General Manager while the Food Production Supervisors serves as Shift Runners or Coordinators for the service line. For Qdoba, the only personnel that are salaried are the

General Manager and Assistant Managers; at Virginia Tech the salaried team is comprised of the Operations Manager, Kitchen Manager, Food Production Supervisor, Food Service Assistant Senior and Food Service Assistant; in total eight salaried employees designated for the restaurant. The rest of the team is comprised of non-student wage (full time and part time) and student wage both of which have different starting wages from \$8.75 and \$8.50/per hour respectively.

Being one of the highest grossing Qdoba restaurants in the United States, the staffing structure should be one that fits the size of the operations of the restaurant, especially considering that there would be lines of hungry students with time constraints to get to classes. With any restaurant opening, hiring the right mix of employees is a difficult task. The unique challenge with this location is that the hiring pool is shared by not only the seven restaurants within the Turner Place facility but also with eleven other dining facilities throughout campus. With the creation of Turner Place, many salaried positions from the other dining facilities were transferred to the new location including Operations Managers and Food Production Supervisors. In total, roughly 30 positions were transferred to Turner Place with another 50 new positions created specifically for Turner Place. (See Appendix 2 for full staffing line up).

In the beginning of the operation, several hundred labor hours were spent in ensuring that the restaurant remained opened Monday through Friday from 10:30am to 10:00pm, in addition to the required prep work and clean-up time needed each day. This meant salaried employees gained leave overtime and hourly wage also garnered overtime. In addition, there was the challenge of recruiting students who would be interested in working due to the start of the academic year as they were adjusting to their course loads and schedules. Nonetheless, 60 percent of the staff at Qdoba comprised of students especially during the evening shifts. This meant that the rest of the staff especially during the day is staffed by non-student wage workers, and being just one of eight concepts in Turner Place, Qdoba had to compete for workers from the shared pool.

Training

Once staffing was in place, training was the next important step in the operation. Qdoba had their training standards as VTDS had theirs. The training began for the management team at the Qdoba corporate headquarters as well as at a certified training restaurant. The Operations Manager, Assistant Manager, and Food Production Supervisor spent four weeks training in Line Service, Kitchen Systems, Shift Running, and Management. The Qdoba training experience involved opening and closing the restaurant as well as ordering, preparing, and serving the guests. The challenging part of the training program was to become familiar with the brand while understanding the expectations of VTDS. The trainees quickly realized that it was also about combining the policies and procedures of both institutions and establishing the boundaries, as well as making compromises to make the operation successful. It was during this process that the different operational challenges came to light that would require compromises in areas such as food safety, equipment, and staffing. The training restaurant store prepared the management team for operations of \$3000 / day gross sale, and not the anticipated \$10,000 plus / day location at Virginia Tech.

The Progress of the operation

Despite the challenges of the line operations, the ultimate success showed up in the revenues.

The gross sales for the three weeks indicated that the location was doing well, despite the challenges. One of the ways that Qdoba ensures that its food product and service is consistent throughout every location is with its Quality, Food, and Cleanliness, (QFC) inspections. These standards are required to be met in order to satisfy the Franchise Agreement and in order for a location to pass the inspection, it has to earn 80 percent score or higher. Although, the first unofficial inspection score of the Virginia Tech location was 71 percent, corrections were quickly made before the official opening.

In terms of becoming more efficient in production and preparation, some items that could have been improved upon included having pre-marinated ground sirloin similar to other locations, and utilizing the pre-prep production facility where produce are processed into different cuts, like chopped tomatoes, sliced onion and red and green peppers. Having these ingredients processed and then sent to the Qdoba location in larger batches helped in shortening production time to allow concentration on assembly lines and other service areas.

Table 1

Gross Sales for first three weeks of operation in 2012

| | | | | | |
|--------------|--------------------|--------------|--------------------|--------------|--------------------|
| 8/27/12 | \$15,380.28 | 9/3/12 | \$8101.66 | 9/10/12 | \$11778.89 |
| 8/28/12 | \$11,965.52 | 9/4/12 | \$11316.97 | 9/11/12 | \$11397.00 |
| 8/29/12 | \$12,040.64 | 9/5/12 | \$11193.09 | 9/12/12 | \$12325.30 |
| 8/30/12 | \$11,564.28 | 9/6/12 | \$11318.74 | 9/13/12 | \$12412.72 |
| 8/31/12 | \$12,056.14 | 9/7/12 | \$10037.30 | 9/14/12 | \$11721.53 |
| Total | \$63,006.86 | Total | \$51,967.76 | Total | \$59,635.44 |

As the weeks passed the staffing levels improved. At about the fourth week of operation, the location was able to open a second line that concentrated only on burritos and naked burritos. This line was opened during the peak rush hours between classes from roughly about 11:30 am to 2:00 pm and from 5:30 pm to 8:00 pm. Although not fully staffed with the ideal numbers, having the second line helped in terms of both servicing the guests and in alleviating the stress on the staff who thought that with the one line that it seemed never to end. It helped with the morale of the staff by their being able to take breaks when necessary.

The Learning Process

With the operational challenges of the Virginia Tech Qdoba location, what lessons can Qdoba learn if it considers developing another high volume university location? What lessons has Virginia Tech learned? One of the biggest challenges in opening this location has been being able to sustain the volume of the operation. Virginia Tech is no stranger to high volume sales but being able to support the large production and preparation concept has been a true learning process. It has meant integrating the Qdoba recipes and procedures within the Dining Services standards. For Qdoba, it meant being flexible in some procedures considering the volume experienced at the campus location. It also meant utilizing the resources already provided by Virginia Tech. While the operation is still new, and a work in progress, it appears to be headed in the right direction.

This learning experience has provided a foundation for Qdoba to build on in terms of potential growth on college campuses. Qdoba has learned that in a non-traditional franchisee such as with Virginia Tech, an educational institution, not only is there a captive customer, a student with a prepaid meal plan, but also there are resources available like the building, labor, processing services that can be availed of to improve the efficiency of the operation. There are also compromises to be made in terms of accommodating the university calendar, and other rules and procedures for a state owned entity. Whether Qdoba would open future restaurants as large as Virginia Tech remains unknown but they have learned that it was a considerably different operation than a traditional franchise. While there were challenges with respect to meeting volume in the operation- from equipment

and storage to assembly and service, they were fairly well resolved. There were also differences in food safety policies and procedures but through the learning phase those have also been resolved. The ideal staffing and training of employees has also been a concern but again in the learning phase these have sorted themselves out. An important milestone for the restaurant is that it has passed its first official QFC inspection, with a score above 83 percent, indicating that the brand is operating successfully despite its growing pains.

For Mailem, this has been a tremendous learning experience. As one of the first managers to help establish a Qdoba Mexican Grill on a college campus, it has been a rewarding yet challenging experience. The stresses that he had to endure began with not knowing how the operation would fall into place in the grand scheme of things. Having been in VTDS for many years helped to set a foundation but the expectations have been high. Going into this new endeavor meant that Mailem would have to do some research about Qdoba, about Mexican fast-casual food, and this would ultimately pay off with the opportunity to open the franchise and be the liaison between Qdoba and Virginia Tech. The learning process went from writing concept papers to training both at site and at Qdoba in Colorado to learning by living out the daily operations of one of the busiest Qdobas in the entire company. Not many managers can boast of having that type of opportunity especially for someone who was still a graduate student in the hospitality department at the time of opening the restaurant.

Challenges and Success

Following the first months of operation from August to December 2012, Virginia Tech's Qdoba Mexican Grill entered the New Year with some of its growing pains behind it. The question is how much will this location generate in gross sales? With the understanding of generating revenue for the franchisor, the franchisee has an obligation to uphold the integrity of the brand and its own identity. With all the challenges that Mailem and the Qdoba crew have faced, the momentum is all about moving forward. If the first three weeks in 2013 is any indication, it's about building on the foundation that has been established.

These gross sales figures are a reflection that Virginia Tech and Qdoba overcame the challenges in order to build a strategic part-

Table 2

Gross Sales for first three weeks in operations in 2013

| | | | | | |
|--------------|--------------------|--------------|--------------------|--------------|--------------------|
| 01/21/13 | Closed | 01/28/13 | \$14,765.88 | 2/04/13 | \$17,192.10 |
| 01/22/13 | \$14,713.98 | 01/29/13 | \$16,645.52 | 2/05/13 | \$19,575.64 |
| 01/23/13 | \$13,446.95 | 01/30/13 | \$15,813.14 | 2/06/13 | \$17,677.07 |
| 01/24/13 | \$14,528.34 | 01/31/13 | \$15,472.27 | 2/07/13 | \$18,043.13 |
| 01/25/13 | \$7,492.14 | 02/01/12 | \$13,266.44 | 2/08/13 | \$14,374.23 |
| Total | \$50,181.41 | Total | \$75,963.25 | Total | \$86,862.17 |

nership, a great milestone for both organizations. In an email, the National Qdoba Vice President of Franchise Operations wrote:

I want to offer my sincere congratulations for your outstanding sales milestones for the past week. First, what a tremendous achievement to set the new single day sales record for Qdoba last Tuesday by recording \$19,575 in sales for the day. This is simply incredible. I also received an email from [your franchise business consultant] this morning alerting me to the fact you had broken your weekly sales record for your restaurant by achieving weekly sales of \$86,650. This is tremendous. I appreciate you and your team for all your hard work and wanted to write in recognition of your accomplishments of the past week. I wish you continued success and look forward to your next level of sales achievements and hope to meet you soon. Thank you for your commitment to our Qdoba brand. All my best to you and your team! - Gary Schneider, VP, Franchise Operations (Barrett, 2013)

One of the key elements in this successful experience is being able to build on each partner's strengths in the food service industry. Being able to compromise without losing focus on the brands and vision of the concepts was a key success factor. The management team at Qdoba accepted the responsibility to keep the momentum going and improving on a daily basis to create the right experience for the guests and of finding a rhythm of the operation, ensuring that all stakeholders are satisfied in this strategic partnership.

With the franchising partnership established, what challenges and opportunities do Qdoba Mexican Grill and VTDS have in the future? Will Qdoba be able to sustain its sales, growth, and success in the future? Should Qdoba expand its university non-traditional portfolio of franchises by approaching other universities? What operational lessons are learned from the Virginia Tech franchise?

If Mailem poses these questions to you, how would you answer them?

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Case Summary

Franchising is both a rewarding and challenging introduction to

Appendix 1

Turner Place

According to the Virginia Tech Dining Services website:

Turner Place is a state-of-the-art dining facility located behind McBryde Hall Old Turner Street on the academic side of campus. With glass walls and grand entrances throughout, Turner Place has a light, open feel. Housing eight separate restaurants, it offers a variety of cuisine that includes national brands and unique venues, some of which are the first of their kind on a university campus. (Virginia Tech Dining Services, 2012)

In a Roanoke Times article, Tonia Moxley notes that Turner Place has created nothing by accident - even the seating was designed to promote community and the Hokie Tradition. Likewise, the hours are "designed to minimize the facility's impact on off-campus business." Frank Shushok, Vice President for Student Affairs, tells Moxley that when working with the town of Blacksburg, "We want that relationship to remain positive. A strong Virginia Tech is a strong Blacksburg and a strong Blacksburg is a strong Virginia Tech." (Virginia Tech Dining Services, 2012).

Company Philosophies

Behind each company, there is a philosophy that inspires and drives everyday operations. This case study analyzes and compares the core values that make each company unique yet both entities have the common and ultimate goal of providing the best service and experience for its guests. No restaurant concept can be successful unless it strives to treat its staff as valued employees first. One of the key philosophies that both Qdoba Mexican Grill and Virginia Tech Dining Services have in common is treating its people with respect.

Qdoba Mexican Grill Core Purpose: "to create a great experience and build something special for each guest and each other." (Qdoba, 2011)

Virginia Tech Dining Services Value Statement: "I value every individual's right to have a quality experience." (Virginia Tech Dining Services, 2011)

In having similar core philosophies with the focus on guests and employees, finding the connection between Qdoba and Virginia Tech is essential in building the brands and keeping the integrity of the companies.

Qdoba starts with its Core purpose "to create a great experience and build something special for each guest and each other." (Qdoba, 2011) It continues with the Core Values and the acronym PRIDE

PRIDE: if you adopt PRIDE as your own, you ensure success in all facets of your life.

Passion for Golden Cactus Service and a belief in what we do.

Respect. Qdoba is a diverse, equal opportunity employer with a goal

of creating and maintaining an environment where every team member is respected and valued.

Integrity means doing the right thing, even when no one is looking.

Do what you say you're doing to do.

Dedication to personal and professional growth and continuous learning, using the systems for success. Continually search for ways to raise the bar!

Excellence in ethical business practices and great operations.

The training program for Qdoba involves teaching the basics of customer service with the "Golden Cactus Service" as the driving force for a successful operation. This means incorporating philosophies into the daily tasks of the employees to ensure that things are done right. Overall, the employees are what makes the brand come alive and the brand positioning (from Team Member Career Map) states that

"For people who want to spice up their day, Qdoba offers an artisanal Mexican experience, providing inspired and extraordinary flavors, atmosphere and service that you can't get at any other fast casual restaurant." (Qdoba, 2011)

Building on the brand positioning is the Brand Experience Four Pillars of Qdoba from Team Member Career Map. (Qdoba, 2011)

"An environment that showcases handcrafted preparation"

"Food that celebrates our passion for ingredients"

"A menu full of innovative flavors"

"Service that invites guest interaction"

Whenever possible the products being served are made in full view of the guests, such as the pico de gallo and guacamole. The combination of ingredients are specifically created for Qdoba and the Signature Flavors highlight the "innovative" menu that is presented to the guests in an "inviting" way so the guests fully understand the experience.

Virginia Tech Dining Services has established Guiding Principles that drive its daily operations. It starts with the Value Statement: "I value every individual's right to have a quality experience." This involves not only the guests but each team member. Being one of the largest employers on the Virginia Tech campus with over 1,000 staff members, Dining Services strives to be a good employer by teaching food safety, customer service, and personal growth within the company. It has the reputation of being one of the best dining programs in the country according to the Princeton Review. The Guiding Principles that the program strives to accomplish on a daily basis include the following:

- Sanitation and safety are paramount
- Always treat people with dignity
- Provide excellence in product and service
- Be 100% responsive. Take 100% personal responsibility.
- Professional behavior at all times.
- Find opportunities to recognize accomplishments and provide personal growth.

- Promote a sustainable dining and food system at Virginia Tech and therefore in the greater community.

Blending the two philosophies that connects the overall brands of Qdoba Mexican Grill and Virginia Tech lays the foundation focused on guest satisfaction while maintaining an environment for professional and personal growth of the employees.

Appendix 2

Staffing Line-up required for a full shift for Qdoba at Turner Place

Full Menu Line needs the following 8 positions

Tortilla 1, Tortilla 2, Salsas 1, Salsas 2, Expo, Quesadilla, and Cashier with a Coordinator (FPS/Manager) monitoring the line.

Burrito / Naked Burrito line needs the following 7 positions

Tortilla 1, Tortilla 2, Salsas 1, Salsas 2, Expo, and Cashier with a Coordinator (FPS/Manager) monitoring the line.

Hot Production staffing needs 4 positions

Griller, Stove (mixed vegetables, fajita, reheat beans), Chicken/Steak Cutter, Hot Box/Rice Backup (FSAS or FPS)

Preparation / Production Team needs 3 positions

Prep / Rethermizer, Prep/Production, Runner

A customer Service representative needs at least 1 position

Total Positions at peak performance is 23, with additional 2 cashiers, totaling 25 positions.