

case study

If You Build It They Will Come— Zen Blenderz

By Matthew VanSchenkof

Case Information

Zen Blenderz doors had been open for six weeks beginning with an opening for breakfasts Monday through Friday. Four weeks ago, under the direction of Kirk, Zen Blenderz opened for lunch and dinners. Soon after, Zen Blenderz opened for lunches and dinner seven days each week.

Intro

Kirk was perplexed. Zen Blenderz had been open for six weeks and details were not falling into order. He was the owner of a unique vegan restaurant in a town of 20,000 less than an hour east of Kansas City. He forecasted sales to increase and expenses to decrease to the point the operation would hit a break-even. He believed that he'd done everything right, but the numbers are just not hitting what he expected. It was decision time. What needs to happen now, today, to keep the operation running? He simply could not afford to continue to put more and more cash into Zen Blenderz.

Kirk's Background

Kirk's road to the opening of Zen Blenderz started two years ago. A yearly check-up had found him overweight, with high blood pressure, high (bad) cholesterol, and living a sedentary lifestyle. When choosing options for how to improve his health, he decided to attempt a holistic, non-medicinal route. Positive results were felt immediately. So much so that Kirk felt compelled that he had a duty to share the benefits of his change not only through speaking with others, but by possibly opening a restaurant. By doing so, members of the local community would have the opportunity to be more healthful.

Kirk's lifestyle changed because how he thought of food changed, as did his diet. He eliminated beef, pork, chicken, and dairy. He began to eat a macrobiotic diet: whole grains, unprocessed foods, fish, fresh fruits, and vegetables whenever possible. The education about his diet led to the concept of a vegan restaurant utilizing all he had learned and experienced. Kirk had several friends in the local area including raw vegans (who eat unprocessed and uncooked foods) and others on macrobiotic diets.

Concept to Operation

Zen Blenderz was born of a desire to offer a vegan menu consisting of freshly prepared items that were wholesome and as

Figure 1



unprocessed as possible. No meats, dairy, eggs, or animal products (including honey) would be used. Additionally, because the community lacked options for those with food allergies, Zen Blenderz menu was designed to be made with gluten free options and equipment was kept specifically for tree nut allergy customers.

Once the decision to move forward was made, a name was created. Kirk wanted to use the term "Zen" in part because of the holistic thinking and feeling created by a vegan diet. Featured items would include vegan smoothies, so the term "Blenderz" completed the name. The name and symbol for Zen Blenderz were trademarked.

Location

A business plan was developed that outlined start-up costs and expenses of less than \$400,000. The operation was to be located in Warrensburg, Missouri, a town of approximately 20,000 residents that included a university with an enrollment of 10,000, an Air Force Base of 2,500 nearby, a medical center, and several medium size employers (more than 50 employees).

The chosen Zen Blenderz location was previously an unsuccessful independent casual hamburger restaurant (not a franchise or chain). The building was on the east side of town, away from the main road, and away from most population centers. It was located next to a Dairy Queen, in a parking lot containing an L-shaped strip mall. According to traffic studies completed for DQ, the location is alongside the second highest traffic road within Warrensburg. Within one mile of Zen Blenderz were Western Missouri Medical Center, multiple medically based offices, and three smaller hotels (less than 100 rooms). Downtown and the university were 1.5 miles away. The Air Force Base and next town was 11 miles away.

Matthew VanSchenkof is affiliated with University of Central Missouri.

Kirk chose this location because of the traffic information, an adaptable building was available for lease on the site, and operational start-up was possible within six months. Other sites were considered but a cost analysis found this location to be the easiest and most reasonable for start-up.

Customers

Zen Blenderz is located in a rural portion of Missouri, a state known for its cattle production and farming. As such, smaller portions of the population understand the macrobiotic, vegetarian, or vegan lifestyles. Few surrounding restaurants offer vegetarian options and none are vegan. It is unknown how many vegetarian/vegan residents reside within 50 miles of Zen Blenderz.

None of the surrounding communities have a restaurant that provides the type of menu that Zen Blenderz offers. This included the Air Force base 15 minutes away. Zen Blenderz is seeking to capture market share from these areas. The Air Force base provides a population that is believed to be more interested in healthier lifestyles and Zen Blenderz would be a great option for them.

Building and Equipment

The previous operation was a casual dining hamburger restaurant. The inside of the building was completely renovated, including new restrooms, layout, kitchen, and equipment. Two-door and three-door refrigerators were purchased along with a two-door freezer. A second set of line preparation equipment was purchased in order to serve customers with tree nut and gluten allergies. Line equipment included a grill, six-burner range, double convection ovens, two refrigerated prep tables, and a coffee brewer.

The dining room held eight 4-top tables and three 2-top tables for a potential seating of 38 guests. The floor was polished concrete; walls were soft tan, and the ceiling had new white tiles. Two point of sale systems (POS), cash registers, a beverage station, and pick-up window completed the public space. (One more POS system was available for the drive-through.)

Menu

Zen Blenderz menu (figure 2) was created with the help of a local culinarian who was also vegan. Appetizers, soups, sandwiches, desserts, entrees, and smoothies were developed. Restaurant production processes were kept in mind. All menu items were made from scratch with few ingredients, could be made by people with limited skill, and could be made consistently. Zen Blenderz had a wide variety of items on the menu ranging from oatmeal with fresh berries to a jackfruit sandwich. All menu items had a great balance of flavor, color, and texture.

The food used within the operation was high quality and included items that were difficult to source and required a premium to stock. Produce was almost 100% fresh and purchased whole so it

Figure 2

Zen Blenderz Menu Front

zenblenderz
Menu
Served from 11 a.m. to 8 p.m.

All items on our menu are free of dairy, eggs & meat.
* = These items are gluten free or have a gluten-free option.

Featured Special

The ZB Fold - A savory blend of brown rice, black beans, red bell peppers, mushrooms \$6.50
& onions folded into a grilled flatbread. Served with guacamole & pico de gallo.

Appetizers

- * Black Bean, Corn & Avocado Salsa - Black beans, fresh corn, avocado, tomato, onion \$6.50
& cilantro salsa served with organic blue corn chips
- * Guacamole & Chips - Our homemade guacamole served with organic blue corn chips \$6.50
- * Hummus Thyme - Homemade chickpea hummus served with pita points, \$5.50
carrot sticks and celery sticks (gluten-free without the pita points)

Salads

Small \$5.50 Large \$8.25

- * Strawberry Fields - Fresh baby spinach salad with strawberries, hearts of palm, red onion and walnuts
- served with our homemade sweet celery seed dressing
- * Veggie Cobb Salad - Spring mix surrounded with all your favorites: Cherry tomatoes, carrots,
red cabbage, cucumber, pickled beets, garbanzo beans, avocados, walnuts and zucchini spirals
- * Waldorf Salad - Apples, celery, walnuts, grapes & raisins with a lemon & Vegenaise dressing, served
over greens
- * House Side Salad - Small salad with mixed greens, spinach, tomato, cucumber, zucchini, carrot \$3.95
& red cabbage shreds, served with our House Dressing

Our Homemade Dressings: Creamy Miso (House), Sweet Celery Seed, Italian, Red Wine Vinegar & Oil

Soups

All soups prepared fresh daily and served with rice cracker rounds
Small \$4.25 Large \$6.25

- * Garden Vegetable Soup - Zucchini, yellow squash, carrots, cabbage & onion, seasoned with basil,
oregano and garlic
- * Red Lentil, Coconut & Curry Soup - Aromatic red lentil, carrot and onion soup prepared with
coconut milk and seasoned with curry, garlic, ginger & cilantro
- * Tomato Florentine Soup - Classic tomato and spinach soup with cannellini beans in a vegetable
stock base

Sandwiches

Served on a whole wheat bun with dill pickle slices on the side.
Choose from Terra Beets & Sweets chips, organic blue corn chips, celery & carrot sticks or a small side salad.
(Gluten-free bun available)

- * BBQ Jackfruit Sandwich - Jackfruit (a tropical fruit—ours is imported from Thailand) simmered ... \$7.50
in our homemade BBQ sauce and served with a thin spread of hummus—tomato, onion &
lettuce on the side
- Porcini Dijon Cutlet Sandwich - Porcini mushroom & dijon field roast cutlet served with dijon \$7.50
spread—tomato, onions & fresh spinach leaves on the side
- * A. L. T. Sandwich - Avocado, lettuce & tomato -- a classic on whole wheat toast \$7.50
- * Adzuki Bean Burger - Organic immune-boosting, high-protein burger made with adzuki \$7.50
beans, quinoa, millet, sweet potato, onion, mild green chilli, cumin and coconut oil, topped
with our pico sauce. Served with lettuce, tomato & onion on the side

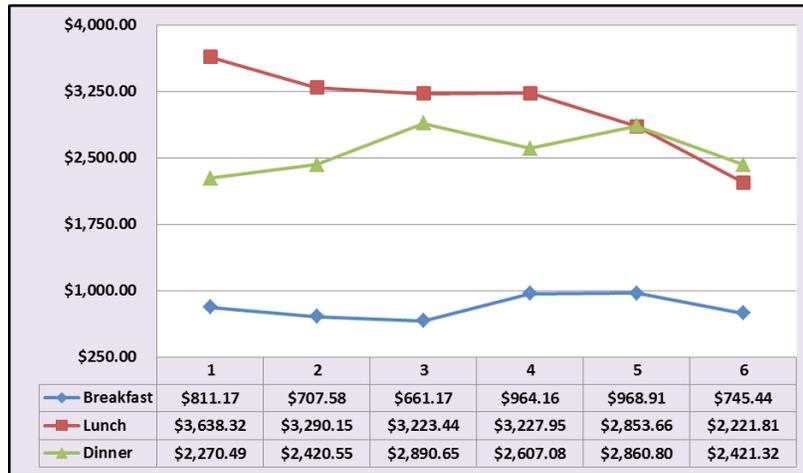
needed processing. Of the 116 items in inventory, 38.8% were used for only one and 18.9% for two recipes. This included baked goods for breakfast, soups, sauces, and sides. TERRA® chips were used as the side for most sandwiches.

Pricing

Menu prices were set by comparing like items to restaurants within Warrensburg. Sandwich prices compared to other sit-down restaurants, and smoothies compared to Dairy Queen next door. The raw cost of high quality ingredients was not weighted heavily in the pricing decisions. Perishability was a major concern because most food items were purchased fresh. Actual food cost was higher than 60% for some menu items. Overall food cost ranged from 57.4% to 91.3% over the previous six weeks.

Figure 3

Total Weekly Sales per Meal



Labor

Kirk decided to implement a different labor structure versus what is typical of restaurants. A no-tipping policy was instituted at Zen Blenderz. Instead of paying a minimum wage of \$3.63 per hour for tipped employees, wages started at \$7.50. Kirk was very conscious of customer service. During the first three weeks the restaurant was open, staffing was very heavy. On the job training occurred with double staffing during the first two weeks. Because of this, and the limited number of customers, initial labor costs were 107% of sales. Labor is a huge concern, remaining above 100% of sales for weeks one through six.

Marketing

Initial marketing was done with the creation of the name and symbol. A website and Facebook page were created. Advertising could be found in the lobbies and room books of two local hotels and brochures were dropped off at local medical offices. Zen Blenderz sponsored the local university’s music programs, which allowed coupons to be printed on the back of program tickets. Very little was done beyond this.

Managers

Interviews with potential managers began three months prior to opening. Rebecca was hired after recently leaving a management position of an IHOP style of operation. She had been with her previous employer for eight years and acted predominantly as a front-of-house manager. She had graduated from high school, and had two semesters of college experience. Rebecca was the best available candidate for the available salary of \$12 to \$15 per hour. Rebecca had some financial and a lot of production and service management experience. Rebecca was not a vegan and was completely unfamiliar with the term until interviewing for the position. Although she believes eating a macrobiotic diet is healthy, she admits that it is not her style.

Scott was hired as the kitchen lead. He had three years cooking experience, mostly in an elder care home. He had limited contact leading other people, but was a capable cook and cared about the product that was being delivered to the customer. Scott had almost no ordering, inventory, and forecasting knowledge. Scott also had difficulty grasping the entire workings of the operation. He did not understand that what worked well in the kitchen did not translate into the front or sanitation areas. Until Scott could be brought up to speed, Kirk’s friend and vegan acted as the lead cook.

Emily, a family friend of Kirk’s, was hired as a front-of-house lead. Emily is a vegan and understands the food, menu, benefits, and overall concept very well. She has limited management and leadership experience as well as limited table waiting experience.

Staff

Wait, kitchen, and sanitation staff were interviewed and hired by both Kirk and Rebecca. Starting wages attracted a variety of ap-

Figure 4

Average Weekly Labor Cost Percent

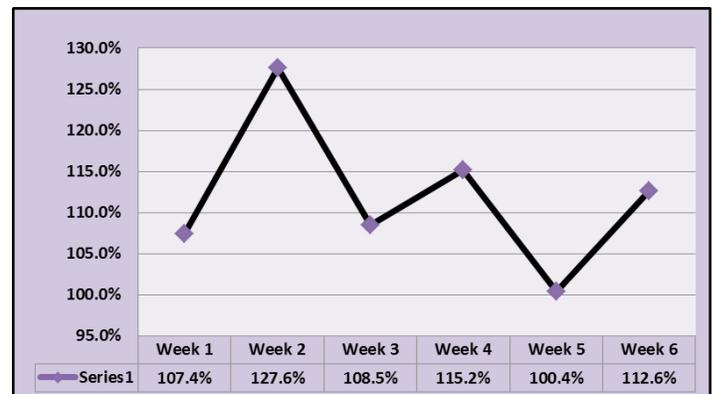
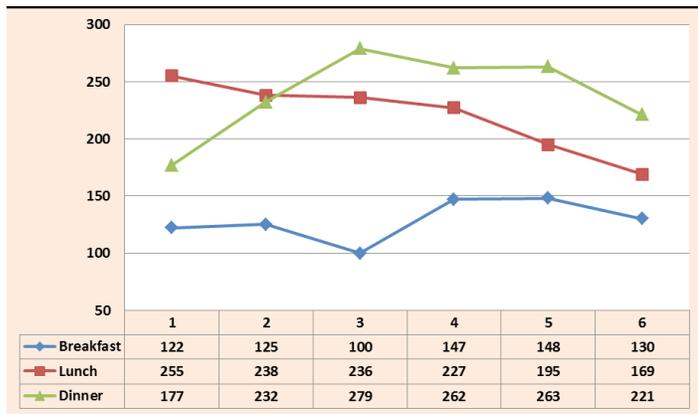


Figure 5

Total Weekly Transaction Counts per Meal



plicants. Most were ages 16 to 22 and the front of house staff was predominantly 16 to 21 years old. Kitchen staff were around 25 years old. Sanitation was staffed by a mix of front and back staffs.

Front of house staff were trained in restaurant service, drive-through service, and in the production of desserts and smoothies. Kitchen staff focused on production, preparation, sanitation and did not assist in the front.

Service

Zen Blenderz was a full-service restaurant with staff acknowledging and seating patrons upon entering. Heavy paper napkins and silverware were provided as well as water for all who are seated. The menu was printed in black and white on heavy linen-colored 8.5 x 17 papers and was two-sided. Orders were taken on paper and entered into a touch-screen point of sale system. Service was friendly, customer oriented, yet chaotic with staff entering incorrect orders or forgetting sides such as soy milk with coffee. Staff had, at times, just stood around when sidework could be completed, tables could be cleaned, or dishes sorted. Typically there were two servers in the dining area during open hours. Servers acted as hosts, waitstaff, and cashiers. Servers were also responsible for the drive through and could be seen with a headset on while in front.

Restaurant Failures

According to the National Restaurant Association (2015), daily restaurant sales averaged \$1.94 billion and 76% of adults eating at restaurants are trying to eat healthier. There are no definitive studies that state overall restaurant failure rates. A study of independent restaurants in the Columbus, Ohio metropolitan area found that restaurants closed 27.51% within one year, 47.13% within two years, and 61.36% within three years (Parsa, Self, Njite, & King, 2005). The same study found that the three year failure rate for franchised operations was 57.22%.

Week One

Zen Blenderz opened with little fanfare on Monday, August 1 after a week-long soft opening for family and friends. Kirk considered it a solid first week (figure 3). Customers rated the freshness, appearance, and flavor of the food very high. Most customers thought Zen Blenderz offered a lot of value compared to the quality they received and the price they were charged. 554 transactions occurred averaging \$12.13 each.

Several “refinements” were yet to occur and the plan was to work on them as the operation settled into normal operations. Kirk was aware of this and had budgeted accordingly. Labor was still high, averaging a little over 107% for the week (figure 4) and actual food cost was 86.7%. Specific targets were not created for either food or labor cost, but the plan was both would add up to 100% within four weeks of operation.

Weeks Two through Four

Increases in sales did not occur. Instead sales (figure 3) remained consistent, ranging from \$6,418 to \$6,799. New customers were appearing in Zen Blenderz and many were steadily returning. The customer mix ranged from the local college students to people who could easily be classified members of AARP. Kirk was a very strong ambassador for the restaurant and took every possible opportunity to visit the operation. Most customers tended to work in the medical profession or were affiliated with the university as faculty or staff. Potential customer bases included university students and the nearby airmen and women.

Food production issues arose during operating hours. Problems with consistency occurred because kitchen staff was not following the recipes correctly. Food window times increased due to inadequate prep being completed. Both problems impacted food cost (figure 6) and product quality. This was not completely unexpected as the kitchen staff and operation were maturing.

Dining room issues were not being resolved as quickly as Kirk had hoped. Waitstaff continued making simple mistakes and standing

Figure 6

Average Weekly Food Cost Percent

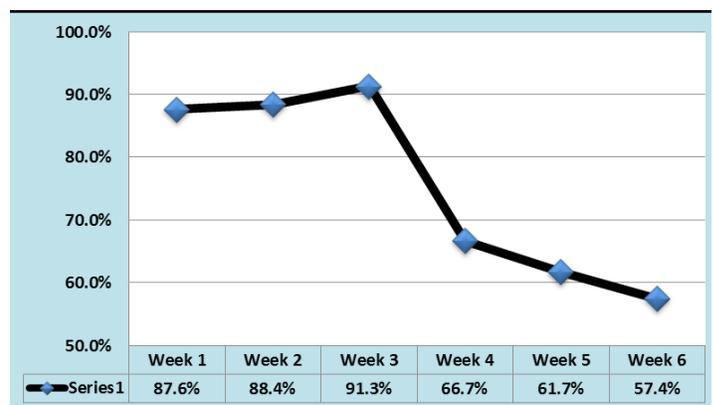


Figure 7

Sales & Transactions for Weeks 1-6

Monday		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6
Breakfast	Trans	12	18	12	11	16	8
	Sales	\$90.73	\$63.73	\$106.45	\$61.33	\$128.98	\$57.90
Lunch	Trans	54	31	40	28	19	19
	Sales	\$639.34	\$428.94	\$416.20	\$421.46	\$261.07	\$214.98
Dinner	Trans	4	31	33	42	43	26
	Sales	\$10.40	\$423.53	\$424.66	\$373.36	\$359.66	\$168.21
Day Total	Trans	70	80	85	81	78	53
	Sales	\$740.47	\$916.20	\$947.31	\$856.15	\$749.71	\$441.09
Tuesday		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6
Breakfast	Trans	17	15	16	19	20	22
	Sales	\$124.60	\$85.62	\$89.26	\$203.68	\$103.53	\$120.81
Lunch	Trans	43	34	26	15	33	30
	Sales	\$680.37	\$458.89	\$379.75	\$228.23	\$478.21	\$298.27
Dinner	Trans	13	31	34	32	43	45
	Sales	\$121.60	\$218.41	\$141.90	\$371.31	\$344.98	\$394.56
Day Total	Trans	73	80	76	66	96	97
	Sales	\$926.57	\$762.92	\$610.91	\$803.22	\$926.72	\$813.64
Wednesday		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6
Breakfast	Trans	24	28	18	22	21	27
	Sales	\$160.39	\$109.35	\$111.56	\$138.06	\$94.92	\$102.96
Lunch	Trans	44	45	32	45	23	29
	Sales	\$675.55	\$639.85	\$410.28	\$715.77	\$373.01	\$340.69
Dinner	Trans	49	41	45	35	48	30
	Sales	\$522.95	\$416.72	\$364.53	\$366.30	\$529.11	\$424.70
Day Total	Trans	117	114	95	102	92	86
	Sales	\$1,358.89	\$1,165.92	\$886.37	\$1,220.13	\$997.04	\$868.35
Thursday		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6
Breakfast	Trans	18	17	13	26	30	20
	Sales	\$107.93	\$58.13	\$63.28	\$116.47	\$187.15	\$111.97
Lunch	Trans	33	43	34	44	38	26
	Sales	\$483.25	\$588.97	\$419.66	\$548.28	\$565.87	\$635.92
Dinner	Trans	41	20	54	38	42	36
	Sales	\$383.38	\$165.85	\$697.96	\$316.90	\$384.47	\$442.37
Day Total	Trans	92	80	101	108	110	82
	Sales	\$974.56	\$812.95	\$1,180.90	\$981.65	\$1,137.49	\$1,190.26
Friday		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6
Breakfast	Trans	24	16	20	34	24	23
	Sales	\$90.79	\$90.13	\$137.42	\$188.32	\$154.42	\$126.70
Lunch	Trans	40	37	55	47	41	37
	Sales	\$620.26	\$436.35	\$776.36	\$670.53	\$524.82	\$411.32
Dinner	Trans	28	40	47	31	47	37
	Sales	\$550.56	\$472.84	\$603.93	\$501.70	\$467.78	\$420.31
Day Total	Trans	92	93	122	112	112	97
	Sales	\$1,261.61	\$999.32	\$1,517.71	\$1,360.55	\$1,147.02	\$958.33

around a lot. Tables remained dirty and sidework undone while staff chatted in the kitchen or played with their phones.

Food cost remained a problem, averaging 82.1% for weeks two through four (figure 6). Labor cost increased during the same three week period from 107.4% in week to an average of 117.1%. Kirk worried about the perception of service so dining room remained overstaffed.

Weeks Five and Six

Kirk was becoming concerned. Sales (figure 3) and transaction counts (figure 5) had begun to trend downward after plateauing. Customers remained intensely loyal to the operation. Glowing reviews were available on Urban Spoon and Yelp stating the quality and experience were a great value. But new customers were few and far between. A few people had chosen to leave after sitting, reviewing the

Figure 8

Sales & Transactions Week 1-6 (cont.)

Saturday		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6
Breakfast	Trans	20	23	16	24	26	16
	Sales	\$180.26	\$231.80	\$102.15	\$164.52	\$224.29	\$104.66
Lunch	Trans	27	32	28	30	28	17
	Sales	\$352.26	\$547.15	\$434.55	\$409.01	\$443.84	\$173.45
Dinner	Trans	29	42	37	47	25	27
	Sales	\$438.90	\$455.03	\$388.05	\$330.27	\$544.08	\$262.97
Day Total	Trans	76	97	81	101	79	60
	Sales	\$971.42	\$1,233.98	\$924.75	\$903.80	\$1,212.21	\$541.08
Sunday		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6
Breakfast	Trans	7	8	5	11	11	14
	Sales	\$56.47	\$68.82	\$51.05	\$91.78	\$75.62	\$120.44
Lunch	Trans	14	16	21	18	13	11
	Sales	\$187.29	\$190.00	\$386.64	\$234.67	\$206.84	\$147.18
Dinner	Trans	13	27	29	37	15	20
	Sales	\$242.70	\$268.17	\$269.62	\$347.24	\$230.72	\$308.20
Day Total	Trans	34	51	55	66	39	45
	Sales	\$486.46	\$526.99	\$707.31	\$673.69	\$513.18	\$575.82
WEEK TOTALS:		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6
Breakfast	Trans	122	125	100	147	148	130
	Sales	\$811.17	\$707.58	\$661.17	\$964.16	\$968.91	\$745.44
Lunch	Trans	255	238	236	227	195	169
	Sales	\$3,638.32	\$3,290.15	\$3,223.44	\$3,227.95	\$2,853.66	\$2,221.81
Dinner	Trans	177	232	279	262	263	221
	Sales	\$2,270.49	\$2,420.55	\$2,890.65	\$2,607.08	\$2,860.80	\$2,421.32
GRAND TOTAL:	Trans	554	595	615	636	606	520
	Sales	\$6,719.98	\$6,418.28	\$6,775.26	\$6,799.19	\$6,683.37	\$5,388.57
		\$12.13	\$10.79	\$11.02	\$10.69	\$11.03	\$10.36

menu, and commenting on the lack of beef on the menu. It seemed that Zen Blenderz had hit 90% of the macrobiotic seeking customer, and no new ones were available.

Seeking new customers, Kirk chose to purchase two billboards along the main road that passes through Warrensburg. He also sought partners from neighboring communities, sponsoring special events at the restaurant. Flyers were left at similar businesses in the surrounding communities, such as health food stores.

The issues associated with waitstaff were not yet corrected. The kitchen was working more efficiently and food cost percent was decreasing but consistency remained a problem. Kirk had hoped he would not have to spend so much time at Zen Blenderz. Instead he found he was spending twice as much time and it was not as fun as when Zen Blenderz first opened.

Current Situation

Kirk's dilemma remains. Where does he go from here? What is/ are the best options, strategies, decisions, and ways to move forward? How does Zen Blenderz become a viable business?

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