

# Marketing plan of japanese steakhouse benihana



Benihana a Japanese steakhouse restaurant with hibachi concept commenced in 1964 in West Side, New York. This restaurant was founded by Hiroaki (Rocky) Aoki, an opportunity seeker, who identified the untapped needs in the American restaurant industry after having done a thorough analysis of the market. His concept serve the unfulfilled needs of the market especially the middle-income businessmen by providing exotic surroundings, the authentic Japanese ambiance, as well as offering new experience by having chefs cooked in front of customers. The idea quickly gained the popularity; resulted in high profits and rapid expansion.

This service concept brought forth the competitive advantage to Benihana restaurant. By having chefs outside cooking; it allows the restaurant to save labor costs and offer more attentive services. The menu limitation also lowers the costs. The space was fully utilized to maximize the profits. The costs structure and utilization of space will be explained in detailed.

Moreover, the highly trained skilled chefs and creative PR and marketing campaign were also the key contribution to the success of the restaurant.

Despite the success, the rapid expansion can often time be a problem since, company may not have the resources and the solid plan for the growth strategy. Rocky wanted to diversify his business into retail and fast food chain. In addition, this new innovative service concept may cause confusion as to what the restaurant core product or services really are. This report aims to address the issues mentioned by evaluating Rocky's diversification plan, identify the core products and services, come up with alternatives which were first to open new Beni Trendy restaurant which target younger generation and After Beni's for dessert and come up with action plan.

## **Issue Statement**

Rocky Aika is a man of great dreams but his dreams may be too big for him to be able to achieve it. He plans to grow his business to other sections of the market especially the younger generation but in order for Rocky to be able to grow his business and to maximize the profits, the expansion plans need to be strategically revised and planned. Currently, Rocky is planning his diversification strategy, but this has to be evaluated and for the purpose of successfully growing Rocky needs to first understand his business and market.

## **Data Analysis**

Benihana, a Teppanyaki Japanese restaurant with hibachi concept was a major success. The service concept was new and unique to the market which differentiated itself from the typical existing restaurants. The major differences of the concept were:

The restaurant eliminated the back of house conventional kitchen while instead providing hibachi tables with well-trained chefs cooking in front of customers. This concept allows the labor cost to be cut down to 10-12% of gross sales and attentive service.

Benihana provided limited menus, which resulted in reduction of food storage and wastage costs.

The authentic Japanese ambiance or Japanese touch was brought to the restaurant through importing all furniture from Japan including walls, ceilings, beams and decorations.

Benihana better utilize their space. Normal restaurants require 30-35% space for back of the house meanwhile Benihana needed only 22% of the total space.

By focusing on the above mentioned points, Benihana was able to reduce their costs, thus become more profitable. For instance, Chicago branch was the most profitable unit with the gross profit around 1.3 million per year. The reason for this was that the management's ability to keep their expenses to a minimal with food - 30%, labor - 10%, advertising - 10%, management - 4%, and rent - 5%.

### **Benihana Cost and Typical Restaurant Cost Structure**

The above income statement shows the profits that Benihana in Chicago was making during the year 1972. Some of the amounts were already given including the gross sales, food and beverage sales, the percentage of food cost, labor cost, advertising costs, management cost, and rent. However, some other items needed to be calculated or assumed such as the percentage of beverage cost, the total sales and the income tax.

The gross sales were given to be \$1,300,000, thus the food and beverage would be \$910,000 and \$390,000 respectively. The food costs that are 30% of food sales would give an amount of \$273,000 and the beverage costs that was averaged to be 20% of the beverage sales would equal to \$78,000. Therefore, the gross profit would equal to gross sales minus total costs of goods sold which is equal to \$949,000. The labor, advertising, management and rent expenses are expected to be 10%, 10%, 4% and 5% of gross sales

respectively. The expenses were calculated to be \$130, 000, \$130, 000, \$52, 000, and \$65, 000 which totalled to \$377, 000 or total operating costs.

The net profit before income tax on the other hand is equal to gross profit minus total operating expenses or \$949, 000 minus \$377, 000 which gives the value of \$572, 000. To calculate the net profit after tax, the assumption was made that the income tax was 14% which is based on the percentage of tax that needs to be charged must be given but the case does not give any such information, so for the purpose the assumption assume that the income tax was at 14% so in this case the value would be \$80, 080 which is  $\$572,000 \times 20/100$ . So the net profit after tax will be \$572, 000 minus \$80, 080 which calculates to \$491, 920.

In order to have a clearer picture of the difference between Benihana and typical restaurant the percentages of each item were compared. The food and beverages sales percentages of Benihana are similar to that of a typical restaurant which were around 70% for food and 30% for beverages. Nevertheless, the major difference lies in the food and beverage costs which was approximately 50% in Benihana whereas in typical restaurant would be equivalent to 73-88% or about 23-38% higher. The total expenses percentages of Benihana comes up to 29% which composed of labor, advertising, management and rent, meanwhile the operating expenses percentages of a typical restaurant total to 42. 25-57%.

It is apparent that Benihana's service concept, service operation and its delivery system enable the restaurant to significantly reduce costs and gain higher profits, thereby became more competitive than its competitors.

## **The Chef's Salary**

Chefs were vital element to the success of the Benihana. Therefore, it is extremely important to estimate the influence of their salaries on the restaurant profitability. The case provided that in one unit there were approximately 30 staff which were 6-8 chefs, 6-8 waitresses, 4-5 managers, 2-3 barman, and about 8-11 bus staff and dishwashers. The total labor cost as calculated above was 10% of gross sales which is equivalent to \$130, 000 which must be divided among all the employees excluding the managers.

In order to estimate the chefs' salaries, each employee salaries will be first estimated. The assumption is made that waitresses and barmen would have roughly the same amount of salary which is approximate \$3, 000-4, 000 per person per year or about 2-3% of total labor cost. The 6-11 bus staff and dishwashers could earn around \$1, 500-3, 000 per person per year or 1-2% of total labor cost for each person. Given the assumptions above, the chefs' salary would be around \$10, 000-12, 000/year.

## **Benihana Production System**

Benihana has an efficient process flow from that of the production process to the service delivered to the customer, providing them with the ultimate dining experience. The average dining time period is one hour which does not include the bar time. This identifies the efficiency of the employees, the hibachi style of cooking and seating arrangement. The food is prepared in front of the seated guest and is delivered to them with a personalised service; at the same time ensuring that high quality standards of food production are met.

The restaurant has a well-organized layout plan which enhances their service delivery. It has been designed in a very systematic so as to facilitate the smooth flow of the staff and the guest entering the restaurant. The production system has been focused, which can be interpreted to mean, the entire production service within the restaurant from time of bringing the guest and staff together, seating them, taking their order, delivering the food, preparing the food till the time of guest leaving the restaurant.

On careful examination of the layout for the Benihana, it can be seen that the entrance leads directly to the lounge. See Figure 1. The guest can relax and have a drink in the lounge which has a seating capacity of about 50, while a table is being organised for them as the turnover time period ranges to about an hour. They are then escorted to the dining area in batches of 4, 8 or 16. The 112 seat restaurant has again been planned with great efficiency. There is one chef and one waitress for every two hibachi tables, thus the designing process has been made keeping this in mind and at the same time this reduces the labour costs. The back area space has been efficiently utilised. The kitchen includes a pre-preparation area, hot area and post production area, which are separated to avoid confusion and chaos. The washing area is close to the kitchen and the restaurant to avoid delay of service. The storage area has enough space to cater to both the kitchen and the beverage areas in addition are designed to be easy access to both the areas.

At the same time there are a few alterations that can be made to further enhance the process. The entrance for the restaurant consumes a lot of space and can be modified to accommodate more guests in the lounge. The <https://assignbuster.com/marketing-plan-of-japanese-steakhouse-benihana/>

Lounge area setup can be reorganized to accommodate more guest so that if the guests dining in the dining area want to spend some more time in the restaurant by having a few drinks they can thus be escorted to the lounge area, this in turn would also further reduce the turnover time period. The washrooms have been placed quite close to the bar and near the entrance which is extremely far from the dining area so if they are placed in between the lounge and the dining area it would be more convenient for the guest to walk to the location than to go from the dining area and through the lounge at last reaching the washroom. The three poles in between the lounge area can also be an obstacle for the people seated in the area as well as for the employees while delivering their services.

## **Presentation of Solutions**

The major concerns that were raised by both internal and external parties regarding Benihana business were the expansion strategy, understanding its core business and the sustainability of the business. In order to come up with solutions, one needs to understand the core business by first understanding the market.

According to the survey, the main target market of Benihana was middle-income businessmen. The survey also revealed that the number one reason that persuades customers to come to the restaurant is good food or about 46.7% and atmosphere and preparation together came up to about 26.4%. The first time visit percentage is about 34.4%. Thereby, it is led to believe that first time visitors may come because the restaurant provides them with new exotic experiences. Consequently, as they have experienced the food; they were satisfied with the taste, hence second visit. Customers also rated <https://assignbuster.com/marketing-plan-of-japanese-steakhouse-benihana/>



that they would highlight the food 38. 2% and preparation 24. 6%. From this, one could conclude that the main core products and services of Benihana are the food and the experiences.

The sustainability of business issue was also raised by Russ Carpenter. Due to the concept of the restaurant and the limited menus, the long-term competitiveness is questioned. As the business grows, so did the competitors. If new competitors with different concepts come into scene, the sustainability is raised. The limited menu options which although Benihana gave an advantage by reducing the food costs, but would it be enough the changing trends to attract the customers.

Once the restaurateur knows that the restaurant is already successful, the management should consider the sustainability of the products and services. Time changes, trends change and people change, thus businesses should come up with innovative plan as a pioneer or expand the line of product for the business growth. If Benihana is considered to be fashionable due to the trend, then they will need to develop a concept for service according to help Benihana to become sustainable.

According to Rocky's, he planned to diversify into retail sale of Benihana-labeled food label and quick-service operation. Orient Express, their new product lines will be quite innovative and a great potential plan for the future. The Benihana label will enhance the corporate brand, yet increase the brand awareness among the people who have never experienced Benihana. Figure 3 shows Rocky's growth strategy.

## **One core product/service and one market**

Benihana Restaurant Chain for middle-income businessman

## **Sell existing products/service in new geographic market segment**

Expanding Benihana Restaurants to different part of US through JV and wholly-owned

## **Sell existing core service out of country**

Expanding Benihana Restaurants to different part of world

## **Conglomerate diversification**

Expanding to retail and fast food chain, Orient Express

Rocky intentionally aimed to appeal the younger generation by investing in the new small units called ' Orient Express' which would be located in gas stations. However, the quick-service units in gas stations did not necessary target the younger generation. Since the gas station is a place that people stop to fill gasoline, use the restrooms or take a rest after a long journey.

According Rocky's concerns and issued raised by Russ Carpenter the following solutions are suggested: (1) To open a new Benihana which directly targets the younger generation. (2) To diversify the Benihana business to the other business such as Benihana restaurant that sells purely the Japanese style dessert. By doing so, Rocky could direct his business towards the group he wanted to attract, at the same utilize the company's core competencies which were the quality food and authentic Japanese experience. The dessert restaurant would allow Benihana to diversify into the potential market which

is females which currently only constituted only 28. 6% of Benihana restaurant according to the survey. The costs of training and staff would be reduced as the operation would be similar to that of the existing ones.

Figure : Proposed growth strategy. Adapted from Carmen & Langeard (1986)

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### **Conglomerate diversification**

Expanding to retail, but NO ORIENT EXPRESS

### **Concentric diversification**

Beni Trendy: targets 18-30 people

After Beni's: desserts penetrate into younger and female market

### **Recommendation**

The alternative to the solution mentioned above is opening a new unit which targets only the young generation (18-30 years old) as a separate clientele from existing Benihana. The unit will be named " Benihana Trendy". This unit will create a completely different experience from original Benihana, but at

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the same time the customers still can perceive the feeling that this is ' Benihana'.

Benihana Trendy would still sell grilled steaks, however of different price and quality. The atmosphere would be created to attract new generation who seek for thrill and exotic experiences at lower prices. For example, the customer can cook with chef upon reservation. The menu of self-cooking might be added in the menu. The interior will be designed to facilitate the trendy atmosphere that appeals the young generation. The furniture did not have to be imported from Japan, hence cost saving.

Another diversified alternative is creating a separate dessert unit which is called " After Beni's". The name comes from the idea that people can come to have dessert after having main course from Benihana or Benihana Trendy. The ideal is the location of ' After Beni's' should be located as near as possible to Benihana, otherwise the name would not be quite suitable. The concept of this unit would also be the cooking show but the chef is not allocated at each table. The cooking show from chef will be set in the area that everyone can see, so the tables are not equipped with the hot stove. The dessert menu will be designed to incorporate the cooking show; for instance, the pancake, the fried ice-cream (mixing two or more ice-cream in one dish), and etc. As Japanese food culture is very delicate, the menu will be deliberately invented by design of Japanese chef. This also aims to attract younger generation as well as females segment. The decoration would be homely, but keep the trendy element.

By having these two new concepts, it is believed that Rocky can best utilize his resources and core competency. This would help him save costs. In addition, he can tailor these new products and services to the new market segments which he had not yet tapped into. This will provide the opportunity for him to expand his business or concentric diversification, which is believed to be less risky than conglomerate diversification which he had initially planned. It is believed that this would be a good investment and diversification plan for Benihana.

## **Action Plan**

For Benihana Trendy and After Beni's

### **Goals:**

To open Beni Trendy within 1 year with the budget of approximately around \$US 210, 000

To open After Beni's within 1 year with the budget of approximately around \$US 150, 000

This is from the assumption that to open up new Beni Trendy will cost 70% and After Beni's will cost 50% of set up cost for Benihana unit which is \$US 300, 000.

### **Actions:**

Market research

Define Five Ps of services

Procurers, (customers)

Product, (service concept)

Policies & Practice (operation strategy)

Place & Plant (service delivery system)

Providers (servers)Actual Construction of the site

Construction

Hire

The thorough concept is defined to serve the target market. Key factors are identified. 1. What products to sell. 2. What should the ambiance of the restaurant?

3. What should be on the menu

none

Define (Policies and Practices) Operation Strategy

Within 1 month

Rocky, Bill Susha, Allen Saito

Time

Concrete concept formed. Eg. The rules and regulations of the company that is accepted by all parties

none

## Finding (Place and Plant) Restaurant location

Within 2 months

Rocky

Time, connections with people, capital

To find the right location to have the restaurant and to negotiate and sign contract with the landlord.

none

## Design of the restaurant

Within 3 months however alternations could be made within the project period.

Rocky, Glen Simones and Interior Designer

Floor plan

To come up with the floor plan and interior design concept that fit the service concept

\$US50, 000

## Construction of restaurant

Within 3 months

External contractors

Time and finances

Find the right contractor and construct the restaurant

\$US120, 000

Find Suppliers

Within 2 month

Bill Susha and Allen Saito

Time

Found the best suppliers of the raw materials which the price reflects the quality

none

Hire staff

Within 2 months

Restaurant Manager

Time

To find the quality staff that match the culture of the restaurant.

none

Train staff

Within 1 month

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Restaurant manager

Time and finance

\$US 2, 000