

Benihana case essay



**ASSIGN
BUSTER**

Our suggestion to Benihana is to expand the target market and include a young generations as well as open new chain of family friendly restaurants. Gaining younger generations market could be accomplished by development of a mix of Japanese-Chinese quick cuisine restaurants/ food courts. Younger generation is very familiar with Chinese food, which is affordable, quick and tasty. Incorporating a Japanese twist to what is already widely accepted could be a refreshing idea and take a typical Chinese cuisine to another level.

Merging both cultures' cuisine together would help in gaining new customers, as the concept, the food would not be totally foreign and unfamiliar. Offering a delicious food that is quick, and affordable would be very appealing to the younger generation that is financially cautious and always on the run. Expanding the market and developing a family friendly chain would be another suggestion to grow and expand market share. It is a very " American" thing to dine with the family. As this type of restaurants is always in demand, going after this market could be another great Benihana success story.

Marketing to young people should be especially important to Benihana, because converting a young person into a loyal customer means steady income for years down the road. Eventually, almost all restaurant marketing will happen online as the younger generation takes over the majority of the market and baby boomers retire. That means restaurants that get ahead of the curve today stand to obtain rewards in both the short and long term. Base on the case, Benihana's relationship with the customer is: Discrete transactions and no formal relationship between Benihana and its customers.

It's not continuous because does not operate 24/7 like radio or police protection). Customization and Judgment in Service Delivery is high extent to which customer contact employees exercise judgment in meeting customers needs and high degree of customization. This is because since customer not only can choose different combinations of food but also how they want it to be done (steak medium, well, etc.) Nature of demand for the service relative to capacity is: peak demand met without major delay and narrow extent of demand fluctuations over time. Food at Benihana is prepared quickly and it takes no more than 45-60 min for customers stay.

Method of service delivery at Benihana is: Customers travel to service firm and the availability of service outlets at multiple sites. Benihana has a couple of locations over United States. Value Benihana, Inc. , operates as one of the largest chains of Japanese restaurants in the United States. The founder of Benihana, Inc. , was a 25-year-old Olympic wrestler from Japan named Hiroaki Rocky Aoki. He got his start in the restaurant business by working after school in his family's coffee shop in downtown Tokyo. His mother named the family business Benihana after a red flower that was growing next to the doors of family restaurant in Tokyo.

He felt in love with New York when he came on a tour with his wrestling team. That fall he left Japan for the United States. In 1964, Aoki graduated from New York Community College's School of Hotel and Restaurant Management. During the summer he earned money driving the only ice cream truck in Harlem. He managed to save \$10, 000 during the summer, and borrowed another \$20, 000, which was enough to start his first restaurant, Benihana of Tokyo. Aoki's concept for his new restaurant, derived

from specialty restaurants he knew of in Japan, was part entertainment and part foodservice (learning curve).

He wanted to offer Americans food with which they were familiar, such as chicken, steak, and shrimp, prepared in a novel setting. He chose the teppanyaki table, a stainless steel grill surrounded by a wooden eating surface, where customers could watch a knife-wielding, joke-telling chef prepare and serve their food. Within six months after the review the restaurant had paid for itself, and Aoki quickly opened another restaurant in a larger, fancier building (linkages, cap. utilization).

The new location provided the same teppanyaki-style cooking but was decorated with valuable art, Samurai armor, eavy wooden ceiling beams brought from Japan by Aoki's father, and sliding Shoji screens to provide some privacy. In the restaurant industry, customers have strong power to decide which restaurant to visit, and what restaurant needs to do- is to attract those customers. Benihana uses three methods to attract customers. First is the exotic atmosphere with great taste of Americanized exotic food which introduces a new food culture into the market. Second is its unique experience when dining, including cooking as performing, great services and also ways of preparation. Last is the location of restaurant always has high flow of people.

These three factors has strong impacts on the customers when considers restaurant of interest. As it is shown on survey, people are satisfied with their experience and majority of customers are returning (learning curve, cap. utilization). Different from other oriental restaurant, Benihana has

limited its menu to four main courses, which its materials are extremely easy to find in United States, and this act has limited the supplier's power (cap. utilization). This is very helpful for the stability of the restaurant and the further development of Benihana without worrying about raw materials.

The Benihana concept combined reasonable prices with good food and, by preparing what was eaten right at the table, held waste to a minimum (eco. of scale). Profits were good, and, in 1968, Aoki opened his first Benihana of Tokyo outside New York City—in downtown Chicago (cap. utilization). That location made \$700, 000 in its first year and continued to be one of the company's top-earning outlets. Benihana has several operation advantages: first, by eliminating the need for a conventional kitchen with hibachi table arrangement, the restaurant keep labor cost low, while providing attentive service (cap. tilization, learning curve). Second, the dining space was increased (cap. utilization). Third, by reducing the menu to three simple Middle American entrees, the restaurant solved the problem of food storage and wastage (cap. utilization, learning curve). Benihana now has a chain of 15 units across the country. Nine were company-owned and five were franchised. The decision to stop franchising was made because franchise investors are novice and they have problems relate to native Japanese staff. It is also more difficult to maintain control over the franchisee (learning curve).

Benihana also included the bar/lounge in the restaurant. The sales of beverages accounts for 30%-33% in the Benihana East. Benihana choose business location with high traffic. There are around 30 orient employees in each unit. Benihana took a paternal attitude toward all its employees which

results in a low turnover rate of staff. Benihana was able to develop a high profit margin mainly through reduced menu selection and labor costs.. The menu at Benihana was designed to reduce waste and food costs (30% to 35 %) by keeping the menu simplified to steak, chicken and shrimp.

The overall concept was to lower cost and bring a unique, fast paced strategy of operations. The 70/30 split is in line with typical restaurants for totals sales. Food costs were lower by approximately 10% (eco of scale). The majority of savings found in a Benihana in payroll and management salaries is 14-16%. This was due to the fact that the chefs were in essence the servers, which cut out a large portion of the extra wait staff and runner functions found in the typical restaurant. Management was limited to one manager, one assistant manager and a few front men who were in training for management positions.

Reducing “ unused space” by cooking at the table eliminated the need for full service kitchens that take up space that is not filled with customers. This allowed Benihana to increase the bar and lounge areas. Benihana recognized this as a key money making area; this area proved to be a profitable asset for Benihana as it produced an 80% margin on beverage sales (learning curve, cap. utilization). Rent costs were not a significant cost savings, although Benihana rent costs were in the low range of rent costs for a typical restaurant.

Benihana ensured that bonus incentives were available to all employees. This is not normally seen in a typical restaurant where management may receive bonus incentives but they would never be spread throughout the

organization down to the wait staff. Introducing sale budgets and goals set up Benihana incentive system. Financial controls and budgets in place allow Benihana to pay bonuses across a single unit from management through to servers and chefs. Benihana was not about saving in all areas. Compared to typical restaurants Benihana spends 5 times more in advertising.

A typical restaurant spends 1-2% of revenue in advertising. Rocky consider creative advertising and public relations vital to the success of business. They invested 8%-10% of gross sales on advertising. Benihana restaurants also paid more for the authenticity of the restaurant. Associated with the start up costs of a Benihana restaurant is the certification of becoming a master chef. This training instills the intangible asset of the knowledge needed for Benihana (learning curve). Also associated with the start up costs of a Benihana restaurant are the authentic artifacts imported from Japan.

The cost of importing these artifacts and building materials adds to the startup costs of a Benihana. The concept of Benihana is redefined success and differentiated itself from the typical restaurant norm when it introduced its totally new concept of “entertainment” dining to the restaurant scene. At its introduction, this concept was one of a kind. Benihana provided an exotic and authentic atmosphere by transposing Japanese concept into American culture. It capitalized on Americans love of the steak house but with an added difference, the food is cooked in front of the customers, which leads to a “live” and “exotic” show.

Benihana removed the American “distrust” of exotic foods and eased customer fears with hibachi style food preparation in front of the customer.

Benihana strived to design its restaurants to maximize profit potential. The use of hibachi table arrangements eliminates the need for a kitchen and therefore expands the actual seating space for customers for dining and lounge area. The tables were set up for 8, causing different parties to sit together at one table, something that differed from the typical restaurant scene, which encouraged the social appeal of this style of dining.

Benihana recruited a staff from Japan to highlight the Japanese culture. Chefs are high skilled with years of practice and training, and can perform great Japanese culinary entertainment. Keeping with the need for authentic hibachi cooking the decor was as authentic as possible to showcase the Japanese culture to the American people, Benihana used building materials: walls, ceilings, beams artifacts and decorative lights straight from Japan. Even the carpenters constructing the restaurants were Japanese. Future expansion is the company's biggest concern.

They are constrained by availability of staff since they need lots of Asian servants in the restaurant. They also concerned about the cost factor. Thus the firm is considering secondary markets as those smaller units offer fewer headaches and generate nice profits. The firm is also considering going public, but they have to consider the amount of control and autonomy they have to give up when going public. They are also having overseas expansion mainly in the form of joint venture. Benihana has signed agreement to open up branches in Toronto, Mexico city and Britian.

They have also entered into agreement producing Benihaha food products under retail sales. The firm is also expanding its customer group by

appealing to the younger generation. Quick service seemed to be a good test out idea. Value stream Benihana of Tokyo has many unique qualities that make it extremely profitable and very efficient. The processes used in running the business are like that of no other restaurants. They ensure that quality control is to the maximum level possible and that the profit and value of the company is never diminished and always profitable.

The intricacies of the business operations are what make the value in the company evident and vital to the ability of the company to have capacity utilization. Without the specific steps of the Benihana process, Benihana of Tokyo would be unable to be such a popular and successful business as it has been in the past and will continue to be in the future. The method adapted to Benihana by the founder, Hiroaki (Rocky) Aoki, which was adopted from his father's chain of restaurants sets the tone for the Benihana known today.

These steps are what led to the opening of several Benihana restaurants throughout the world and to the expansion that the restaurant has had within different sectors of the food industry. The value of the company began with the creation of the original Benihana of Tokyo restaurant in Japan, by Yunosuke Aoki, in 1935. This Japanese restaurant chain would be vital in the creation of the chain that is ever so popular in the United States, as well as the rest of the world. The original Benihana was the restaurant that laid the groundwork for Rocky to build an empire of Japanese restaurants.

The way the business was operated by Rocky's father is what inspired Rocky to run his business differently than any other restaurateur had previously

done in any other conventional restaurant of the time. The concepts that the elder Aoki had brought to his restaurant inspired his son to not only borrow the concepts for his own use in the creation of his own Benihana, but also expand on these concepts and create his own concepts that would be added to the Americanized version of his father's restaurant, which in turn created extreme value for the business.

The adaptation and adoption of these concepts is what turned Benihana of Tokyo into such a "rock star" in the restaurant business and food industry. It also led to the imitation of the company, but unfortunately for them and fortunately for Aoki, the imitators were never able to truly grasp the true concepts implemented in the Benihana operation and service to its' customers. In 1958, due to increased cost and competition, Aoki integrated the Hibachi table concept into the dining operation and experience.

By doing so, the cost of operations decreased because there was now a lack of necessity for an extra workforce in the restaurant to run between the kitchen and dining hall. On top of decreasing costs (labor was 10-12% of gross sales), the hibachi tables added value to the restaurant as well as the Benihana customer experience. The newly earned value was due to the fact that now, more attention was provided and given to the customer by the specialized chefs. As there were no longer any servers, in the traditional sense of a restaurant, there was no longer a gap between customer and chef with the traditional kitchen layout. The chef was now directly in front of the customer to provide entertainment and a wonderful dining experience. This gave the customer an extra sense of appreciation from the restaurant as well as satisfying the customers' want for an excellent dining experience. A

customer that has a wonderful dining experience is a customer that is happy, and a happy customer is ideally a repeat customer, which is value added to the business.

The altered dining room not only allows for great entertainment, but also allows for maximum use of the space. Because there is no traditional kitchen, less space is occupied by large cooking machinery, such as ovens and stoves. The customers are seated at the hibachi table, which allows for the maximum number of tables to be introduced. In this case, the more hibachi tables there are, the more seating is available for the customers to sit, which means there are more orders being placed and more food being bought and sold.

By cutting the back of the house area by 8%, the dining room increased by 8%. This additional room for customers only adds value because it increases the revenue that the restaurant makes by being able to sit more people at any one given time, than they would if the kitchen was built in the traditional manner of a restaurant. Benihana also cut down portion sizes in order to get a faster customer turnover, because the faster the customer eats, the faster they leave and the faster they allow another customer to take their place.

The better the customer turnover, the more sales and revenue are generated. In utilizing the restaurant space as much as possible for positive return, Aoki had come to the decision to make the bar larger in each of his next two restaurants. By doing this more people could sit at the bar for a drink before lunch or dinner. An increased number of bar customers led to an increased number of revenue at the bar, which increased the profit made

overall. As well as increasing profit, more people could now wait for a table while another group finished their meals.

This was quite important because more customers could be seated while waiting. Because customer turnover was at most one hour, and there were several tables seated throughout the day at different periodic times, the wait time for a bar customer was very little. By the time the customer would finish with one drink, they could usually be seated and ready to eat.

Therefore there was a constant flow and cycle of customers and movement from bar to table to exit. Waste is also an issue in the restaurant business.

By implementing a limited menu of steak, chicken, and shrimp, Benihana is able to cut costs by 3-13%, which allows for a limited number of supplies necessary at any given time. This allows the restaurant to order fresh food on a routine basis and provide customers with the freshest food available, which adds value to the business. The value added by the cut of loss is also very important to running a profitable business, in any industry, but especially in the restaurant business, where regular loss of product can lead to the loss of thousands of dollars in a year, which can be quite significant to owners/investors.

Rocky felt that in order to keep with the tradition his father had set in the original Benihana of Tokyo restaurants, that the decor had to be as authentic as possible, and in order to be as authentic as possible, the decor had to be authentically from Japan and imported to the restaurant and built and put together by a crew of Japanese carpenters used by the elder Aoki in the creation of his Benihana years earlier.

The authenticity of the restaurant is extremely important in the creation of an excellent ambience for a customer that is entertained by the exoticness of another culture, which are the American customers and the Japanese heritage. Although this is an extra expense that may be seen as unnecessary by many, authenticity is something that makes for an excellent experience, and the extra expense may be well worth it because the experience given to the customer can ultimately create a repeat customer. In Aoki's case, the extra expense was certainly worth it because it helped in creating such a successful business.

Benihana also implemented different marketing tactics and increased value with an increased budget, as compared to other restaurants, for advertisements. By investing nearly 10% of its gross sales on promotion, Benihana succeeded in attracting different customers from different aspects of life. Although they were initially situated in a commercial area with plenty of foot traffic, and predominantly in business areas, the reach of the advertisements did make it to many other customers because they did not advertise in usual places restaurants would.

They also never used the word restaurant and based their attraction on the idea of the experience to be had while at Benihana. Along with the many value-added decisions made by Aoki, there are many others that may not have necessarily created value, but were necessary to bridge a gap between some of the other steps. For example, there were 30 plus oriental employees, which although adds to the experience, also adds to cost.

Because they were oriental, they were also specially trained to deal with mostly American customers, who are different from the Japanese customers. These specialized employees were treated very well and paid well. No added value, yet they are necessary for Benihana to work efficiently. Many of the servers also served as managers in training because they were trained for use as managers in the future, however because of the little employee turnover, the specialized training given to the employees was sometimes not necessarily actualized for many years.

In such case, employees must have continuing education, paid for by the restaurant, which although is not a loss is not necessarily value-added because to realize the value, several years must pass. Benihana also went into many different aspects of the business, which had not created any value as of yet but can create value in the future, such as the idea of mixing Japanese and Chinese cuisine and also having a line of frozen processed foods for mass sales.

These ideas can help to create an even larger empire of restaurants and create the value necessary to reach out to many other audiences. By also making attempts at spreading the business to other regions including suburbs and different countries, Benihana is making themselves more public than ever before. This allows them to reach a new customer base while still catering particularly to their original customers.