

# [Ruth’s and chris](https://assignbuster.com/ruths-and-chris/)

[Business](https://assignbuster.com/essay-subjects/business/)

Allen H. Kupetz and Professor Ilan Alon wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality. Ivey Management Services prohibits any form of reproduction, storage or transmittal without its written permission. Reproduction of this material is not covered under authorization by any reproduction rights organization.

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And I think that if you ever go into business, you better find something you really love, because you spend so many hours with it almost becomes your life.? Ruth Fertel, 1927-2002 Founder of Ruth's Chris Steak House In 2006, Ruth's Chris Steak House (Ruth's Chris) was fresh off a sizzling initial public offering (IPO). Dan Hannah, vice-president for business development since June 2004, was responsible for the development of a new business strategy focused on continued growth of franchise and company-operated restaurants. He also oversaw franchisee relations. Now a public company, Ruth's Chris had to meet Wall Street's expectations for revenue growth.

Current stores were seeing consistent incremental revenue growth, but new restaurants were critical and Hannah knew that the international opportunities offered a tremendous upside. With restaurants in just five countries including the United States, the challenge for Hannah was to decide where to go to next. Ruth? Chris regularly received inquiries from would-be franchisees all over the world, but strict criteria — liquid net worth of at least US$1 million, verifiable experience within the hospitality industry, and an ability and desire to develop multiple locations — eliminated many of the prospects.

And the cost of a franchise — a US$100, 000 per restaurant franchise fee, a five per cent of gross sales royalty fee, and a two per cent of gross sales fee as a contribution to the national advertising campaign — eliminated some qualified prospects. All this was coupled with a debate within Ruth's Chris senior management team about the need and desire to grow its international business.

So where was Hannah to look for new international franchisees and what countries would be best suited for the fine dining that made Ruth's Chris famous? She skipped several grades in grammar school, and later entered Louisiana State University in Baton Rouge at the age of 15 to pursue degrees in chemistry and physics. After graduation, Fertel landed a job teaching at McNeese State University. The majority of her students were football players who not only towered over her, but were actually older than she was.

Fertel taught for two semesters. In 1948, the former Ruth Ann Adstad married Rodney Fertel who lived in Baton Rouge and shared her love of horses. They had two sons, Jerry and Randy. They opened a racing stable in Baton Rouge. Ruth Fertel earned a thoroughbred trainer's license, making her the first female horse trainer in Louisiana. Ruth and Rodney Fertel divorced in 1958. In 1965, Ruth Fertel spotted an ad in the New Orleans Times-Picayune selling a steak house. She mortgaged her home for US$22, 000 to purchase Chris Steak House, a 60-seat restaurant on the corner of Broad and Ursuline in New Orleans, near the fairgrounds racetrack.

In September of 1965, the city of New Orleans was ravaged by Hurricane Betsy just a few months after Fertel purchased Chris Steak House. The restaurant was left without power, so she cooked everything she had and brought it to her brother in devastated Plaquemines Parish to aid in the relief effort. In 1976, the thriving restaurant was destroyed in a kitchen fire. Fertel bought a new property a few blocks away on Broad Street and soon opened under a new name, " Ruth's Chris Steak House,” since her original contract with former owner, Chris Matulich, precluded her from using the name Chris Steak House in a different location.

After years of failed attempts, Tom Moran, a regular customer and business owner from Baton Rouge, convinced a hesitant Fertei to let him open the first Ruth's Chris franchise in 1976. It opened on Airline Highway in Baton Rouge. Fertei reluctantly began awarding more and more franchises, in the 1980s, the little corner steak house grew into a global phenomenon with restaurants opening every year in cities around the nation and the world.

Fertei became something of an icon herself and was dubbed by her peers The First Lady of American Restaurants ‘ Ruth's Chris grew to become the largest fine dining steak house in the United States (see Exhibit 1) with its focus on an unwavering commitment to customer satisfaction and its broad selection of USDA Prime grade steaks (USDA Prime is a meat grade label that refers to evenly distributed marbling that enhances the flavor of the steak).

The menu also included premium quality lamb chops, veal chops, fish, chicken and lobster. Steak and seafood combinations and a vegetable platter were also available at selected restaurants. Dinner entrees were generally priced between US$18 to US$38. Three company-owned restaurants were open for lunch and offered entrees generally ranging in price from US$11 to US$24. The Ruth's Chris core menu was similar at all of its restaurants.

The company occasionally introduced new items as specials that allowed the restaurant to offer its guests additional choices, such as items inspired by Ruth's Chris New Orleans heritage. 1 In 2005, Ruth's Chris enjoyed a significant milestone, completing a successful IPO that raised more than US$154 million in new equity capital, in their 2005 Annual Report, the company said it had plans " to embark on an accelerated development plan and expand our footprint through both company-owned and franchised locations."

2005 restaurant sales grew to a record US$415. 8 million from 82 locations in the United States and 10 international locations including Canada (1995, 2003), Hong Kong (1997, 2001), Mexico (1993, 1996, 2001) and Taiwan (1993, 1996, 2001). As of December 2005, 41 of the 92 Ruth's Chris restaurants were company-owned and 51 were franchisee-owned, including all 10 of the international restaurants (see Exhibit 2).