

THE GREAT RESTAURANT SIMULATION

"A reality-based business simulation"

STUDENT BRIEFING

Background Information

Objectives

Congratulations! Your team now owns the Great Restaurant and must run it. This is one of the 5 (initially identical) restaurants in one geographical area of New Zealand. You are competing for business against these other restaurant businesses.

Your main goal is to maximize the shareholder value of the Great Restaurant over a 7 month period. You will make monthly decisions.

The business scenario encompasses a variety of decisions that will require you to analyse information, identify alternative courses of action, evaluate these alternatives and make the final decisions for your firm. These include marketing, sales, capacity for policy generation, and financing.

Ultimately your success will be determined by how well you promote your company as a good restaurant, offering good food at good prices with good service. "Good" is determined by the requirements of your customers. As in any business, for long-term success it is critical that you develop a coherent strategy, and prepare plans for the future.

As you take the reins, the **Great Restaurant** is a going concern. The Reports menu lists the reports showing the performance of your firm to date

Industry and Marketing Issues

Following extensive market research into the types of people who purchase meals, it has been concluded that the market may be broken into two key customer segments - A la Carte and Takeaway. Each month, up to 4% of the 30,000 population are potential customers of A la Carte meals and up to 4% of the 30,000 population are potential take away customers. This can increase or decrease depending on how active the competitors are and the current economic conditions.

Those seeking A la Carte tend to be in the 30 - 60 year age bracket and are somewhat sensitive to price but not too much. They do not read the newspapers much and if they do it is the regional papers that they read. They are moderately sensitive to service and attention and are very interested in good food.

Those who buy takeaway food are younger and will read the paper regularly. They are in the 20 to 40 age bracket and are more price sensitive than the A la Carte. They tend to read the local newspapers more than the regional and are not so sensitive to food quality and service. This information on the price ranges, segment sizes and sensitivities is available in the table below.

Segment	Potential Monthly Sales (split among the 5 businesses.)	Price Sens'ty	Range of Meals	Ad Sens'ty	Service Sens'ty	Quality Sens'ty
A la Carte	1285	Med/High	Med	Med	High	High
Take away	1350	High	High	High	Med	Med

Starting Conditions (in the month before you take over)

Your Financial Position

The current position and performance of the Great Restaurant is given approximately in the table below.

Position (\$ k)		Performance (\$ k)	
Assets	30.5	Revenue	24
Liabilities	5	Costs	23.5
Equity	25.5	Profit	0.5

The assets are mainly cash and the liabilities are short term overdraft due to trading and long-term loans. The latter is a separate decision described later under funding.

Decisions

A la Carte Decisions

You need to decide two things with regards to A la Carte meals.

- The range of meal options available – **only in full version**
- The average price of each option.

Take away decisions

You need to decide two things with regards to Takeaway meals.

- The range of meal options available – **only in full version**
- The average price of each option.

Advertising Decisions

Each month, the business has a budget of up to \$4,000 to invest on advertising, split between A la Carte and Takeaway. This can be split between 2 different newspapers, and you can choose to invest from zero to \$1,000 in each newspaper on line of business. If you invest in advertising, then the amount of products you can sell increases. There are two types of advertising available. One is in the regional newspaper, called the Happy Herald, and the other is in the local suburban rag, called the Common Courier. The effectiveness of the different media channels in reaching the segments is given in the table below.

Meal Type	Happy Herald	Common Courier
	Coverage	Coverage
A la Carte	50%	30%
Takeaway	30%	40%

Market Research

You can buy competitive market research which will allow you to better understand your competitors. This costs \$2500 per month.

Capacity Decisions

The current number of people employed by Great Restaurant is 3 – one cook and one waiter for A la Carte, and one Takeaway staff who does both the cooking and the service. Each person has 160 hours available per month and is operating at 80% efficiency at the beginning of the simulation. The number of hours to sell and service a meal is given in the table below.

Meal Type	Cook (hrs/person)	Service (hrs/person)	Ingredient cost (\$/meal)
A la Carte	.10	.12	4
Takeaway	.07	.03	2

Hiring and Firing Staff

Given the financial position of the business now, and the business forecasted, you need to decide if you will bring on new staff. You may bring on cooks, waiters or Takeaway staff in any combination, but only a maximum of 1 person of each type (cooks, waiters or takeaway) may be hired or fired in each month. They all contribute immediately from when they are hired to the level that they are trained, and training is described in the section below.

Salary, Training, and Food Quality

You may determine the salary of each type of employee. Each month, the business has a budget of up to \$1,000/person to invest in training and best practice. If you invest in training and best practice, then the skills of your people increase.

- You may invest in training of the cooks, which will result in better quality food for A la Carte.
- And you may invest in training of the waiters, which will result in better service for A la Carte.
- You may invest in the training of Takeaway staff which will result in both better quality food and service for Takeaways.
- You may invest in the quality of the basic ingredients of each type of meal. This will increase its cost but also its quality.

Funding Decisions – only in full version

The bank will provide a long term loan of up to 50% of your last year's profit. This is charged at an interest rate of 10% per annum and may be paid back if you have sufficient assets. If you are not able to fund your current operations, the bank will fund your overdraft but at a rate of 22% per annum.

Scoring

Running a business is about providing a good return to shareholders (the owners). This is done by providing value to all stakeholders (all those who are impacted by it in some way, such as customers and employees). Your overall score will be determined by the profit that you make over the 7 months.

Next Steps

Rather than spend too long thinking, get into some planning, and put in your best ideas on the Strategic Planning sheet. You have some flexibility in the first two periods to set price and then it becomes more difficult to change this. You can test your decisions and results using the Current Projections section, and you may also test a longer term strategy by rolling over in Offline mode before you save your decisions to the server. Learning by doing is the quickest and most enjoyable way to learn.

Good luck! Now let the competition begin!

PLANNING TEMPLATE (Write down your plan here and then also in the Strategy Template in the Sim.)		
		Plan
A la Carte Decisions	<ul style="list-style-type: none"> The number of meal options available The average price of each option. 	
Take away decisions	<ul style="list-style-type: none"> The number of meal options available The average price of each option. 	
Advertising Decisions	Spend on <ul style="list-style-type: none"> Happy Herald Common Courier 	
Market Research	<ul style="list-style-type: none"> Market research on competitors is available 	
Capacity Decisions	<ul style="list-style-type: none"> How many Takeaway staff? How many cooks? How many waiters? 	
Salary	Wage rate <ul style="list-style-type: none"> For Takeaway staff For cooks For waiters 	
Training	<ul style="list-style-type: none"> Better quality for Takeaway Better cooking quality for A la Carte Better service quality for A la Carte 	
Ingredients	<ul style="list-style-type: none"> You can choose the quality of the ingredients 	
Funding Decisions	<ul style="list-style-type: none"> How much loan(s)? 	