
THE MONGOLIAN GRILL

Tim Silk prepared this case under the supervision of Professor John Haywood-Farmer 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.

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In May John Butkus, owner of the Mongolian Grill restaurant in London, Ontario, was considering a major design decision for his second restaurant in Waterloo, Ontario. Although the first Mongolian Grill had been successful, Mr. Butkus was considering changing the preliminary design of the Waterloo location to increase its capacity and serve customers more quickly. Because he planned to open the Waterloo location on July 1, he had to finalize his operations decisions without delay.

TRENDS IN THE RESTAURANT BUSINESS

The restaurant business was extremely competitive. Customers were beginning to look for dining experiences that were entertaining and unique rather than simply providing good food. Restaurants with traditional themes struggled to keep up with the increasing demands of customers. Many restaurateurs began searching for unique concepts to satisfy those in search of something original. Trends seemed to indicate that customers wanted quality ingredients, healthier food offerings and a variety of choices. They wanted value and were unwilling to pay inflated prices. A comfortable atmosphere and an accessible location were also important to customers.

THE MONGOLIAN GRILL CONCEPT

The Mongolian Grill was based on four features: an entertaining and interactive atmosphere, fresh and healthy food ingredients, unlimited food quantities, and customer involvement in meal preparation. Customers at the Mongolian Grill were involved directly in preparing their meals at three stations in the food preparation area: the food bar, the sauce, oil and spice bar, and the cooking station. Exhibit 1 shows the floor plan of the London Mongolian Grill.

Immediately after entering the restaurant, customers were seated. A member of the serving staff explained the concept to first-time customers and took drink orders. Customers then made their way to the food preparation area. Customers selected meat and vegetables from the food bar and placed them into a small bowl. They then moved to the sauce, oil and spice bar where they added sauces, oil and spices to their

bowl of food. Lastly, they moved to an available space along the counter of the cooking station where they handed their bowls to a cook working around the large, circular (two-metre diameter) iron grill equipped with a vent hood. Once the cook had finished cooking the order, he or she placed the food in a clean bowl and handed it to the customer. Customers then returned to their seats. In the meantime, servers had brought the ordered drinks as well as warm tortilla bread and rice to complement the meal.

Customers paid a single price for the food — drinks were extra; they could return to the food preparation area as many times as they wished. Dinner was priced at \$23 per person; the average bill per person, including drinks, was approximately \$30 before tax. The restaurant's profit margin was approximately 50 per cent. The cooking station was the social centre of the restaurant where customers could share their recipes and food combinations while being entertained by the cooks who wielded long, wooden "Mongolian cooking sticks" to move the food around on the grill.

OPERATIONS AT THE LONDON MONGOLIAN GRILL

The London restaurant, with a seating capacity of approximately 130, was in Richmond Row, a popular downtown shopping and restaurant district in a city of some 350,000 people. Although many of the tables were for two people, it was easy to move tables together, if necessary, to form larger tables. The Mongolian Grill did not take reservations and was usually at full capacity on Thursday, Friday, and Saturday nights, especially during the busiest dinner hours of 6:00 to 10:00 p.m. The restaurant was open from 11:00 a.m. to 11:00 p.m. seven days per week. Although Mr. Butkus was pleased with the restaurant's popularity, he was concerned with how long customers had to wait in line at the food preparation area when the restaurant was full. He decided to observe the food preparation area and record how long it took customers to go through the three stations and return to their tables. Mr. Butkus recorded two sets of observations: on a Wednesday night when the restaurant was about half full and customers did not have to wait in line, and again on a Saturday night when the restaurant was full and customers had to wait in line. He timed three randomly chosen customers each night and then averaged the results. The variation between customers on each night was small. Exhibit 2 shows the averages for both sets of observations.

Mr. Butkus also observed that the average customer made three trips to the food preparation area during dinner, and, that on busy nights, the average group of four to six people spent 90 minutes at the restaurant from being seated to departure. The restaurant turned away many potential customers on busy nights. Mr. Butkus believed that, by either adding seating capacity or finding a way to serve customers more quickly, he could seat more customers over the duration of the evening, thus increasing sales.

One possible way to reduce the time for an average group to eat dinner was to expand the food preparation area so that customers would spend less time in line. Mr. Butkus calculated that if he could reduce each group's dinner time by fifteen minutes, each table could seat four groups of customers rather than three during the busy 6:00 to 10:00 p.m. dinner period. Although a lack of available space made changes to the London operations impractical, the operations at the new Waterloo location had yet to be finalized. Mr. Butkus saw this as an opportunity to avoid the same problem in Waterloo.

OPERATIONS AT THE WATERLOO LOCATION

The Waterloo restaurant would seat 190. Waterloo was at the northern edge of a growing metropolitan area comprising the adjacent cities of Waterloo, Kitchener and Cambridge and surrounding areas. The

population within 40 kilometres was about 560,000. Mr. Butkus estimated that the Waterloo Mongolian Grill would likely turn away 20 to 30 people on Thursday nights, and 30 to 40 people on Friday and Saturday nights if he could not reduce dinner times. Seating additional customers would lead to additional sales revenues and higher profits. Exhibit 3 shows Mr. Butkus' initial floor plan. However, he was considering two major changes to it: adding a second food preparation area, and moving the location of the cooking grill. Exhibit 4 shows the floor plan of the Waterloo restaurant with the proposed design changes.

Adding a Second Food Preparation Area

Customer waiting time might be reduced by having two food preparation areas located close to the grill so that customers would not have to wait in line for a single food preparation area. Adding a second food preparation area would require the installation of a second food bar and a second sauce, oil and spice bar. The food bar would cost \$6,400 including installation. The sauce, oil and spice bar was somewhat smaller and would cost \$4,200 including installation. This option would require one additional kitchen employee to work an eight-hour shift on Thursday, Friday and Saturday nights to keep the additional food preparation area stocked and clean. Kitchen staff cost \$16 per hour (including benefits); they sometimes received a portion of the tips.

Mr. Butkus estimated that adding a second food preparation area would save approximately 90 seconds per trip for customers waiting in line at the food bar, and 80 seconds per trip for customers waiting in line at the sauce, oil and spice bar. He also estimated that because there would be fewer people at each station, customers would save approximately 60 seconds per trip selecting items from the food bar, and 30 seconds per trip selecting items from the sauce, oil and spice bar.

Although Mr. Butkus was confident that two food preparation areas would reduce waiting and item selection times, he was concerned that customers might be confused by the layout and not know where to go. He commented:

I've noticed in other restaurants that when you have a choice between two food bars, the natural thing for people to do is to stand there trying to decide which one to go to. I'm worried that people entering the food preparation area will create a bottleneck because they are standing still and trying to decide where to go. We might reduce the time customers wait in line, but if they take longer to get to the food bar, it defeats the purpose.

Mr. Butkus was unsure whether this would be a major problem and wondered what he could do to prevent it from happening.

Moving the Cooking Grill

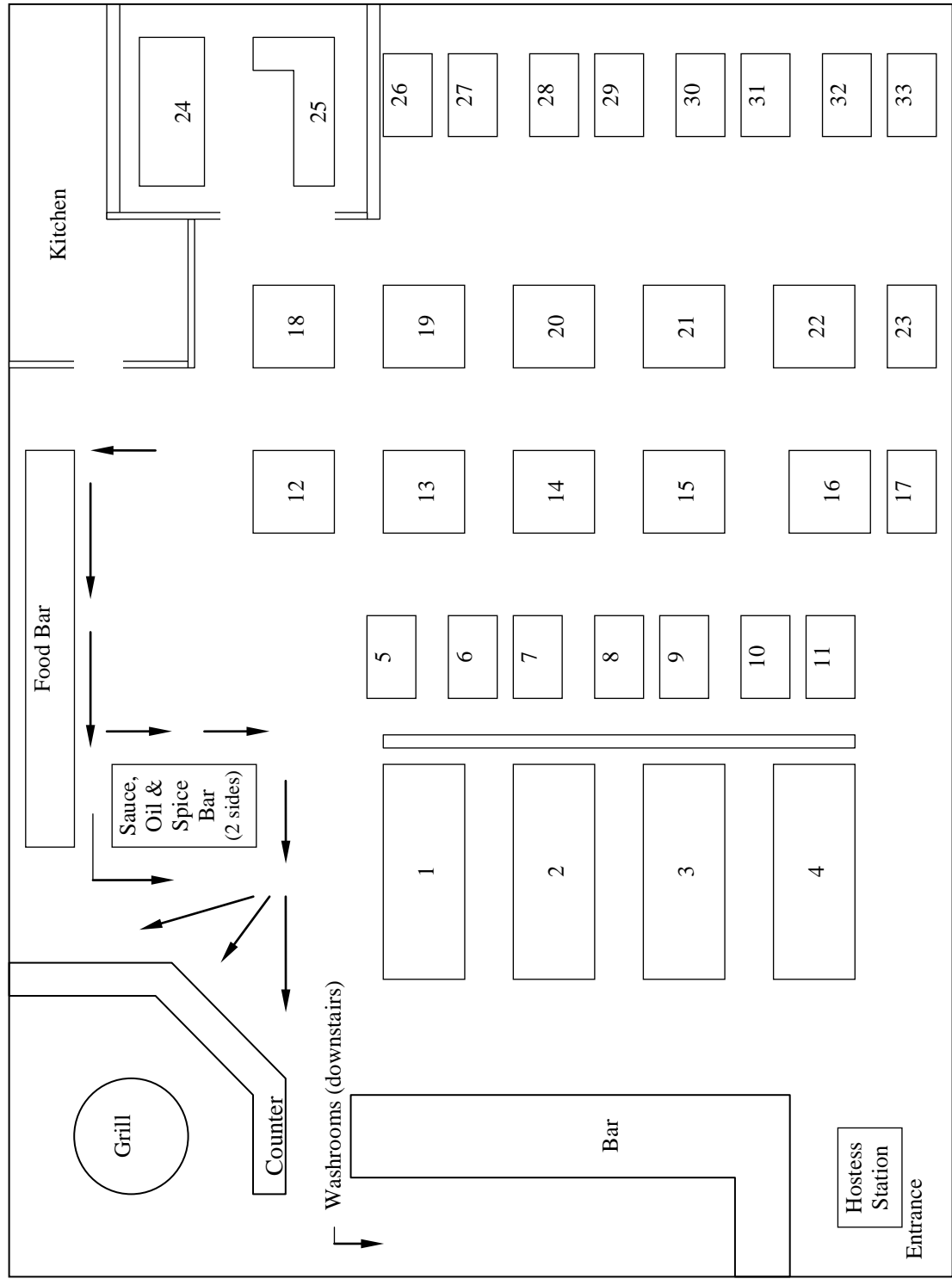
Mr. Butkus was also considering moving the cooking grill from the corner to a more central area inside the restaurant which would increase the counter space around the grill. Mr. Butkus estimated that this move would save customers 80 seconds per trip waiting for an open space along the counter of the cooking station. Because this would increase the capacity of the cooking area, an additional cook would be needed during busy periods. Although the grill itself would not be a capacity constraint, because of the heat, working around the grill was very tiring. To alleviate this problem, two cooks would work in 30-minute

intervals to cover a single five-hour cooking shift. Both cooks would be paid \$24 per hour (including benefits) plus tips for the five-hour shift. The cost of the additional counter space would be \$1,200.

THE DECISION

Mr. Butkus looked over the blueprints of the Waterloo restaurant and considered his options. He was unsure whether one, both or neither of the options would be feasible. His objective was to decide on a design that would optimize the restaurant's profitability without compromising the dining experience of his customers.

Exhibit 1
FLOOR PLAN OF THE LONDON MONGOLIAN GRILL



→ Arrow shows flow of customers in the food preparation area.
Diagram approximately to scale.

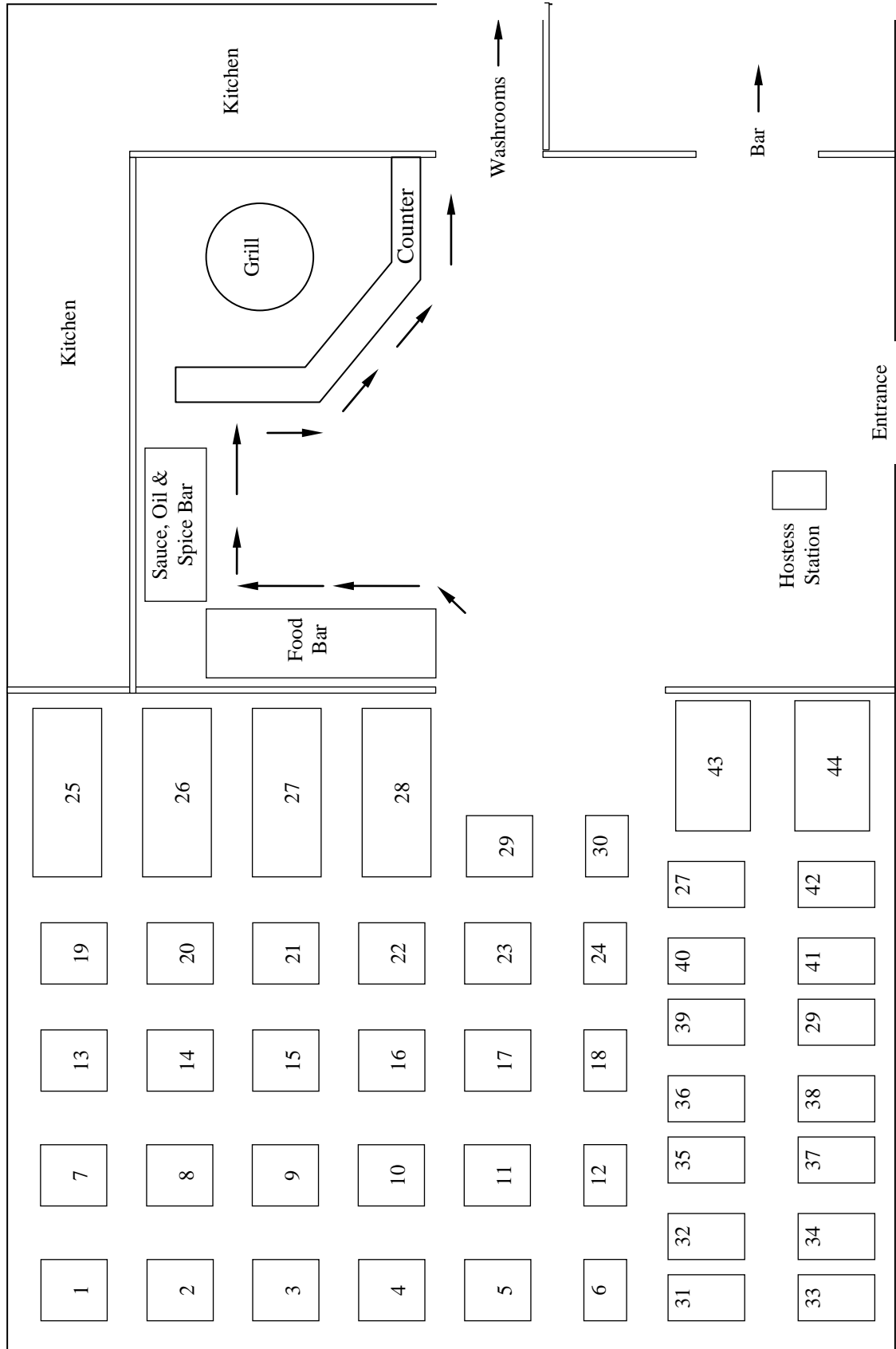
Exhibit 2

CUSTOMER THROUGHPUT TIMES IN THE LONDON MONGOLIAN GRILL FOOD PREPARATION AREA¹

<u>Area</u>	<u>Description</u>	<u>Wednesday Night (half full) Time (sec)</u>	<u>Saturday Night (full) Time (sec)</u>
Tables	Customer walks from table to food bar	12	25
Food bar	Customer waits in line at food bar	0	106
Food bar	Customer takes bowl, adds selected items from food bar to bowl	88	161
Between stations	Customer walks from food bar to sauce, oil and spice bar	3	12
Sauce, oil and spice bar	Customer waits in line at sauce, oil and spice bar	0	94
Sauce, oil and spice bar	Customer adds selected sauces, oils and spices to bowl	62	99
Between stations	Customer walks from sauce, oil and spice bar to cooking station	3	10
Cooking station	Customer waits for open space at cooking station counter	0	80
Cooking station	Customer gives bowl to cook, watches as food cooks on grill	245	246
Table area	Customer receives bowl of cooked food and returns to table	<u>15</u>	<u>33</u>
Total time for a single trip		428 (7:08 min)	866 (14:26 min)
Total time for three trips ²		1,284 (21:24 min)	2,598 (43:18 min)

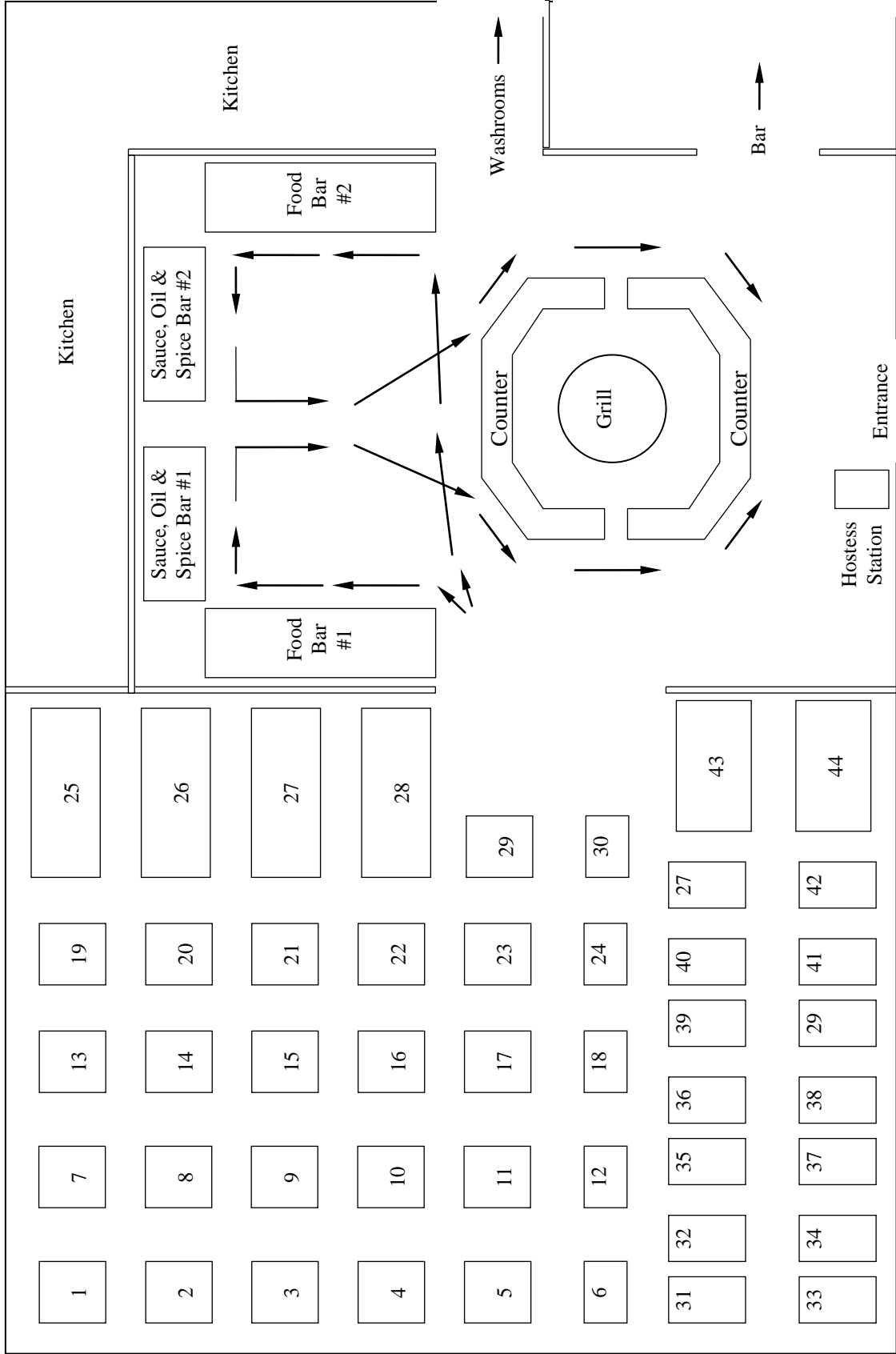
Source: Company files.

Exhibit 3
INITIAL FLOOR PLAN OF THE WATERLOO MONGOLIAN GRILL



→ Arrow shows flow of customers in the food preparation area.
Diagram approximately to scale.

Exhibit 4
FLOOR PLAN OF THE WATERLOO MONGOLIAN GRILL WITH THE PROPOSED DESIGN CHANGES



→ Arrow shows flow of customers in the food preparation area.
Diagram approximately to scale.