

**NORTHERN ILLINOIS UNIVERSITY**

**Strategic Audit for The Lincoln Inn Family Restaurant and Bakery**

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**Management**

**By**

**Danielle Nicolle Harris**

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Student Name (print or type) Danielle Harris

Faculty Supervisor (print or type) Bert Sharp

Faculty Approval Signature 

Department of (print or type) Management

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## **HONORS THESIS ABSTRACT THESIS SUBMISSION FORM**

**AUTHOR:** Danielle Nicolle Harris

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**ADVISOR:** Professor Bart Sharp

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### **ABSTRACT:**

The purpose of my Honors Capstone was to conduct a Strategic Audit for Lincoln Inn Restaurant. This project was in conjunction with the MGMT 468 Strategic Management course and Professor Bart Sharp served as my faculty advisor. My goal was to analyze Lincoln Inn's current position relative to its competition, conduct an environmental analysis on the restaurant industry, and make recommendations on how to move Lincoln Inn forward. Research methods included surveying 200 NIU/Kishwaukee students and faculty, Lincoln Inn employees, and managers of Lincoln Inn's competitors. My recommendations are surrounded around Bill's objectives for the restaurant as well as the four functional areas of business: marketing, operations, human resources, and finance. The overall recommendation was to convert Lincoln Inn's current focused differentiated strategy into an overall cost leader that targeted a broader market.

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## **Executive Summary**

My Honors Capstone focuses on conducting a strategic audit for The Lincoln Inn Family Restaurant and Bakery located in DeKalb, Illinois. Professor Bart Sharp served as my faculty advisor for this project and the owner, Bill McMahon, was my main point of contact for Lincoln Inn. This project is in conjunction with my Strategic Management class which is a Capstone course for the College of Business. The purpose of this audit is to characterize the position of Lincoln Inn compared to its competitors, evaluate the current strategies being pursued, and make recommendations on how to move the restaurant forward. I was responsible for analyzing and addressing specific issues and proposing solutions that fit best with Bill's objectives and goals for Lincoln Inn. I conducted external benchmarking, interviewed managers of restaurants that are Lincoln Inn's competition, and surveyed 200 students and faculty to support my recommendations. In order to address issues with Lincoln Inn from all spectrums, my recommendations will cover the four functional areas of business: marketing, operations, human resources, and finance.

Lincoln Inn currently has a focused strategy which appeals to a narrow market segment in DeKalb, the Baby Boomers and Generation X'ers. Lincoln Inn is well known in the local community and tries to differentiate themselves by offering reasonable priced meals and great customer service. Unlike their competitors, Lincoln Inn also delivers meals on foot to customers who are in close proximity of the restaurant. This caters perfectly to the older generation who may be willing, but unable to physically come to the restaurant. Lincoln Inn's strategy proved to be successful when they received the award for the Business of the Year in 2012 from the DeKalb Chamber of Commerce. However, due to Bill's plans of opening a banquet/conference facility next year and the new restaurants that have opened in DeKalb, Lincoln Inn needs to alter its strategy in order to adapt to its environment.

My recommendations will be surrounding an overall cost leadership strategy and around the objectives Bill has for Lincoln Inn. These recommendations will help Lincoln Inn expand their market segment, reduce costs, and assist Bill in making the transition into opening the banquet facility next year.

Based on the findings and conclusions of my strategic audit, I recommend the following for Lincoln Inn:

### **Marketing**

- Tap into the Northern Illinois University student and faculty market segment

### **Operations**

- Change restaurant hours to accommodate a broader market
- Create standardized recipes for all meals on the menu in order to reduce food costs

### **Human Resources**

- Create written job descriptions for all positions in Lincoln Inn
- Create standardized HR processes and remain consistent (performance reviews, interviews, etc.)

## **Finance**

- Increase menu prices by 8.25% for the most popular menu items and 7.5% for the less popular items
- Micromanage Prime Costs (food and labor) in order to reduce by 9%

## **Introduction**

### **Lincoln Inn Background**

The Lincoln Inn Family Restaurant and Bakery has been serving DeKalb since 1994 and is owned by Bill and Joy McMahon. Lincoln Inn serves breakfast and lunch Monday-Friday from 5:00 a.m.-3:30 p.m. and Sundays from 6:00 a.m.-3:00 p.m. Lincoln Inn also offers catering services to businesses and events throughout the DeKalb/Sycamore area. The restaurant also has a banquet room for parties and meetings that can fit up to 50 people. Lincoln Inn also maintains a sense of social responsibility to the community by partnering with 'Feed My Starving Children' to donate money for children in need. From the Lincoln Inn Special, to their All American, Lincoln Inn is popular in the downtown area of DeKalb and is the ideal place for locals. In 2012, Lincoln Inn was given the Business of The Year Award for demonstrating the following:

- Demonstrating excellence, ethics, and integrity in their business dealings
- Having a proven track record of sales growth and job creation
- Being respected by both customers and employees
- Strong community involvement

### **Audit Objective and Scope**

The purpose of my project was to conduct a strategic audit for Lincoln Inn and extend recommendations to Bill on how to move his restaurant forward. I met with Bill at the beginning of the semester in order to narrow down the scope of my project. After speaking with him, I realized that I had a variety of options I could choose for my project. Bill has plans on opening a banquet/conference facility next year that will be positioned much differently in the restaurant industry than Lincoln Inn. This could have been a topic for me to focus on, but I wanted to work on something that was already up and running. Lincoln Inn is comprised of dining (70%) and catering services (30%), but I focused more on the dining portion since that is the majority of the business. My recommendations are mainly surrounding Lincoln Inn, but I do take into account Bill's plans on the new facility because this will have an effect on Lincoln Inn. More importantly, my recommendations are in conjunction with Bill's personal goals as a restaurant owner and what he envisions for Lincoln Inn.

Bill's goals for Lincoln Inn and as a restaurateur include:

- Providing an enjoyable dining and catering experience to all customers
- Creating a healthy working environment for his employees
- Increasing Lincoln Inn revenue to \$1 million annually (currently at \$750,000)
- Reducing prime costs (food and labor) from 74% to 65%
- Beginning operations at the new banquet/conference facility

### **Sources and Methods**

The main sources I used to gather my internal analysis information were Professor Sharp and Bill McMahon. Professor Sharp taught me how to take what I was learning in his class and apply it to a real life business scenario. I also referred to my Strategic Management textbook to decipher which strategy Bill was using for Lincoln Inn and whether or not it was efficient moving forward. Bill also provided me with everything I needed to know about his business and his thought process behind many of his decisions. Externally, I used the National Restaurant Association to gather data on the restaurant industry. I also used the Occupational Information Network (O\*NET) to research standard job descriptions that are similar to what Bill needs for his positions at Lincoln Inn. I also contacted the City of DeKalb to get information specifically on restaurants in DeKalb and how their taxes contribute to the city's income. Finally, I conducted external surveys with 200 students and faculty in DeKalb about their most frequently visited restaurants for breakfast and lunch. This was crucial because I wanted to determine how well-known Lincoln Inn's brand and reputation was specifically in the NIU market segment.

### **Audit Findings**

#### **Restaurant Industry Background**

The restaurant industry is a \$660.5 billion industry that employs 10% of the entire workforce according to the National Restaurant Association (NRA). The restaurant industry is one of the largest and most unique fields in the United States and it will continue to grow as the economy recovers from the recession. Restaurants took a toll for the worst when the recession began in 2007 and it is just now beginning to recuperate and owners are beginning to see a profit again. Consumers were trying to minimize costs wherever possible and eating out was one activity they could easily eliminate. Independent restaurants received the most loss in restaurant visits at 87% opposed to restaurant chains that were able to weather the storm. However, as the 1<sup>st</sup> quarter of 2013 comes to an end, the restaurant industry now has 4% of the U.S. Gross Domestic Product (GDP) and 980,000 locations serving millions of Americans daily.

More specifically to Illinois, the restaurant industry provides the state with enormous tax revenue and creates jobs for more than 517,000, which is 9% of the employment in the state. Additional Illinois statistics from the NRA include:

- Restaurants are projected to make \$21.7 billion in sales in 2013
- There were 25,193 eating and drinking places in 2011
- For every \$1 spent in restaurants, an additional \$1.23 is generated in sales for the state economy
- For every \$1 million spent in restaurants it creates an additional 24.8 jobs for the state

#### **Restaurant Industry Environmental Analysis**

##### *Trends that Affect the Restaurant Industry*

##### **Demographic Trends.**

One of the key demographic influences on the restaurant industry is the increased need to have kid menus and meals that are portioned specifically for children. There has been constant pressure on restaurant chains to provide healthy options for children such as sliced apples instead of french fries with every meal. This will help reduce the overgrowing obesity rate in the United States. According to the National Health and Nutrition Survey, approximately 12.5 million children and adolescents ages 2-19 are obese. Restaurants are doing their best to try and contribute to reducing this high obesity rate. In 2011, the NRA launched an initiative called, "Kids LiveWell" that provides children and parents with healthy food options when dining out. Over 15,000 restaurants and 19 chains have agreed to participate in the campaign to get eating back on the right track for children. Lincoln Inn does have a kid's menu, but they do not have a specific section labeled healthy eating options so customers are aware of the food's nutritional information.

Another trend is the growth of the minority population in the United States. Specifically, more Asians and Hispanics are entering the U.S. which is creating a higher demand for ethnically diverse foods with an emphasis on spicy flavors. Traditional American restaurants are beginning to adjust their menu styles and entrées to cater to this expanding market.

Finally, the Millennials and Baby Boomers have influenced the restaurant industry as well. As the Baby Boomers continue to die off, Millennials will replace them as the top market that restaurants are trying to target. Restaurants are offering a greater variety to meet the Millennials' interests. Baby Boomers contribute to the sales of coffee, seafood, and breakfast foods while Millennials enjoy items that can be purchased and eaten on the go as quickly as possible.

This demographic information is pertinent to Lincoln Inn because the majority of their customers are Baby Boomers and Generation X'ers. They are catering to a dying market and neglecting the customer segment that is continuing to expand. With Lincoln Inn only being a few miles from NIU, they are missing out on a large amount of potential revenue because they have not established their brand on campus.

### **Sociocultural Trends.**

A positive sociocultural trend that is affecting the restaurant industry is a greater concern for fitness in the United States. Although obesity is high, many people are also making exercising a part of their daily routine. There are many diets and work out plans that are currently trending and celebrities are also making exercising popular. Restaurants are aware of this and are adjusting their menus by offering low calorie options, non-fat items, and smaller bite sized portions. This healthy lifestyle trend is something that could grow tremendously and restaurants are taking advantage of it. This is a big leap for America because consumers are becoming more aware of what they put into their bodies and how it will affect them in the future.

Another trend that is affecting the restaurant industry is the recycling and going green initiatives that people are partaking in to try and reduce the amount of materials that are going to landfills. Whether it is at home, or at a business, people are trying to recycle and reduce the amount of waste in the U.S. Restaurants are incorporating recycling and waste reduction into their processes in order to lower their costs. They are also contributing to shelters and donating excess



food to the homeless as well as making their communities a clean environment. According to the NRA, over 65% of restaurant operators recycle regularly and 60% of consumers said they prefer to spend their money at a restaurant that does recycle. Restaurants are learning the most effective processes to preserve food and also create better packaging solutions to eliminate waste. If Lincoln Inn considered going green in some of their processes, they could also see a reduction in food and waste costs.

### **Technological Trends.**

Technology is constantly changing and it is helping restaurants expedite their processes and better serve their customers. With utilities taking up 3-8% of a restaurant's overall costs, owners are investing in energy and water efficient technology. Owners are also aware that these eco-friendly measures can attract a wide variety of consumers who are interested in preserving the economy as well. Some energy efficient investments restaurants have been purchasing include energy saving light fixtures, kitchen equipment, refrigeration, and air/heating systems. With full service restaurants using up to 5,000 gallons of water a day, operators are also conducting employee training on how to conserve water. Starbucks switched to using LED lighting and was able to reduce their energy use and utility bills by 7% per store.

Another trend that is being dominated by Millennials and Generation Y'ers is the advancement of social media. Facebook, Twitter, Instagram, and Vicelight are just a few networks that are extremely popular and companies are using them to advertise their products. Restaurant chains create profiles on these sites in order to get a feel for what customers want. They also offer special discounts and establish loyalty with the consumer to convert them into a loyal customer. The positive of social networking for restaurants is that it is a free way of advertising and it gives them a chance to talk to customers about any concerns they have.

Lincoln Inn has stayed on track with social networking in order to market their products and discounts. They have a Facebook page, company website, and send out special text alerts. This is an ideal way that they could also target the Millennials and Generation Y'ers that rarely eat at Lincoln Inn.

### **Legal Trends.**

There are many federal laws that restaurants have to follow in order to remain in business. From health inspection issues to fair labor practices to union organization, restaurants have to be in tune with the constant changes of the law. Unfortunately, this is one trend that will always be relevant and restaurants will face major lawsuits if they do not follow the statutes. Here are some regulations that were put in place recently from several states:

- In March 2013, New York City health board voted to ban restaurants from serving most sugar-sweetened beverages larger than 16 ounces
- The Food and Drug Administration (FDA) develops regulations to implement a national standard for nutritional information on menus
- 19 states and 5 cities have increased their minimum wage rates higher than the federal rate of \$7.25

- More efforts are being made in certain states to offer paid time off for family and medical reasons

### **Economic Trends.**

An economic trend that affects the restaurant industry is the unemployment rate. According to the Bureau of Labor Statistics, the current unemployment rate is at 7.7%. If this continues to increase, restaurants could see a slight decline in sales because consumers will begin cutting costs wherever necessary. However, as personal disposable income increases, consumers will not mind spending money on dining out. Even in a declining economy, restaurants still manage to serve as a pillar for many communities by generating tax revenue and generating sales for other industries. The restaurant industry employs 10% of the workforce with sales that make up 4% of the U.S. GDP and a total economic impact estimated at \$1.8 trillion. As mentioned previously, the restaurant industry did take a hit during the recession and has just recently begun to recover from its losses. Lincoln Inn also suffered, but they were able to maintain their position in DeKalb as a reliable restaurant with quality meals.

### *Industry Attractiveness*

In addition to analyzing the different kinds of trends that can affect the restaurant industry, it is important to also look at its competitive environment. I will be utilizing the Five Forces Model derived from Michael Porter because it is frequently used for environmental analysis. This model help determines what abnormal returns an industry could have and whether or not it is logical to enter the industry. It will also determine if a company should change their competitive position based on the information found from the model.

### **Threat of New Entrants.**

The entry barriers for the restaurant industry are relatively low, so the threat of new entrants is high. New restaurants open around the world daily and it is not that difficult to start one if you have available capital. Capital barriers can be solved by simply waiting until you are financially stable and secure or having a network that will loan you the capital to open a restaurant of your own. If you choose to operate prematurely, then that can lead to the demise of your restaurant.

Consumers love trying new places and will gladly spend their money on local restaurants to support the cause. Many restaurants fail within the first three years of opening, so there are plenty of entrepreneurs ready to replace them in the industry. When new restaurants open, they try to create a better dining experience, food quality, and customer service than what their counterparts were able to do. Entry barriers are also low because there is not much government regulation that can prevent someone from starting their own restaurant aside from the standard laws that are in place. There are also few technological drawbacks that owners can experience like other industries. Switching costs for consumers are low because they will not lose anything from deciding to visit a different restaurant than normal. The worst that can happen is that they dislike the food and experience and they choose to never go back.

Existing restaurants that do have a strong brand reputation have an advantage over incoming restaurants. This can be slightly discouraging for newcomers because they may have to spend more on differentiating themselves from the competition and gaining customer loyalty. Larger restaurant chains also benefit more from economies of scale than smaller restaurants because they are able to spread the cost of production per unit. Restaurants have the option of entering the industry at a large scale and taking the risk of existing firms reacting, or enter at a smaller scale and own the cost disadvantages.

The restaurants in DeKalb will also be experiencing a threat of a new entrant within the next year. Plans have been made to open an Olive Garden Restaurant on Sycamore Road. This is one of the few fine dining restaurants available for the community and will mainly target people who can afford a \$13-\$15 meal. Olive Garden will be positioned a lot differently in the restaurant industry than Lincoln Inn because of their meal offerings and exquisite dining experience.

### **Bargaining Power of the Consumers.**

The bargaining power of consumers is very high because they have low switching costs. Lincoln Inn has to be cognizant of the fact that consumers are becoming more educated about their health and what food they eat. Many customers want to know the nutritional information of their meals and are more likely to go to a restaurant that offers it. With the healthy lifestyle trend that is expanding, it is important that restaurants have this information available if they even want to appeal to certain customer segments. Also since switching costs are low, restaurants have to constantly remain updated on what meals and taste preferences customers enjoy. Customers have the power to force down prices, menu offerings, and complain about the quality of their experience. That is why many restaurants offer comment cards and incentives for completing them because they are desperate for consumer feedback in order to remain competitive. Consumers change their interests and tastes constantly and their attention span moves in the direction of industries that are able to cater to their needs. If consumers had high switching costs, then restaurants would be more stable and would not have to change their processes as often.

### **Bargaining Power of the Suppliers.**

The factors that affect the bargaining power of buyers are similar to those of the suppliers. Suppliers have the ability to raise prices and alter the quality of their products to the restaurants they serve. In the restaurant industry, bargaining power of suppliers is low because there are so many suppliers restaurants can choose from. However, if there were only three suppliers in the world that provided a product, then they would have more power than restaurants because of the few suppliers that offer it. Some restaurants have maintained consistent relationships with few suppliers for decades because of the price and the quality, while others choose to have different supplier options. Lincoln Inn has used the same suppliers since they have opened because they have proven to deliver a high quality product in a timely fashion. Restaurants are also able to reduce bargaining power of suppliers if they choose to take over the role of the supplier. For example, instead of getting bread shipped to their restaurants from a supplier, Lincoln Inn bakes their own bread and it is one of the main products they are known for. Restaurant operators just need to be careful that they do not perform processes in-house that are beyond the scope of their capabilities. Overall, in the restaurant industry there are so many suppliers that provide different

ingredients that it is not an extreme challenge to switch suppliers if one raises their prices or alters the quality.

### **Threat of Substitutes.**

Fortunately for restaurant owners, they do not have to concern themselves with substitutes because everyone needs food in order to survive. Substitutes are products or services that are in a different industry that consumers could choose for many reasons. Substitutes can be appealing to customers because the product gives them the same satisfaction as the previous product only at a lower price. People are not able to choose something else other than food in order to live, but they are able to choose where they want to consume it. Instead of going to a restaurant for a meal, many consumers eat at home, on the go, or at their desk at work. Sometimes people want to eat alone or without distractions that are usually present in a restaurant setting. Others may just skip some meals altogether if they do not have time to eat or they are stressed. People are able to use substitutes to get different experiences. For example, if I have homework and I want minimum interference, I will pick up food from McDonald's and eat it at home opposed to dining in. Restaurants have picked up on this consumer need for seclusion and intimacy and are offering delivery, catering, and carry out options for their meals. Lincoln Inn offers all of these options as well for their customers.

### **Intensity of Rivalry in Competition.**

Restaurants experience a great deal of competition amongst themselves because there are new places opening daily and consumer needs are always changing. Traditional dine-in restaurants have to compete with fast food restaurants because people are constantly in a rush and want meals fast. Dine-in restaurants are competing by offering meals that are similar to fast food options at reasonable prices. They are also making their processes more efficient in the kitchen in order for meals to reach the consumers at a reduced amount of time. Restaurants are also competing by creating loyalty programs and reward cards for frequent customers. This helps restaurants lower customer bargaining power and increase their switching costs. Restaurants also try to alter their position in the industry by reducing their meal prices, slicker marketing strategies, refined customer service, and new product offerings.

Lincoln Inn's dining services competition includes IHop, The Junction, Egg Haven, and Panera. Their catering competition includes Sweet Dreams, Inbodens, and Hy-Vee. Jennifer Diedrich, the Economic Development Coordinator at the City of DeKalb, stated that the top 3 restaurants that generate the most revenue for the city are Buffalo Wild Wings, McDonald's, and Panera. This is pertinent information because McDonald's and Panera are serving the target market that Lincoln Inn is failing to attract. I also had the opportunity to interview IHop Manager Chris Vanspankeren and Egg Haven Manager Shannon Shaffer (See Appendix A for survey questions). Most of the information I inquired about was confidential and a restaurant secret, but I was able to get a sense of their goals and objectives. I was also able to analyze this information and compare it to Lincoln Inn's current strategies to see what needs to be altered.

Some of IHop's focuses include:

- 60% of their customers are students , 10% faculty, and 30% other

- Their main competitors are Denny's, Perkins, and Steak 'n' Shake
- They view their competitive advantage as having great food, competitive prices, and outstanding service
- Management instills in their staff to always have a positive attitude and everyone should be out on the floor greeting guests
- They have 35 employees and there are job descriptions available for each position
- The average bill amount per customer is \$8.75

Some of Egg Haven's focuses include:

- 15% of their customers are students and faculty
- They pride themselves on quality, value, and their large portions
- Changes are being made to build an online presence and have a company website
- There are 30 employees and there is a continual training process to promote development
- Their employee culture is to "treat it as one roof" and a family unit
- The average bill amount per customer is \$8.00-\$9.00

## **Lincoln Inn Internal Analysis**

### *Value Chain*

Once the external analysis is complete, it is time to focus on Lincoln Inn's internal processes. In order to achieve this, I analyzed their value chain which consists of primary and support activities. Lincoln Inn is able to be profitable if the value they offer their customers exceeds their total costs in creating their products.

### **Operations.**

Lincoln Inn begins operations Monday-Friday from 5:00 a.m.-3:30 p.m. and Sundays from 6:00 a.m.-3:00 p.m. The restaurant used to be open until dinner time, but Bill wanted to reduce labor costs, so he started closing earlier. Any prep work the staff needs to do for catering orders is handled first thing in the morning. Lincoln Inn makes their baked goods and bread fresh inside the restaurant. Meals are made as customers order them, but the prep cooks prepare the basic raw ingredients ahead of time. This eases their job on the line when it is time to prepare a customer order. Waitresses take orders on notepads, but then input them into the Pixel Point POS System to keep track of sales. The POS System is also useful in case there are any customer discrepancies and refunds or discounts need to be made on an order. Employees also use this system to record their labor hours which helps payroll run smoothly.

### **Marketing & Sales.**

Lincoln Inn's main customers are community members who enjoy supporting local restaurants, Northern Illinois University faculty, and DeKalb farmers. Since Lincoln Inn has been downtown since 1994, they have established a local reputation as a quaint place to go and eat in peace. Lincoln Inn also has an online presence with a website and a Facebook page that is updated daily. They use these channels to promote daily specials, discounts, and accomplishments that they have done throughout the community. Lincoln Inn also targets some parts of NIU by

catering some College of Business events as well as other local businesses. Lincoln Inn's main need in marketing is attracting the 17,000+ NIU students and staff within DeKalb. This is a huge market that Lincoln Inn is missing out on and its competitors or growing because of it. In order for Lincoln Inn to attract a younger crowd, they have to alter their position in the market. They have to make that transition from a local restaurant for Baby Boomers and Generation X'ers to a savvy location where everyone feels comfortable eating.

Additional ways that Lincoln Inn advertises and rewards frequent customers include:

- Lincoln Inn Rewards Program- Customers earn 1 point for every \$1 they spend in the dining room. Once they accumulate 100 points, a \$5.00 gift balance is added to their account.
- Customers receive free meals on their birthdays, free cookies on anniversaries and other offers are sent out if the customer provides their e-mail address.
- If customers have not returned to Lincoln Inn for a period of 30-90 days, then they will be sent e-mails with discounts to lure them back in.
- Text Program- Customers receive a free cookie/brownie just for the initial sign up of the text program. This program is used to drive business for their Take Home Tuesday Meals or when business is slower than usual.

As far as sales, dining and bakery sales are 70% of the business while catering and delivery are the remaining 30%. The average meal ticket per customer is \$8-\$9 with lunch being their busiest hour. Sundays are their busiest dining day because people go there after church. Wednesdays are their busiest catering day because it is the middle of the week for the white collar workers they cater to.

Lincoln Inn's top five most frequently purchased dining products include:

- Coffee
- All American
- Lincoln Inn Special
- ½ Sandwich w/ a cup of soup
- Create your own omelet

### **Service.**

One of Bill's main objectives for Lincoln Inn is to provide a great dining experience for his customers. He tries to send this message to all of his employees in order for everyone to have the same goal. The waitresses have the most direct contact with the customers because they are always out on the floor. They are always awaiting customers to refill coffee, answer the phones, and handle customer issues. As soon as the cooks are done preparing the meals, the waitresses are right there to deliver them. Management often times has to be on the floor if the restaurant gets busy and waitresses become overloaded. They also come to mingle with the customers and ensure they are having a good experience. Since many of the customers are regulars, the staff knows many of them personally which leads to better service. Although waitresses do a good job serving the customers, their processes need to be adjusted so management can focus on delegating tasks instead of working alongside their employees. Waitresses should be able to multitask and deal with a crowded restaurant while management handles more important duties.

### **General Administration.**

Another one of Bill's objectives for himself was to spend less time working as an employee at Lincoln Inn and more time working on how to make the restaurant better. He finds himself doing many tasks that employees should be doing, but may not have the ability to do them correctly. Bill recently hired a front house manager (Christie), a kitchen manager (Scott), and a bookkeeper (Valerie) to help alleviate some of his workload. Christie is responsible for handling the website and updating any customer specials they have. She also handles daily deposits and assists with the banquet/conference facility Bill is working on. The waitresses are supposed to report to Christie, but they are still resisting the change in management and are used to Bill being their manager. Scott handles the kitchen and catering orders and the cooks are supposed to report to him. The cooks are also struggling with the management change and there is a strong lack of communication between them and Scott. He also does not have any formal recipes written out for any of the cooks to follow during meal preparation. This is not efficient because customers are getting different portioned meals for the same price and food costs are suffering. Scott is also supposed to handle inventory and ordering from suppliers, but Bill had to continue this role because Scott was inefficient. Valerie is responsible for handling outstanding invoice, payroll, and creating the financial reports. Bill often times finds himself picking up the slack for his management staff and this is something that he wants to reduce so he can focus on his new facility.

### **Human Resources Management.**

Human resource processes are in the beginning stages at Lincoln Inn. Bill has 20 employees and does not hire very often. When he does hire, he does not do much advertising because most of the applicants are through employee referrals. If he needs extra help on the weekends, one of the cook's friends will come wash dishes and help where needed for a few hours. Bill just recently started making employee files and trying to document information about each employee. He does have a Lincoln Inn application that is required of all applicants, but he does not have any formal job descriptions written for any positions. Bill is also struggling with getting the employees to adapt to the change in management that has been implemented. Everyone still sees Bill as their direct manager instead of Scott or Christie. This makes it difficult for Bill to distribute power to his managers because he still feels like he has to be in control in order for things to operate properly.

Employee performance is not measured at all because Bill does not conduct performance appraisals. If he has trouble with an employee, it is rarely documented with little repercussions to the employee. Many of the staff has been working at Lincoln Inn for over 8 years, so they feel a sense of seniority and do not want to change. However, they need to be aware that they are not exempt from facing consequences and termination if they are not doing their job correctly. Employee morale is also low because many do not feel like they are being recognized for their work. Others feel they are doing more work than others and that there is not a line of communication between them and management. The majority of the employees do not receive benefits and their pay is average compared to Lincoln Inn's competition. Cooks are offered a free meal during their shifts and waitresses receive one for 50% off. There are no employee discounts

on non-work days. Overall, standard HR processes need to be set so employees can feel a sense of consistency, accountability, and empowerment. If Bill is able to implement these processes at Lincoln Inn, he will have an easier time managing his larger staff at the new banquet facility. Another one of his main objectives for Lincoln Inn is to create a quality work environment for his staff and this is how he is going to achieve it.

### **Technology Development.**

The technology used at Lincoln Inn is fairly simple. Pixel Point POS System is used to track labor hours and QuickBooks is used for payroll. Bill also just recently purchased a security system that includes several cameras strategically placed throughout the restaurant. He monitors his staff and any potential irate customers on the monitors in his private office. Bill also has internet and computer access at Lincoln Inn, but it is mainly used by management.

### **Procurement.**

Bill is responsible for ordering the raw materials and ingredients for Lincoln Inn. He orders supplies mid-week and basis his decisions on supplier's prices and their quality. His suppliers include Sysco, Performance Food Service, and Bake Mark. Bill is careful to order the correct amount of inventory for a given period to avoid shortage or surplus that could lead to spoiled food. Bill and Scott lead inventory audits that are conducted monthly and the entire staff is involved in the counting process.

### *Tangible Resources*

#### **Physical.**

Bill's main physical asset is the Lincoln Inn facility which is completely paid for. He recently just purchased some property for his new banquet facility which will put him back in debt. The other assets that are vital to Lincoln Inn's success are the kitchen equipment and machinery that are used to produce high quality meals. The recently purchased security equipment is an asset because it can help eliminate employee theft or customers leaving the restaurant without paying for their meal.

#### **Financial.**

Lincoln Inn's cash flow comes from catering, dining, and bakery sales throughout the week. Bill maintains a Profit & Loss Statement every month to track revenues and costs. He also has a Sales by Hour report for every day in the restaurant in order to track when his busiest/slowest times are. Bill and Valerie are responsible for creating the financial reports. Bill's objective is to lower his costs to 65% in order to increase his return. Prime costs are currently at 74% (food is 35% and labor is 39%). The restaurant industry average for prime costs is 60%-65%.

#### **Organizational.**



Lincoln Inn's organizational resources are the topic of this entire strategic audit. This is what my recommendations will be surrounded around as well as Bill's objectives for himself and Lincoln Inn. Lincoln Inn's current organizational capability that helps them appeal to their market is their excellent customer service. Examples of organizational resources include effective strategic planning processes, employee development, and quality control systems. These will all be discussed in the assessment and recommendations section.

### *Intangible Resources*

#### **Human Capital.**

Although Lincoln Inn has a loyal employee base because many of them have been there since opening in 1994, there is a lack of development and growth. Bill is struggling with communicating his vision and goals to his staff because they are accustomed to doing things how they have always been done. In order to maximize perceived value to customers, employees have to be developed to their peak potential and morale has to be maintained. I conducted surveys with 15 of the employees to retrieve demographic information, competency levels, and their response to change (See Appendix B for survey questions).

Some of the important results from the surveys are listed below:

- 6 of the employees have been employed at Lincoln Inn for at least 4 years or more
- Everyone recognized Bill as their only direct supervisor (Christie and Scott were not mentioned)
- 35% said their work and job duties are moderately meaningful
- 35% considers their work to be very challenging
- 85% feels some kind of stress while at work
- 50% said they adapt to change moderately quickly (which contradicts their current reactions to new management)
- 64% of the staff view Bill's expectations of them to be very realistic
- 42% feel that the tasks they are assigned only slightly help them develop professionally
- 64% say there are no opportunities for promotions
- 69% are not satisfied with their employee benefits and pay
- 50% are slightly satisfied with their job
- 85% said that they are likely, to some extent, to look for another job in the future

#### **Innovation and Creativity.**

Bill is headed in the right direction with innovative thinking and molding Lincoln Inn's competitive position, but he has to get his management and employee's buy-in as well. He wants to create a dining experience that is similar, yet exceeding his competition. Lincoln Inn's customers receive customized customer service since many of them are regulars and the waitresses know them personally. This is a part of their focused strategy on their narrow target market which needs to be expanded to a broader customer segment. A customer is unlikely to receive this type of treatment at IHop or Egg Haven because there are such a wide variety of people that come to the restaurant daily.

## **Reputation.**

With 64% of the staff being proud of the restaurant's reputation in DeKalb, Lincoln Inn is known for their old fashioned dining experience, hospitable environment, and their freshly baked bread. However, their reputation only extends to the locals in DeKalb and a small portion of NIU. I also conducted 200 surveys around the community and respondents included NIU students, faculty, staff, and Kishwaukee students (See Appendix C for survey questions). The respondents who attend Lincoln Inn frequently said they go there because of the fresh food, knowledgeable staff, and quick service. The purpose of the survey was to see which restaurants people frequently attended for breakfast and lunch. I also wanted to know what percentage of people had heard of Lincoln Inn and how their experience was in comparison to other restaurants.

Some of the important results from the survey are listed below:

- 39% frequently attend IHop, 29% Egg Haven, 21% The Junction, and 10% Lincoln Inn (118 respondents) for breakfast and lunch
  - Remaining respondents listed other options for breakfast and lunch including: Panera, Chipotle, Subway, McDonald's, and at home/residence halls
- 69% of respondents eat at their most frequent location a few times a month
- People eat at their favorite restaurant because it's affordable (63%), quality food (58%), and it has excellent customer service (30%)
- Average amount of money spent on a meal per person is \$5-\$10 (65%) and \$11-\$15 (31%)
- 84% of people did not choose Lincoln Inn because they have never heard of it before
  - Other reasons people stated they do not go to Lincoln Inn is because it is not close to campus, it closes too early, parking issues, and that it does not seem appealing to students and could use redecorating
- If respondents had attended a catering event, 8% had Lincoln Inn as the catering service (58% had Hyvee and 42% had Sweet Dreams)

## **Assessments**

After conducting an internal and external environmental analysis, it was found that Lincoln Inn's strategy is focused and tailored to a particular customer segment. They differentiate themselves by having quality food and customer service, but only locals view them as such. Their value proposition is the convenience, accessibility, and experience they offer to the local community. However, the survey results showed that the majority of the NIU population has not even heard of them or they do not find the restaurant appealing. Bill's current strategy would be fine if he did not have plans on changing the culture of the restaurant and building a new facility. Since his scope of business is expanding and more debt has just been added to the books, the overall Lincoln Inn strategy needs to change. There are inefficiencies and basic practices that need to be tightened in order to reduce the 74% prime cost. Management does not have a clear sense of direction as to what their job responsibilities are and neither do the employees. Bill wants to shift his focus to his new facility and not have to worry about Lincoln Inn falling apart. There needs to be an increase in change management if Bill wants to successfully reposition Lincoln Inn and surpass their competitors.

Lincoln Inn needs to alter their strategy from focused differentiation to overall cost leadership. Lincoln Inn needs to generate abnormal returns and increase perceived value throughout the DeKalb community. With the debt that has just been incurred from the new facility, Lincoln Inn has to be the financial source to mitigate this. In order to become a low cost leader, Lincoln Inn needs to micromanage relationships and costs throughout their entire value chain. The experience curve, which is how businesses learn how to lower costs as it gains experience with production processes, will also come into play when using the cost strategy. As Bill and his employees become acclimated with how to trim the costs off of certain components of the value chain, Lincoln Inn could see a return. Lincoln Inn also needs to maintain competitive parity which means being on the same level on the basis of differentiation with their competitors. This means that Lincoln Inn at the minimum needs to be aligned with IHop, Panera, and Egg Haven's product offerings and customer service capabilities to even compete. If Lincoln Inn can lower costs, but still are unable to attract more customers, then their competition will still be at an advantage.

### **Recommendations**

My recommendations will cover the four functional areas of business: marketing, operations, human resources, and finance. These recommendations will also align with Bill's objectives and goals for Lincoln Inn and as a restaurateur.

As previously mentioned, Bill's goals include:

- Providing an enjoyable dining and catering experience to all customers
- Creating a healthy working environment for his employees
- Increasing Lincoln Inn revenue to \$1 million annually (currently at \$750,000)
- Reducing prime costs (food and labor) from 74% to 65%
- Beginning operations at the new banquet/conference facility

### **Marketing**

1. Tap into the NIU student and faculty market segment

One of the ways that Lincoln Inn can make their presence known on campus is to cater to the students through the use of Huskie Bucks. Huskie Bucks is a prepaid account set up on the student's One Card. The student is allotted \$200 per semester and can use the Huskie Bucks on campus as well as any vendor in DeKalb that has agreed to accept them. Faculty and staff are also able to use Huskie Bucks on their One Card as well. Many students do not have jobs on campus, so their disposable income is low. Huskie Bucks is the substitute for this income and allows them to spend moderately on non-essential items.

Lincoln Inn could partner with the company Blackboard Transact who is responsible for setting up the Huskie Bucks commerce at NIU. Blackboard states that the merchant network benefits of becoming a part of this commerce includes increased sales, student traffic, and stronger customer loyalty with the campus community. This will also help Lincoln Inn stay on track with its competition because all of their dining competitors in DeKalb accept Huskie Bucks.

Another marketing tactic to attract students is to partner with Campus Specials which is the largest provider of coupon books for college students in the United States. According to the company's webpage, coupon books are distributed for free to 6 million students at 350 universities each year. The books provide an annual savings of \$2,500 for students. Campus Specials also displays social responsibility because they print their coupon books on 100% recycled paper. If a student does not want a coupon book, they also have the option of downloading a free mobile application to receive coupons on their phone. They can also use the Food Court option on the website to order food online. Lincoln Inn does offer the Food Court option on Campus Specials, but they are not featured in the coupon books that are distributed to all students. They need to be featured in the coupon books because those are easily accessible to students and many do not go online to order food.

Lincoln Inn is still able to cater to its current market segment while opening its doors to a new one. Since many of their current customers are senior citizens, Lincoln Inn can have a menu section specifically geared towards them. For example, IHop has an age 55+ specialty menu section that is discounted and contains nutritional information. Loyal customers will appreciate this because they have a section customized to their needs.

Finally, Lincoln Inn needs to make their catering presence more known within the NIU community. They do some events for the MBA program through the College of Business, but their main focus are other businesses. I spoke to an administrator at the College of Business and asked why they do not use Lincoln Inn for more formal events. She stated that Lincoln Inn has great food, but they are too expensive compared to Premier Catering and other catering places in DeKalb. There are many events throughout the colleges and Career Services that Lincoln Inn could cater to, but they are not well known or they are not affordable. For example, a fruit tray at Sweet Dreams that serves 40-50 people is \$50.00. Lincoln Inn offers the same tray serving size with the same fruit for \$84.99. Lincoln Inn needs to do a menu analysis and compare their menu offerings and prices to their main competitors and consider lowering their prices particularly for NIU events. They could also see an increase in catering revenue than the normal 30% out of total sales they receive annually.

## **Operations**

2. Change restaurant operation hours to accommodate the NIU customer segment

Lincoln Inn has the potential to receive an increase in sales if they are able to stay open longer. Many survey respondents said that they would love to eat there, but they are never open when they want to go. People end up going to The Junction instead because they are similar in comparison to the dining experience, ambiance, and food offerings as Lincoln Inn, but they remain open until 3 a.m. This is because a majority of the NIU community does not end their day until 4:30 p.m. with the exception of students who have night classes. Lincoln Inn needs to maintain competitive parity and be up to speed with the rest of its competitors' hours. All of their competitors offer dinner and have late night hours daily except Egg Haven (close at 3:00 p.m.). The late night restaurants receive a higher amount of sales because they are catching the student traffic after 9 p.m. and the bar crowd. Lincoln Inn used to stay open until 9 p.m., but they were not generating enough revenue and wanted to reduce labor costs, so they started closing early.

In order to still manage costs, I recommend that Lincoln Inn open at 6:00 a.m., close at 3:30 p.m., and then reopen for dinner hours at 7 p.m.-11 p.m. As a test run, they can have these hours only on Fridays and Saturdays until word spreads that their hours have changed. Lincoln Inn should do this once they have established their marketing presence throughout NIU. During these late night hours they can also offer student specials, bite sized appetizer portions, and popular music that students will enjoy. Another way to increase their perceived value with their customers is to offer late night delivery during the hours of 7 p.m.-11 p.m. This will target the students who want to go to Lincoln Inn, but may not have the transportation to do so. There could be a minimum dollar amount a customer has to place in order to receive the delivery. To start out, Bill should only have the minimum amount of staff available in order to keep labor costs low. If these late night hours prove profitable, they can be extended or offered during the weekdays. These late night hours can also help Bill pay off his debt of the new facility faster. These recommendations in conjunction with the marketing recommendations will help Bill achieve his goal of reaching \$1 million in sales annually. It will also help him create a superb dining experience for his new customer segment.

### 3. Create standardized recipes for every meal offered on the menu

Another one of Bill's objectives is to reduce prime costs by 9%. A basic way to achieve this is to create standardized recipes that describe the amount of each raw ingredient that needs to go into a meal. This has to be Scott's responsibility and this is the perfect opportunity for Bill to transfer over a significant amount of control. Currently, Lincoln Inn does not use recipes and cooks are simply using their own judgment as far as portioned sizes. One customer can be receiving 1 cup of cheese in their omelet, while another is only getting ¼ cup. This causes waste, inefficiencies, and a breach in quality and consistency to all of the customers. If everyone is paying the same price, then everyone should be receiving the same portions. The recipes need to be translated into Spanish as well because the cooks are Hispanic. They also need to be placed strategically in the kitchen for easy reference and include pictures of what the final product will look like.

The United States Department of Agriculture defines a standardized recipe that "has been tried, adapted, and retried several times for use by a given foodservice operation and has been found to produce the same good results and yield every time when the exact procedures are used with the same type of equipment and the same quantity and quality of ingredients." The most efficient way for Scott to create standardized recipes is to prepare each meal how it is normally made and then make changes. Research and development can be conducted as well to see how Lincoln Inn's competition makes similar meals. Since The Junction has a similar menu, they would be a good benchmarking resource for Lincoln Inn to observe and determine what they can do differently to increase value. He needs to look for consistency, taste, texture, and what ingredients can be reduced without altering the quality. In addition to the recipes, portion control tools such as scales and measuring spoons should also be purchased. According to the NRA, food cost variance can be as high as 5% or more if cooks are simply eyeballing their measurements. Once recipes are almost complete, the entire staff can conduct a taste analysis so everyone can come to a consensus on each meal. This will also help employee communication and improve team engagement because it is getting everyone involved in the kitchen. These may sound like miniscule cost alterations, but in excess they will amount to major food savings.

The benefits of creating recipes for each meal include:

- Consistent food quality
- Predictable yield of servings which will reduce leftover food due to overproduction
- Customer satisfaction
- Food and inventory cost control
- Consistent nutrient content
- Labor cost control- recipes make use of labor hours efficiently because preparation is properly planned and timed. Will also reduce training time for new employees because instructions will be provided for each recipe
- Supplier ordering control which will reduce shortage/surplus

### **Human Resources**

#### 4. Create written job descriptions for all positions

Written job descriptions need to be created for all employees and management to eliminate miscommunication. Some employees feel like they do too much work, while others are unsure of what their daily job duties are. Bill, Christie, and Scott need to work on the employee job descriptions together. Bill can work on Christie and Scott's job descriptions separately. He needs to give them most of the management responsibility so he can focus on owner activities.

Occupational Information Network (O\*NET) is the nation's primary source for job information and management can use this to compose job descriptions. The job title is typed into the search field and various positions come up that you can choose from. The tasks, technology, knowledge, education, and skills are also listed that a person will need to adequately perform the job. O\*NET will make this process a lot easier and will also help Lincoln Inn create a collaborative work environment for its staff. The network will also help Lincoln Inn use labor hours effectively because employees will spend their time only doing what they are supposed to do.

#### 5. Create standardized human resource (HR) processes

Lincoln Inn needs to have consistent HR practices to maintain order amongst the employees. They do not receive any form of performance reviews so they are unable to gauge their strengths, weaknesses, and learning development. Employees also feel that there is no opportunity for promotions and that they are not learning in their current positions. If employees are underperforming, they are unaware because they are not being held accountable for their actions. Lincoln Inn management needs to conduct performance reviews every 6 months for all employees. Christie will review the front staff, Scott will review the kitchen staff, and Bill will assess the management team. These performance reviews are critical because employees need to be measured on how well they are adapting to these recommendations. This will also help management track an employee's needs, competencies, and complaints they have with working at Lincoln Inn. It is important management creates an open and feedback culture in order for these reviews to be successful. This will also help employees recognize who their direct supervisor is and make them feel comfortable with the new management. Managers can choose what criterion to measure their employees on based on the job descriptions that are created. Christie and Scott also need to be responsible for conducting applicant interviews for waitresses and cooks. Since they are their direct supervisors, they should be able to choose the right talent for the position.

An Employee of the Month program also needs to be implemented in order to boost morale and empowerment. Each month, management will nominate an employee whom they feel has excelled in their job duties. This can include following the standardized recipes or doing something out of the ordinary to increase perceived value to the customer. Once performance reviews accumulate throughout the years, they can be used as a reference to acknowledge key employees. It is also important that all management agrees on who the employee of the month will be. As a reward, employees will receive a \$5.00 gift card balance that they can use only during their designated month. Having this one month limit will help monitor costs because employees may not use the gift card in time, but it will also create an incentive for them to look forward to.

Finally, in order to make sure everyone is on one accord with these new implementations, Bill needs to have a training day for all employees. This can be conducted after normal operating hours are complete during a weekday. The agenda of the training needs to include all changes that Bill and his management team plan to implement. This will also give employees a chance to address any concerns about the changes or any recommendations they may want to add. This will help Bill communicate his vision and strategic goals for Lincoln Inn and challenge employees to have the same. In order for Lincoln Inn to improve its competitive position, it needs the entire staff's buy-in and support.

#### **Finance**

6. Increase menu prices by 8.25% for the most popular menu items and 7.5% for the less popular items

Bill usually increases his menu prices annually, but he failed to do so in January. Currently, his prices are similar to the competition, but they do need to be increased. Since the 1<sup>st</sup> quarter has already ended, I recommend increasing the meal prices in increments to eliminate customer shock. Loyal customers are used to the current 2013 prices and a drastic price increase may detour them. Prices for the most popular items should be increased by 8.25% and least popular items should be increased by only 7.5%. Frequently purchased items at Lincoln Inn are already established as a quality entrée, so they will still be purchased by loyal customers regardless. If the meal is popular, a \$.75 price increase will not prevent customers from purchasing it. For items that are less popular, a 7.5% increase is sufficient since it is a sporadic purchase. The benefits of the incremental price increase will help abnormal returns if it is implemented with the other recommendations. Prime costs will be reduced due to the standardized recipes which will eliminate excess waste. Menu prices will increase which will increase sales. By increasing revenues and reducing prime costs, Lincoln Inn will see an increase in overall profit. This additional profit could help pay off the new facility debt or be reinvested into Lincoln Inn. It is important that Bill implement these financial changes within the same time period because they all correlate with one another. These are key to Lincoln Inn becoming an overall cost leader relative to its competition while maintaining differentiation with superb service to its customers.

7. Create Profit & Loss (P&L) Statements weekly instead of monthly reports

Bill and Valerie generate P&L statements monthly for Lincoln Inn that record dining, catering, and bakery sales. It also lists the cost of goods sold and monthly expenses. Since one of Bill's objectives is to reduce prime costs to 65%, all transactions need to be micromanaged. The small savings that can be created by monitoring and analyzing costs will make a huge difference by the end of the year. In order to achieve this, Bill needs to create P&L statements weekly opposed to monthly reports. This will help him detect where costs are accumulating immediately instead of waiting until the end of the month. Once a month has passed, it is more difficult to pinpoint where Lincoln Inn went wrong in its processes. Weekly P&L statements will also help Bill control food costs and it will serve as a metric for the recipe implementations. Once the recipes are created and staff adapts to the change, Lincoln Inn should see a decrease in prime costs. Many restaurants do not monitor P&L weekly because it is too time consuming. It is possible that Lincoln Inn's competition conducts only monthly statements, so Bill could have an advantage. Micromanaging costs will help Lincoln Inn become an overall cost leader and do something unique from its competitors. It is important that Bill remain disciplined and consistent with this practice in order for it to be effective. After statements have been generated for a few weeks, Bill can give this responsibility to Valerie since she is the bookkeeper. She can analyze the statements and report her findings to Bill and steps he should make moving forward. This is another way Bill can transfer responsibilities over to his staff and improve empowerment.

### **Summary**

Lincoln Inn's current focused strategy was successful in the past, but becoming an overall cost leader is required in order to advance the restaurant forward. Bill has set objectives and goals for himself, Lincoln Inn, and the new facility that align with this proposed strategy. These recommendations will help Lincoln Inn broaden its customer segment, improve employee communication and processes, and reduce prime costs. If the marketing, operations, human resources, and finance recommendations are utilized within a close time frame, Bill will see abnormal returns. He may face barriers that will detour him from acting on these recommendations. Limitations can include employee resistance, time constraints, and lack of resources. Bill needs to remain steadfast in his objectives and educate his employees on the importance of the new competitive position he is looking to achieve for Lincoln Inn.



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## Appendices

## Appendix A

**Competitor Interview Questions**

1. What % of your customers are students? Faculty? Other?
2. How do you target the students or your target market to continue eating at your restaurant?
3. Who are your main competitors? (Top 3)
4. What is your busiest dining hour? Busiest day?
5. Overall, what would you say your competitive advantage is against your competition?
6. What strategies/objectives do you instill in your staff to ensure that the restaurant is successful every day?
7. What is one thing you would want to change about how it is run daily and why? greeting and talking to our guests
8. Can you describe your MGMT/Employee structure? (waitresses, bussers, front end, cooks, etc.) Are there formal job descriptions in writing for all employees?
9. How many employees do you have?
10. What are the top 3 reasons you think people come to your restaurant?
11. What percentage of your costs is labor and food costs?
12. What is the average bill amount of one customer?

## Appendix B

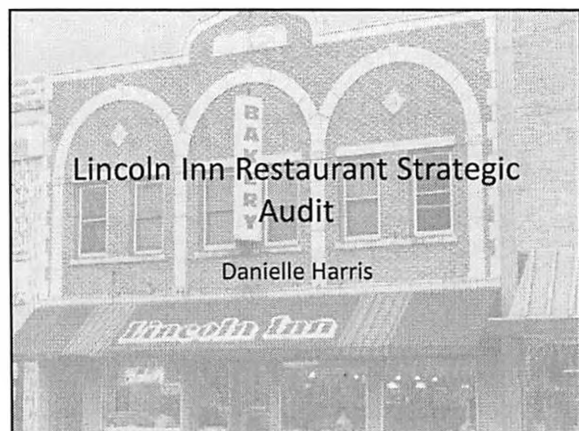
### Employee Survey

1. Please state your full job title
2. How long have you been employed at Lincoln Inn?
3. Who is your direct supervisor?
4. How meaningful is your work?
5. How challenging is your job?
6. In a typical week, how often do you feel stressed at work?
7. How well are you paid for the work you do?
8. How do you adapt to change?
9. How much do your opinions about work matter to your coworkers?
10. How realistic are the expectations of your supervisor?
11. How often are the tasks assigned to you by your supervisor help you grow professionally?
12. How many opportunities do you have to get promoted at Lincoln Inn?
13. How often are you supervised?
14. Are you satisfied with your employee benefits?
15. How satisfied are you with your job?
16. How proud are you of Lincoln Inn's reputation in DeKalb?
17. Overall, do you like Lincoln Inn as your employer?
18. How likely are you to look for another job outside of Lincoln Inn?
19. Please list at least one suggestion you would like to improve your employment at Lincoln Inn.

## Appendix C

### Restaurant Survey

1. Are you a student, faculty, staff, or alumni?
2. If you are a student, please state the year you are in school.
3. Do you have a car on campus?
4. Where do you most frequently go to eat for breakfast and/or lunch?
5. How often do you go to this restaurant?
6. Why do you choose to eat at the restaurant you previously selected?
7. On average, how much do you spend for your own meal?
8. On average, evaluate your experience at the restaurant you most frequently go to.
9. If you chose Lincoln Inn as your most frequently attended restaurant, how would you describe the experience?
10. If you did not choose Lincoln Inn as your restaurant, please say why.
11. If you have catered or have gone to an event that had catering in DeKalb, which restaurant was used?



Lincoln Inn Restaurant Strategic Audit

Danielle Harris

This slide features a background image of the Lincoln Inn restaurant building. The text is centered over the image.



Agenda

- Audit Objectives
- Audit Scope
- Sources and Methods
- Bill's Objectives
- Restaurant Industry Overview
- Restaurant Industry Trends
- IHop Interview

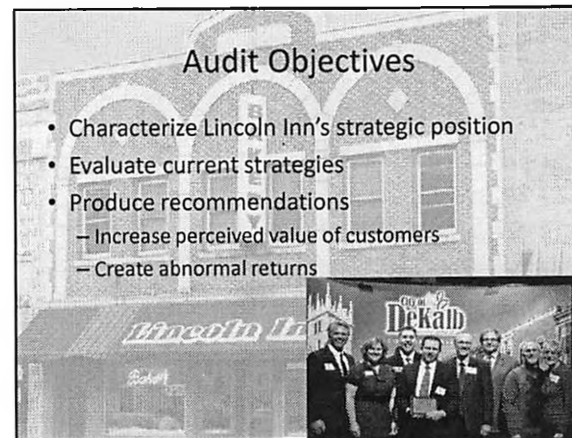
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Agenda


- Egg Haven Interview
- Community Survey
- Employee Survey
- Assessments
- Cost Leadership
- Recommendations
- Summary

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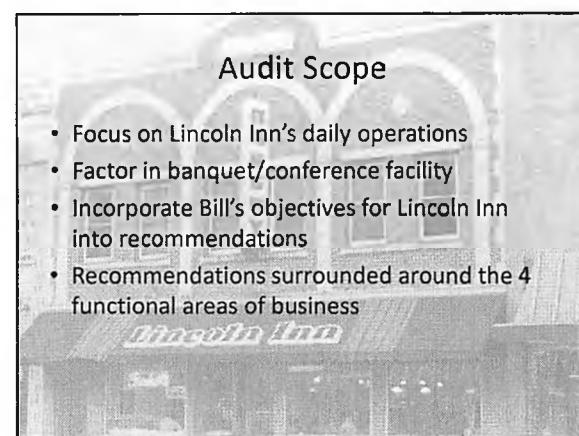


Audit Objectives

- Characterize Lincoln Inn's strategic position
- Evaluate current strategies
- Produce recommendations
  - Increase perceived value of customers
  - Create abnormal returns



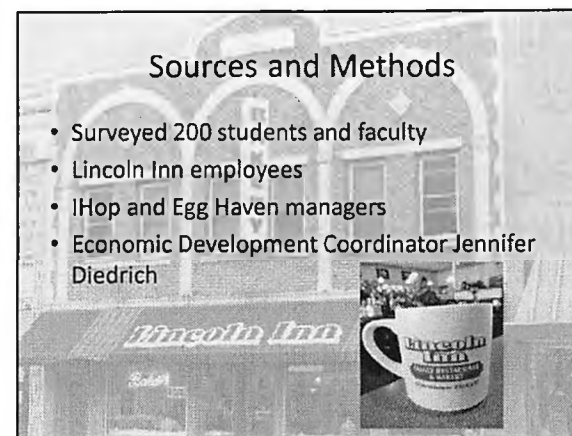
This slide features a background image of the Lincoln Inn restaurant building. The text is centered over the image. An inset photo in the bottom right corner shows a group of seven people standing in front of a building with a sign that says 'City of Dekalb'.



Audit Scope


- Focus on Lincoln Inn's daily operations
- Factor in banquet/conference facility
- Incorporate Bill's objectives for Lincoln Inn into recommendations
- Recommendations surrounded around the 4 functional areas of business

This slide features a background image of the Lincoln Inn restaurant building. The text is centered over the image.



Sources and Methods

- Surveyed 200 students and faculty
- Lincoln Inn employees
- IHop and Egg Haven managers
- Economic Development Coordinator Jennifer Diedrich



This slide features a background image of the Lincoln Inn restaurant building. The text is centered over the image. An inset photo in the bottom right corner shows a white mug with the Lincoln Inn logo and text.

### Bill's Objectives

- Enjoyable dining and catering experience to all customers
- Healthy working environment for employees
- Increase Lincoln Inn revenue to \$1M
- Reduce Prime Costs from 74% to 65%
- Begin operations at the new banquet/conference facility

### Lincoln Inn's Strategy

- Pursuing a focused differentiation strategy
  - Quality customer service
  - Appeal to Baby Boomers and Generation X'ers
  - Old fashioned ambiance w/heightened customer relationships

### Restaurant Industry Overview

- \$660.5 billion industry
- 10% of workforce
- 4% of GDP
- Largest and most unique fields in the U.S.
- Recession effects in 2009
- Top 3 Revenue Generators in DeKalb

### Restaurant Industry Trends

- Demographics
- Sociocultural
- Technological
- Legal
- Economic

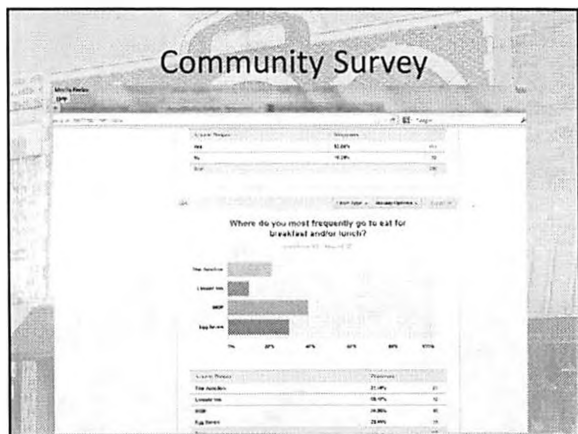
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FEMALE FEVER GENE  
STILL MADE HENIE INFOLUS  
TRANSPARENCY TYRANNY  
OLUST  
STATUS SKILLSTRYSUMERS  
OUNIVERSAL BRANDIN  
VNY INNOVATION OVERLUA  
GENERATION C(ASH)

### IHop Interview

- Chris Vanspankeren- Store Manager
- Customer Segments
  - 60% Students, 10% Faculty, 30% Other
- Main competitors
  - Denny's, Perkins, Steak 'n' Shake
- Competitive Advantage
- Average bill amount/customer: \$8.25

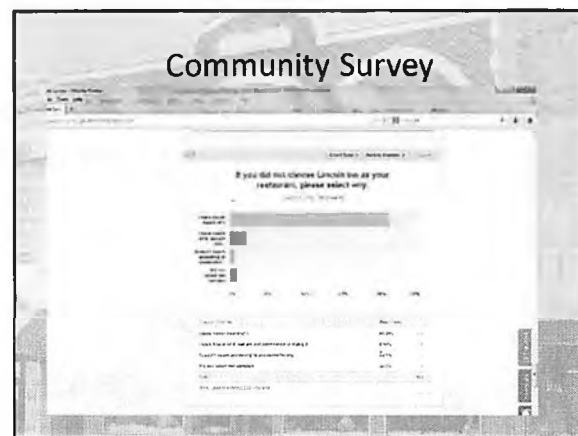
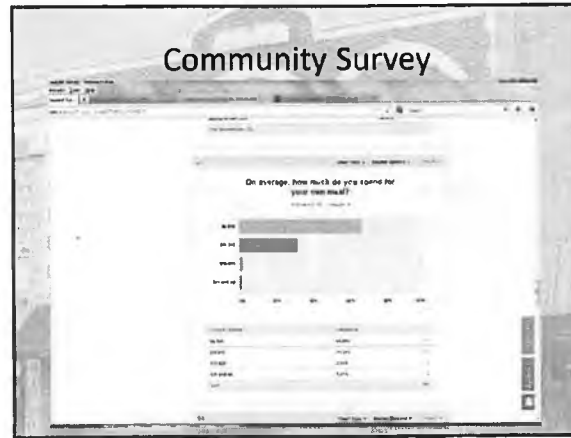
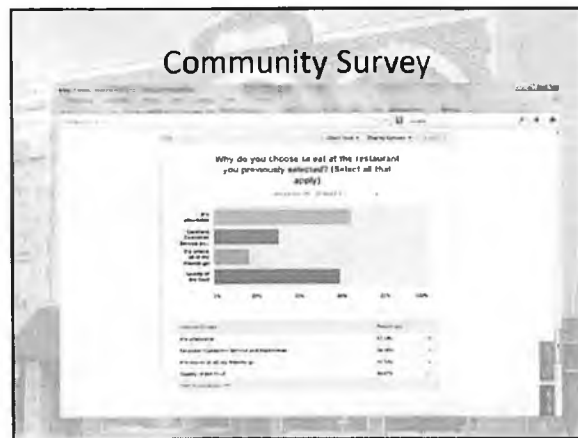
### Egg Haven Interview

- Shannon Shaffer- Store Manager
- Customer Segments
  - Students/Faculty- 15%
- Innovative Changes
- Competitive Advantage
- Employee Culture
- Average bill amount: \$8-\$9



### Community Survey

- Why people chose Lincoln Inn
  - Good atmosphere
  - Enjoyable and friendly staff
  - Treated like a celebrity
  - Fresh food
  - Rewards Program
  - Best Tuna Melt
  - A friendly local diner that is comfortable and smells like fresh baked bread



### Community Survey


- Reasons people did not choose Lincoln Inn:
  - Restaurant Hours
  - Needs updating/redecoration
  - No free parking
  - Location





### Recommendations

- Human Resources
  - Create written job descriptions for all positions
  - Create standardized HR processes
    - Performance Reviews (every 6 months)
  - Employee of the Month Program
  - Formal Training Day



### Recommendations

- Finance
  - Adjust menu prices by 8.25% (popular), 7.5% (less popular)
  - Create weekly P&L Statements




### Summary

- 4 functional business area recommendations are key to:
  - Repositioning Lincoln Inn to its competition
  - Achieving Bill's objectives
  - Generating increased returns
  - Increasing perceived value to customers
  - Create platform to begin new business

### Questions?

Thank You  
for Your  
Time



<http://show.restaurant.org/Attend/Why-Attend>