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Benihana: A New Look at an Old Classic

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Abstract. This short case heavily references the "old classic" HBS case on Benihana, and is intended to be used in conjunction with a simulation that helps students gain insight into how Benihana achieved its profitability. The simulation helps bring out many key operational issues, such as how variability in demand and in processing can negatively impact profitability. The case analysis goes on to show how Benihana reduces variability, and illustrates concepts such as the product-process spectrum, the impact of a bottleneck, and the advantage of simultaneous product and process engineering.

Keywords: process analysis, simulation, variability, queueing.

1. Introductory Note

Benihana might be thought of as an "old classic" in Operations Management. The original Harvard Business School (HBS) version was published in 1972, but the Harvard case continues to be a best seller. This short case heavily references the HBS case, number 9-673-057 (rev. Dec. 14, 1998), however what has been added to enhance the case experience is a simulation that can be used to gain insight into how the operation achieves its profitability, as compared to other restaurants.

There is a set of web sites associated with this case note, intended for both students and instructors, at http://www.msb.edu/faculty/schmidtg/Benihana_Project/. Students are directed to this web site in the case itself, in order to help them navigate the process of analyzing the case. It provides not only a link to download an animated simulation, but also provides a link to download (free of charge) a demonstration copy of the Extend software upon which the simulation is based. (If you wish to go directly to the software download (version 5 is recommended), it is at http://www.imaginethatinc.com/prods_player.html. The web site developed by the authors of this case makes the entire process quite user-friendly – undergraduate business students and MBAs typically tackle the assignment without any need to demonstrate the software or the simulation itself in class. (Internet Explorer is recommended for the downloads.)

There is also an instructor-page at the web site. Here, instructors can register to gain access to an accompanying set of PowerPoint slides, along with the teaching note.

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This simulation-based case can be used as the lead-in case in a core class in Operations Management, to offer early exposure to many Operations principles and whet the students' appetites. The case is rich enough and the material captivating enough to extend the discussion to two class sessions. It has been used successfully at many levels, including undergraduate, MBA, and executive education. Students can readily identify with the case, because most have been in a teppanyaki-style restaurant.

In our experience, the simulation makes a significant supplemental contribution to the way this case can be taught, and to the way it can be used to highlight many key Operations lessons. In particular, the simulation is a tool that helps students unlock the secrets of Benihana's profitability, and helps them digest key Operational insights. In fact, given the many key issues that are brought out, we tell our students that if they have really internalized all the take-aways the simulation study has to offer, they have already pretty much mastered the course. Then throughout the course we often relate the "lesson of the day" to what we saw in the Benihana simulation.

The objective of the teaching plan presented in the teaching note (available to instructors after registration at the web site) is to help students systematically unearth the elements of BH's profitability, determining how each aspect of the operation contributes to superior performance. The roadmap for discussion is to first determine how profitable Benihana is, compared to a typical restaurant. We then determine what limits the profitability of a typical restaurant, and figure out how Benihana has been able to relax those constraints.

Effectively, Benihana competes with other restaurants who offer a fine dining experience. In terms of the product/process spectrum, these competitive restaurants are job shops offering customized goods. Benihana, however, "gets away with" offering a very standard product and processes and therefore can operate almost like a flow shop, with high efficiency and low cost. A key to Benihana's success was its ability to create a standard product that customers would be happy with, in spite of the fact that if customers go to a competitor they get a customized product (they get to sit at a table with only their own party, they get to select from a larger menu, they may request that the food be specially prepared, they can make special requests from the waiter, and so forth).

In the process of figuring out the elements of Benihana's success, students learn how to apply the principles of operations management, and become familiar with the vernacular of this management discipline. Students come to realize that terms such as throughput capacity, demand variability, capacity utilization, and service time apply not only to manufacturing, but also to service operations. They also learn how *variability* negatively impacts an operation. But possibly the most important message it conveys is simply that

Operations Management can have a big impact on a firm's profitability, including a firm that competes in the service sector of the economy.

At the time of the case, Benihana's success was predicated on a demand stream that exceeded capacity (at least during the prime dining hours). A review of the last five financial reports (1999-2003) suggests Benihana currently has a return on sales (net income over revenues) of 5.0%-6.4%, still above a typical restaurant but well below the estimated return early in its life. Further, these financial reports suggest its food/beverage cost is still running at about 25% of sales, below the typical figure. These numbers might suggest that the benefits of a limited menu continue to accrue to Benihana, but that possibly some of the other early benefits such as a favorable level of demand relative to throughput capacity have been diluted due to competitive pressures, for example.

2. Case Study

The first Benihana opened in 1964 near Broadway in New York as a four-table unit ("How Benihana Started", 2004). Within less than a decade, the restaurant had turned the young founder, Hiroaki Aoki (pronounced HE-ROH-AH-Kee Ah-OH-Kee), into a very successful businessman. He adopted the more pronounceable name Rocky (more pronounceable to many Americans, anyway), and in one of the early TV ads he is seen stepping into one of his three Rolls Royces, likening himself to a Horatio Alger character (that is, to someone having gone from rags-to-riches).

The classic Benihana case by Klug and Sasser (1998) provides further details of the early Benihana experience. By 1972 there were 15 Benihanas scattered across the country grossing over $12 million per year. There were several hallmarks of these early restaurants. One was authenticity in dècor – authentic Japanese farmhouse interiors including items such as beams, artifacts, and light fixtures that were shipped to the United States. Second, food was prepared at the table by highly-trained chefs. The chefs were native Japanese (young and single) that had completed a three-year apprenticeship.

If you have ever been to a Benihana, you realize that in reality, the job title of "performer" might be a more accurate one than chef, because of the degree of showmanship the chefs exhibit in their work. The food is sliced and diced and tossed into the air as it is cooked hibachi style (teppan-yaki style) on a grill around which the customers dine, typically in groups of eight, sitting on wooden benches. The chef trims any fat off the meat and as the food is cooked, and morsels are immediately presented hot of the grill to the customers, served on a ledge on the grill. At the end of the meal, the chef bows to the group and

moves on to the next table (a chef and waitress together might handle two tables).

A third key feature of Benihana restaurants is that customers are collected together in groups for seating, such that complete strangers are often seated next to each other. The menu itself is a fourth key feature. It might consist of three basic items, chicken, shrimp, and steak (and possibly filet mignon). All meals are accompanied by a fixed set of other items including rice, mushrooms, onions, bean sprouts, and zucchini, with ice cream for dessert.

Thus while the early Benihana restaurants may have had authentic Japanese dècor, we see that the food choices and style of preparation weren't so authentic. Rocky had discovered that "Americans enjoy eating in exotic surroundings but are deeply mistrustful of exotic foods" (Klug and Sasser, 1998). While some people may think of raw fish when they think of Japanese food (another of the early TV ads alludes to this perception), the Benihana style of cooking probably alleviated some of that concern. After all, what could be more American than sitting around a grill with steak or chicken sizzling in front of you?

Another early TV ad suggests Benihana wanted to position its restaurant as someplace you might go for a special occasion, such as an anniversary or to celebrate with friends. In other words, they seemed to view their competition as relatively up-scale restaurants, but as a place you go to enjoy yourself in an active, dynamic environment, rather than a quiet, docile, "stuffy" setting.

Rocky realized the bar played a significant role for the restaurant. He originally saw the restaurant as primarily food service, and accordingly an early bar had only eight seats and no lounge. However, the amount of space allocated to the bar and lounge was an issue that Rocky paid close attention to in future units (per Klug and Sasser, 1998).

Some further statistics for the early Benihana restaurants were that an average facility had 14 tables, and a customer spent about one hour at the restaurant. A dinner check was about $10, including about $7.30 for the meal and the balance for drinks at around $1.50 each. The dinner period was typically somewhere around three hours long, from 6 p.m. to 9 p.m. After "catching fire", demand was heavy – for example, a restaurant might have drawn something like 120 customers per hour who arrived in parties of between two and twelve people. (These statistics have been estimated based on the various numbers given in Klug and Sasser, 1998).

Table 1 compares Benihana's early profitability with that of a typical restaurant.