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Cases in Innovative Practices in Hospitality and Related Services

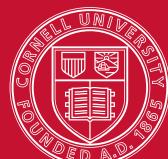
Set 2

Brewerkz, ComfortDelgro Taxi, DinnerBroker.com, Iggy's, Jumbo Seafood, OpenTable.com, PriceYourMeal.com,
Sakae Sushi, Shangri-La Singapore, and Stevens Pass

Cornell Hospitality Report

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by Sheryl E. Kimes, Ph.D., Cathy A. Enz, Ph.D., Judy A. Siguaw, D.B.A., Rohit Verma, Ph.D., and Kate Walsh, Ph.D.



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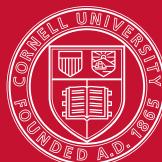
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Cases in Innovative Practices in Hospitality and Related Services

Set 2: Brewerkz, ComfortDelgro Taxi, DinnerBroker.com, Iggy's, Jumbo Seafood, OpenTable.com, PriceYourMeal.com, Sakae Sushi, Shangri-La Singapore and Stevens Pass

by Sheryl E. Kimes, Cathy A. Enz, Judy Siguaw, Rohit Verma,
and Kate Walsh
with Nigel Goodwin

EXECUTIVE SUMMARY

The second set of ten cases of hospitality innovators presents a diverse group of concepts and companies, all of which have used novel thinking to meet marketplace needs, regardless of whether those needs are newly identified or longstanding. Although most of the innovations have been made possible by relatively new technology, all of them rest on a core concept of focusing on customers' desires. Whether the innovations were developed by extending existing concepts or through discontinuous inspiration, they have been generally accepted by customers. The implications and lessons from these ten cases, Brewerkz, ComfortDelgro Taxi, Dinnerbroker.com, Iggy's, Jumbo Seafood, OpenTable.com, PriceYourMeal.com, Sakae Sushi, Shangri-La Singapore and Stevens Pass, are valuable for all segments of the hospitality industry.

ABOUT THE PRINCIPAL AUTHOR



The principal author of this set of innovation cases, **Sheryl E. Kimes**, Ph.D., is Singapore Tourism Board Distinguished Professor in Asian Hospitality Management and professor of service operations management at the Cornell University School of Hotel Administration (sek6@cornell.edu). She has served as interim dean of the School of Hotel Administration and as the school's director of graduate studies. Kimes teaches restaurant revenue management, yield management, and food and beverage management. She has been named the school's graduate teacher of the year three times. Her research interests include revenue management and forecasting in the restaurant, hotel and golf industries. She has published over 50 articles in leading journals such as *Interfaces*, *Journal of Operations Management*, *Journal of Service Research*, *Decision Sciences*, and the *Cornell Hospitality Quarterly*. She has served as a consultant to many hospitality enterprises around the world, including Chevy's FreshMex Restaurants, Walt Disney World Resorts, Ruby's Diners, Starwood Asia-Pacific and Troon Golf.

She gratefully acknowledges the contributions of her co-authors, as listed in the accompanying cases.

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Cases in Innovative Practices in Hospitality and Related Services

Set 2: *Brewerkz, ComfortDelgro Taxi, DinnerBroker.com, Iggy's, Jumbo Seafood, OpenTable.com, PriceYourMeal.com, Sakae Sushi, Shangri-La Singapore, and Stevens Pass*

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Innovation is often defined as a new service, product, process, or idea.¹ In this study we relied on the following definition: An innovator is a person or organization that has developed a new or distinctive practice, or has devised a novel application of an existing practice, such that it has proven to be highly effective and profitable. Thus, the firms we profile are not necessarily the only example of a particular innovation, but we believe they are using the innovation in a most effective manner.

¹ Cathy A. Enz and Jeffrey Harrison, "Innovation and Entrepreneurship in the Hospitality Industry," in *The Handbook of Hospitality Management*, ed. Roy Wood and B. Brothers (London: Sage, 2008); and J. Siguaw, P. Simpson, and C.A. Enz, "Conceptualizing Innovation Orientation," *Journal of Product Innovation Management*, 2006.

We must point out that developing a new product or process is not enough to be considered innovative in and of itself. Innovation requires converting an idea into a service or product that customers want, often using a new business model. At minimum, innovation requires behavioral change, and so we have specified the process of change and the techniques for putting ideas into action.

The innovations we profile include business models, products, services, processes, and marketing channels. While we chronicle a diverse array of innovations, the focus of our featured cases is that the practices have resulted in strong improvements in profitability or, for those innovative ideas in early stages, that have the potential for yielding superior performance for the firm.

Study Methodology

To identify innovative practices, the research team conducted interviews with industry leaders, gathered nominations from an online survey on the CHR website between November 2008 and the beginning of 2009, and reviewed industry literature that reports on innovations. In this report we profile ten of the fifty innovative firms which we identified. The cases are based on semi-structured interviews in which innovators were asked to provide: (1) a description of the innovative practice; (2) details on execution, focusing on how the innovation was implemented; (3) the outcomes of the innovation; and (4) lessons they learned and suggestions for others trying to utilize the ideas and innovative practices.²

This second set of ten case studies represent concepts developed in Singapore, the United Kingdom, and the United States. While technology is a key element in these cases, the innovation generally relies on the use of that technology, rather than the technology itself. We hope you will enjoy the stories underlying these innovative practices or businesses.

² For a more detailed discussion of this study methodology, see: *Cases in Innovative Practices in Hospitality and Related Services, Set 1*; www.hotelsschool.cornell.edu/research/chr/pubs/reports/abstract-15154.html.

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Brewerkz: Microbrewery Restaurant Strategy in Asia

By Sheryl Kimes, Nigel Goodwin, and Devin Kimble

Description

Brewerkz was a family of three full-service restaurants in prime Singapore locations featuring “scrumptious American fare” and its own range of locally brewed premium beers. The flagship location was a brewpub with a ten-hectoliter brewery on site. The Brewerkz beers had won numerous international awards for their quality, taste, and aromas and had developed a cult following among Singapore’s beer enthusiasts, particularly the sizable expatriate community.

Brewerkz restaurants served large, hearty portions specializing in the American Deep South, Southwest, and California styles fused with Asian elements. Signature dishes included chili lacquered satay, spicy edamame, the Brewerkz Burger, jambalaya, soba noodle salad, braised lamb foreshank, and coconut crème brûlée.

The flagship Brewerkz Restaurant & Microbrewery, located on the banks of the Singapore River at Riverside Point in the heart of the lively Clarke Quay entertainment district, served some 1,100 covers daily. Although the brewpub could seat 240 diners inside, most customers preferred the 300-seat outdoor facilities. The restaurant offered pool tables, dartboards, and ten large-screen televisions. Like the beer, all the food was made from scratch on site. Specially fabricated fermentation tanks minimized floor space requirements for the brewing operation.

The second restaurant, Brewerkz Indoor Stadium (originally Brewerkz Bar & Grill), was attached to Singapore’s 14,000-seat Indoor Stadium and in close proximity to the new National Stadium in Singapore’s sports hub. Established in May 2007, Brewerkz Indoor Stadium seated 250 patrons and offered excellent waterfront views of the Kallang Basin. The food was prepared on site, while the beer was brought over from Brewerkz’s other facilities. Brewerkz Indoor Stadium also featured a wood-burning pizza oven and was the only restaurant in Southeast Asia to be certified by the Verace Pizza Napoletana Association (VPN).³

The newest establishment, Brewerkz Bukit Timah, seated 85 patrons in a historic shop house in an upscale residential area. Established in April 2008, it offered the usual Brewerkz fare and was also open for breakfast on Saturday, Sunday, and public holidays. Like the stadium site, there was no brewing capacity at this location.⁴

³ VPN was a certification body that stipulated the ingredients, techniques and equipment required in the proper production of Neapolitan pizza.

⁴ While the flagship establishment was a brewpub with its own on-site production, the other restaurants were “tied houses.” Based on the English concept, a tied house was owned by a brewery and offered (exclusively or predominantly) the beer produced at that brewery. This contrasted with the typical three-tiered American model of beer distribution, which consisted of producers, distributors, and retailers.

Execution

Two expatriates, American Devin Otto Kimble and Chilean Daniel E. Flores, established their company, Brewerkz Singapore Pte Ltd (Brewerkz), in 1996. Inspired by brewpubs in the United States and Canada, they decided to replicate the concept in Singapore and throughout Asia—a revolutionary idea at the time. Canadian expatriate Scott Robertson, formerly a physicist, presided as the brew master.

Kimble, a California native, had experience in restaurant operations management, having previously worked for Dan Ryan’s Chicago Grill in Singapore. He held a bachelor’s degree from Yale University and a master’s degree from Cornell University’s School of Hotel Administration.

Realizing that the concept would require considerable floor space, Kimble and Flores found a retail space in what was then a secondary neighborhood on the banks of the Singapore River. That neighborhood is now the trendy Clarke Quay entertainment district.

Using a custom-made microbrewery tank from a builder in Canada, the partners opened Brewerkz Restaurant & Microbrewery in 1997, enjoying a brisk business. Flores left the partnership in 2000 to earn an MBA in the U.S. and pursue a career in investment banking. Kimble remained in Singapore to lead the company.

Pleased with the first brewpub’s success, Kimble soon considered expanding the business to each of Asia’s gateway cities. The complexity of international expansion and the absence of appropriate sites elsewhere redirected his goal to expansion within Singapore.

First he expanded the brewpub until it reached full capacity. Rather than eliminate restaurant seats to expand the brewing capacity, he established a brewery at a secondary facility and transported the beer to the restaurant. Of course, he knew that strategy would require significant investment. “Our next pint is going to cost 1 million!” Kimble quipped.

The expansion to a remote brewery was the result of Kimble’s realization that his customers did not care about an on-site microbrewery. Until that point, Kimble had been married to the concept of on-site brewing; the realization that it wasn’t actually necessary freed Brewerkz to open restaurants almost anywhere. Kimble referred to this as his “eureka moment.” Thus, he was able to open smaller restaurants in targeted locations.

To set up the new brewery, Brewerkz leased an industrial space outside the city center, where rental cost \$2 per square foot (as opposed to \$11 per square foot at the restaurant). In addition to the expected investment, the move involved a new learning curve. The company paid S\$750,000 for new brewery tanks and spent an equal amount on refrigerated trucks, holding rooms, and an inventory control system, bringing the total cost of the expansion to S\$1.5 million.

Evolving from the restrictive microbrewery concept to the more flexible tied-house concept, the company established Brewerkz Indoor Stadium and Brewerkz Bukit Timah. However, the “eureka moment” raised a fundamental question: should the company continue brewing at the original location, or transfer all brewing capacity to the industrial space? “If customers don’t care about the on-site microbrewery,” Kimble mused, “why take up space with it? Should we convert it to more seats and sell more beer?” In the end, his answer was to retain the original microbrewery.

The success of Brewerkz supported expansion of tied houses with different concepts, again made possible by having a remote brewery. Café Iguana, a Mexican-style cantina, was launched in 2000, and WineGarage, with a seasonal menu and a wine list featuring over 600 labels, was launched in 2005. As managing director, Kimble renamed the parent company MENU Pte Ltd Food & Drinks Group, to reflect the expansion.

The Brewerkz concept required substantial customer traffic, as Kimble learned after Brewerkz set up shop in the new terminal of Singapore’s Changi Airport. Brewerkz Terminal 3 was a full-service restaurant with an on-site three-hectoliter microbrewery on the second level of the terminal’s retail area. It was Asia’s only airport brewpub and one of few in the world. Despite hiring an acclaimed designer to create a sophisticated and “sexy” atmosphere for the new operation, the restaurant failed because passenger traffic and retail spending at Terminal 3 fell below expectations. “Brewerkz was not the only company that struggled to meet its revenue projections at Terminal 3,” Kimble explained. “For instance, another bar concept opened four outlets in Terminal 3 and eventually closed three of them.”

Outcomes

Brewerkz built its business at a time when Singapore’s beer market was growing and becoming more sophisticated. Brewerkz made a significant contribution to that evolution by winning international awards. As Kimble explained a company release:

“When we started Brewerkz [in 1997], the selection of beer in Singapore was limited to a few light lagers and some stout.” At the inaugural Singapore Beer Festival in 2008, over 300 labels were on offer. “It really goes to show how far the beer market here has progressed in the last decade.”⁵

Accolades include a gold award for having the best English-style India Pale Ale at the Association of Brewers (AOB) World Beer Cup, and a gold and two silvers at the 2007 Australian International Beer Awards. The following

⁵ Devin Kimble, cited in “Brewerkz Showcases Award-Winning Beers at Singapore Beer Festival” (8 September 2008). Brewerkz.

Brewerkz brought the first brewpub to Singapore, and encouraged local brewers to expand their repertoire and quality.

year, Brewerkz entered eight of its beers in the same competition and walked away with eight awards—five silver and three bronze.

Commenting on the medal haul, Kimble said:

While Brewerkz generally gauges its success from the feedback of our customers, it is nice to be recognized with a whole slew of medals. [This] is a great tribute to the care and effort that our brewers put into every beer... Eight medals for the eight beers submitted to the Australian Beer Awards is an awesome achievement for the Brewerkz brewers. It shows that our entire beer program is of the highest industry caliber and it is not just one or two beers that stand out.⁶

Also in 2008, Brewerkz entered the Asia Beer Awards competition, which was part of the first-ever Singapore Beer Festival, and emerged as the overall grand award winner. Recognition at beer competitions was crucial for Brewerkz—or for any other microbrewery, for that matter—because the awards validated the quality of the product. As Kimble explained:

When we won our first gold in 2004, our sales increased 30 per cent overnight. Having an outside judge say that we were making one of the best beers in the world really let everyone in Singapore know that they were getting a top product. Basically, the market needs justification to enjoy our product.

⁶ Devin Kimble, cited in “Perfect Score for Brewerkz at the Australian International Beer Awards” (14 April 2008). Brewerkz.

The MENU group projected total sales (from all five establishments) of about S\$20 million for 2009. Brewerkz Riverside Point contributed just over half of the corporate revenue, making it one of the largest western-style restaurants in Asia. Brewerkz Indoor Stadium and Brewerkz Bukit Timah contributed 15 percent of corporate revenue with Café Iguana and WineGarage contributing the balance of 35 percent.

The 2009 revenue projection represented a drop of about 15 percent over the previous year. The decline was attributed to Singapore's faltering economy of that time.

Insights

As we said above, the key insight occurred when Kimble realized that his customers generally didn't care about on-site brewing and some weren't even aware of it. Most customers sat outside at the Riverside facility and the only time they saw the brewery was when they passed it on the way to the restrooms. This was contrary to the appreciation of on-site brewing found in the United States and Canada.

Another insight was to resist the temptation to consolidate all brewing in one location. "Consider business continuity issues," Kimble hypothesized. "If something bad happened at the main brewing location and it affected brewing capacity, all the restaurants would be screwed. It's the classic all-your-eggs-in-one-basket problem."

Extending that idea to the regional level, the company also faced a risk by operating only in Singapore. Confining operations to one city required less investment and made for easier logistics, but it meant that the entire business relied on a single economy. Another challenge that this business faced was its large capital requirements and the fact that it was could expand only by large increments. Thus, it faced enormous pressure to grow to achieve appropriate scale and amortize the investment. With growth as a strategic requirement, the firm required a flexible business model. "You must be flexible because your initial strategy may prove to be wrong," Kimble cautioned. "If you run out of growth opportunities, your model was not viable in the first place."

However, from the Terminal 3 experience, Kimble learned that not all growth opportunities were appropriate. Brewerkz was not a "mall" concept. Instead, it required a prominent exterior location on the ground floor. Additionally, altering its design from the original look and feel would not work. Not only did the special design of Brewerkz Terminal 3 cost about 50 percent more to build, but it was inconsistent with the company's style. "I believe we could overcome the handicap posed if one of these items had been the case, but not all three," Kimble explained.

ComfortDelGro: World-Leading Taxi Booking and Fleet Management System

by Sheryl E. Kimes and Nigel Goodwin

Description

ComfortDelGro Corporation Limited (ComfortDelGro) was Singapore's largest transport operator with 15,000 taxis and 32,000 drivers under its Comfort and CityCab brands.⁷ ComfortDelGro used the state-of-the-art Integrated Transport Management System (ITMS) which tracked each taxi's status and location, automated customers' booking requests, and matched each request to the nearest available taxi to optimize the fleet's performance.

Each taxi in the company's Singapore fleet was equipped with a state-of-the-art touch-screen data system called a Mobile Data Terminal (MDT) and was wirelessly connected to the dispatch center via General Packet Radio Service (GPRS) technology. Each taxi's job status, location, direction, and speed were tracked at all times. The MDTs also included digitized maps and provided information such as traffic conditions, flight arrivals, and flight departures to aid the drivers.

To book a taxi, customers called the Dial-A-Cab hotline. An operator had to assist first-time callers, but subsequent requests could be made through automation, which predicted two likely pick-up locations based on the customer's booking history. Once the customer's location had been confirmed, the system identified available taxis in the area and assigned the booking to the nearest and most appropriate taxi.

The chosen taxi's MDT would display the booking request for the driver. Once the driver accepted the booking, he or she would indicate the estimated time of arrival. An automated voice would then address the customer on the telephone to relay the taxi number and the estimated waiting time. Booking fees were S\$3.50 during peak hours and S\$2.50 during off-peak hours.⁸

When a driver with a passenger approached the drop-off point, the driver notified the system that the job was nearly complete and the driver could be assigned a new

⁷ ComfortDelGro operated an additional 30,000 taxis in the United Kingdom, China, and Vietnam. The company's diverse portfolio also included public and private buses, urban rail, vehicle inspection, vehicle maintenance, driving schools, car leasing, and numerous other transport-related businesses. For 2008, the company reported total revenue of S\$3.125 billion (including Singapore taxi revenue of S\$614.7 million and overseas taxi revenue of S\$330.6 million) with operating profit of S\$278.0 million and net profit of S\$200.1 million. The combined operations made ComfortDelGro the world's second-largest publicly listed company in the passenger land transport industry.

⁸ Peak hours were 7:30 AM–9:30 AM and 5:00 PM–11:00 PM Monday to Friday, excluding public holidays.

fare. By notifying the system of his or her availability, a driver could reduce empty cruising time and generate more revenue.

The system had an additional safety feature to assist and protect the drivers. If a driver sensed trouble (from a drunk or abusive passenger, for example), the driver could discreetly press a distress button that would enable the Customer Contact Centre staff to listen to what was happening in the taxi. Other nearby drivers or the police could be alerted if necessary.

Having the Integrated Transport Management System in place allowed the firm to respond quickly when Singapore expanded its Electronic Road Pricing (ERP) gantries in the City Area in 2008. The company introduced an ERP Reimbursement Scheme that paid drivers for ERP charges when they were unable to find a fare within 15 minutes of entering the City Area or when a passenger failed to show up for a confirmed booking. This, in turn, encouraged drivers to take bookings within the ERP gantries and minimized taxi shortages in the City Area.

For added convenience, all ComfortDelGro taxis accepted payment by credit card, debit card (using the local NETS electronic platform), and corporate charge card. Cashless payment cut down on the amount of cash carried by drivers and proved popular with passengers.

ComfortDelGro enabled mobile phone bookings via SMS starting in April 2008. Passengers could book by postal code or building name. The company also introduced a priority taxi booking service that allowed frequent bookers to jump the queue when they called.

Execution

ComfortDelGro was formed in March 2003 through the merger of Comfort Group Ltd. (Comfort) and DelGro Corporation Limited (DelGro), both of which were successful operators with roots dating back to the 1970s. Both company's brands, Comfort and CityCab, were retained after the merger.

Comfort launched its first Dial-A-Cab hotline in August 1979. Calls were routed through a 24-hour call center and bookings were dispatched via radio. An average of 1,200 calls were received per day.

Comfort's computer-based booking system modernization began in March 1996 with the launch of a S\$32 million automated dispatch system that integrated Interactive Voice Response (IVR) with Global Positioning System (GPS) tracking. This was touted as the first and largest such system in the world. In August 1998, Comfort began offering an advance booking system that guaranteed passengers a taxi when they booked at least half an hour in advance.

In September 2003, Comfort upgraded to its present text-to-speech technology system called SpeedCall. The

ComfortDelGro used wireless dispatching, GPS, and SMS mobile services to speed customer pickup and boost fleet efficiency.

technology allowed customers who called Dial-A-Cab from a landline to bypass the Customer Contact Center's operators. By March 2004, it had evolved to also serve mobile phone callers and to project likely pick-up locations, later adding SMS service as described above.

Similarly, CityCab began using GPS to track its taxis in December 1995. In August 2003 (shortly after the merger with Comfort), CityCab began developing a more advanced system to integrate GPRS with its fleet management applications. This system, which became known as ITMS, was rolled out in all 5,000 CityCab taxis by the end of 2005. Post-merger integration brought this system to Comfort taxis, allowing customers to book ComfortDelGro taxis via the same telephone hotline.

ITMS boasted the user-friendly touch-screen MDT, which required only three to four hours of training. Drivers were consulted during the development process and their feedback had contributed to the design.

In all, ITMS cost about S\$55 million to develop, while the SMS add-on cost an additional S\$30,000 to S\$40,000. These systems received strong support from senior management. The importance of IT was also reflected in the brands' logos. The CityCab logo featured a curve with dots to resemble a satellite dish and to reflect the innovative use of technology. Similarly, Comfort's stylized red C and orange speed-line represented forward thinking and the use of innovation.

Yang Ban Seng, chief executive officer of ComfortDelGro's taxi business commented that both commuters and drivers appreciate the automated taxi-dispatch system.

Outcomes

These innovations translated into shorter waiting times for customers, faster dispatching and turnaround for drivers, and faster taxi arrivals (six minutes on average). When SpeedCall was introduced, it reduced staffing requirements and cut the time for the booking process from 40 seconds for an operator-assisted call to 25 seconds for an automated call. ComfortDelGro also won numerous awards for ITMS (See Exhibit 1, next page.)

EXHIBIT 1**Selected awards for ComfortDelGro**

October 1996	Comfort CabLink won the top prize at the Management Awards of Asia (IT category)
November 1997	Comfort CabLink won the Award of Innovative use of IT (Private Sector) by the National Computer Board
September 1998	Nearly three years after CityCab began using GPS tracking, ComputerWorld magazine recognized CityCab with its Top IT User award for its GPS system
September 2003	Comfort won an MIS Innovation Award for Customer Relationship Management
December 2003	SpeedCall won the prestigious Intelligent20 Award; the award was presented annually to Asia's top 20 companies using IT to drive operational excellence, customer service and innovation; Comfort was the first taxi operator in the region to receive the award.
2006	ComfortDelGro's ITMS was nominated for Singapore's own National InfoComm Awards, which recognized companies for their innovative use of technology
2008	ComfortDelGro was one of five companies to win the CIO 100 Awards for its innovative use of technology with ITMS

EXHIBIT 2**Quality of service indicators**

Indicator	Target
<i>Call Answer Rate</i>	At least 90 percent
<i>Time to Answer Calls</i>	Within 30 seconds 85 percent of the time
<i>Time to confirm taxi</i>	Within five minutes 90 percent of the time
<i>Cater Rate</i>	At least 90 percent
<i>Taxi Arrival Time</i>	Within ten minutes 85 percent of the time

Note: Performance was monitored during the evening peak period from 5:00 PM to 11:00 PM.

The system allowed for rapid growth in the number of taxi bookings. Daily capacity increased to an average of 50,000 bookings per day. Total bookings swelled to over 17.0 million in 2006 and reached an all-time high of 20.0 million in 2007.

ComfortDelGro operated 66 percent of Singapore's taxis, but received 93 percent of the bookings. Bookings accounted for 10 percent of all ComfortDelGro taxi fares, with the balance generated by commuters hailing taxis on the street. About 90 percent of the bookings were automated during off-peak hours. During peak hours, customers were more inclined to speak with operators, so operators in the Customer Contact Center handled about half of peak time bookings. Nearly all bookings from landlines were handled by automation, regardless of the time of day.

The Customer Contact Center employed less than 130 people to handle the operator-assisted bookings. Approximately 30 employees worked during off-peak hours and 70 people during peak periods (with Friday rush hour being the busiest time).

Singapore's Land Transport Authority (LTA) measured taxi operators' call booking performance every month based on five Quality of Service (QoS) indicators (see Exhibit 2).

Poor performance would result in monetary penalties or, in extreme cases, license revocation. However, ComfortDelGro consistently met or exceeded the performance targets.

SMS accounted for a small but growing portion of the bookings. Approximately 10 percent of payments were made with NETS or credit cards by February 2009 and the frequency was increasing.

Insights

ComfortDelGro's success was a result of the company's ability to think beyond the industry's traditional operating procedures. "Perhaps the most important lesson we've learned is that you don't need to have a large call center to handle a high volume of calls," explained Ngoi Poh Keng, vice president of the Customer Contact Center. "Automation works. Think outside the box."

The success of any innovation depends in large part on location and societal factors. ComfortDelGro's innovations succeeded because Singapore society was receptive to new technology. Commuters and drivers alike adapted quickly and appreciated the convenience. The system was also made possible by a substantial fleet of 15,000 taxis, which offered considerable economies of scale.

DinnerBroker.com: Online Restaurant Reservations and Off-Peak Demand

by Sheryl E. Kimes and Nigel Goodwin

Description

DinnerBroker.com was a restaurant reservation website featuring over 1,000 restaurants across the United States and Canada. The site featured ratings, descriptions, and photos of restaurants and allowed consumers to reserve tables any time and from any location—with discounts of up to 30 percent for booking tables during off-peak hours. By offering discounts, DinnerBroker.com appealed to budget-conscious diners and offered more value to restaurateurs who wanted to fill tables—especially during slow periods.

After logging on to the www.dinnerbroker.com site, a consumer could search for a restaurant by state, city, neighborhood, and cuisine. After a restaurant had been selected, the consumer could choose a standard reservation (during peak dining hours, typically, 6:30 PM to 8:30 PM) or a discounted reservation (during off-peak hours). Once the booking was completed, the system sent the reservation details to the restaurant by phone, fax, or email and sent a confirmation email to the consumer. The guests needed to make no further contact with the restaurant and could be shown their table when they arrived at the restaurant at the selected date and time. The restaurant paid DinnerBroker a US\$1 fee for each seated diner.

Restaurateurs who wanted to fill empty tables during slow periods specified the hours, the number of available tables, and the percentage discount. DinnerBroker.com then displayed a schedule of regular and off-peak hours so the consumers could choose when to reserve, based on discounts of 10 to 30 percent for off-peak reservations, as determined by the restaurant.⁹ This set of discounts was only available for reservations made through DinnerBroker.com and diners had to arrive within 15 minutes of the reserved time or they would forfeit the discount.

A loyalty program also allowed registered members to accumulate DinnerBroker Points (DBP) that could be redeemed for restaurant gift certificates, at a rate of 100 DBP to a dollar. Thus, a member could redeem 1,000 DBP for a \$10 gift certificate. A consumer earned 200 DBP for registering, 100 DBP for every reservation, and an additional 100 DBP for every referral of a new registered member.¹⁰ In addition to the points and discounts, restaurants occasion-

DinnerBroker allowed restaurateurs to increase business with an unusual discounting approach for off-peak reservations.

ally extended a variety of special offers, including free valet parking, *prix fixe* menus, and two-for-one deals on entrées.

DinnerBroker also offered a service called Customized Virtual Reservations, or CoVeR, which provided a reservation web page dedicated to a specific restaurant. A CoVeR page integrated with the restaurant's existing website (if one were available) with the same color scheme, layout, and style. The restaurant chose the domain name, but the CoVeR page was hosted by DinnerBroker, which enabled the restaurant to offer reservations around the clock through its own website at modest cost and without any additional hardware or software. CoVeR allowed the restaurant to customize the confirmation and cancellation emails, and it gave the restaurant a dedicated page that would cut distractions from other restaurant listings. The CoVeR page could be linked from the restaurant's own website, from search engines, or from online advertisements.

A monthly subscription to CoVeR cost a restaurant US\$49 after a set-up cost of US\$100, plus a US\$500 fee for website customization. As with DinnerBroker.com, the restaurant was charged US\$1 per seated diner.

Execution

Formerly a management consultant with Bain & Company, Ben Dehan had already worked on one high-tech start-up. Dehan held an economics degree and an MBA and had written his thesis on predatory pricing. He had worked in yield

⁹ The discounts normally applied to food and beverages except in states that prohibited discounts on alcohol.

¹⁰ Points were credited approximately one day after the meal, after DinnerBroker had contacted the restaurant to confirm the reservation had been honored.

management in manufacturing and had also worked at the Federal Reserve.

Dehan's family had managed a restaurant in Louisiana for 60 years, so he was able to combine his lifelong passion for dining with his business and pricing expertise by launching DinnerBroker in 2000.

DinnerBroker became one of several companies connecting diners with restaurants online. Later in this report, we profile OpenTable, which applied a different approach to restaurant demand shifting.

Dehan believed that shifting demand to off-peak hours was a more sustainable business model than turning customers away during peak periods. Using his economics and pricing background, he found that customers required a discount of at least 20 percent before they thought it was worthwhile to shift their demand. According to Dehan, DinnerBroker was the first restaurant reservation company to offer discounted tables during off-peak hours. As far as he knew, DinnerBroker was also the first company to charge a premium for prime tables and split the premium with the restaurants.

DinnerBroker's discounting model encountered initial resistance. Few restaurants had websites and most restaurateurs were skeptical or even fearful of changing their business model. The restaurant industry was coming off a decade of solid demand, and restaurateurs did not think they needed help filling tables. They certainly did not want to be seen offering discounts.¹¹ In addition to this resistance from restaurateurs, the challenges became even greater in the 2001 recession. "It was clear that the market wasn't ready for us yet, and we didn't want to do the missionary work," Dehan explained.

DinnerBroker also struggled with limited capital. DinnerBroker had only US\$1 million in funding—far less than other internet startups at the time. The lack of funding meant that Dehan could not afford to employ a sales force, whereas OpenTable, his chief competitor, did. At one point DinnerBroker employed 25 people, but that number dropped to five or six employees. (The company later recovered and again employed about 20 people.) Dehan also attempted to promote DinnerBroker through mass mailings, but he had to be careful not to burn through cash too quickly.

To fill the human resources gap, Dehan built strategic partnerships, beginning with Visa, which promoted the reservation service to its cardholders. Dehan subsequently forged alliances with Yahoo!, Hotwire, and Priceline, in which DinnerBroker provided restaurant-based content and reservation features on its partners' websites.

¹¹ Katy McLaughlin. Dining Out on Deals. 28 November 2008. The Wall Street Journal. <http://online.wsj.com/article/SB122781134533561897.html>, viewed on 10 April 2009.

The DinnerBroker affiliate program extended its reach through a growing list of over 250 affiliates. DinnerBroker paid US\$1 for each standard or discounted reservation booked through an affiliated website. DinnerBroker created a co-branded page featuring both the DinnerBroker logo and the affiliate's own logo, and it was up to the affiliate to drive traffic to the site. DinnerBroker sent each affiliate a monthly report and commission cheque. There were no charges or fees for the affiliates and DinnerBroker processed all transactions that went through affiliated websites.

The DinnerBroker "Power User" program was created for concierges, travel agents, and executive assistants, which gave financial incentives based on the credit card purchases they made.

The plan to offer prime tables at premium prices during high-demand periods was not entirely successful was offering. DinnerBroker typically charged an extra US\$10 to \$15 that it split with the restaurants. When this program turned out to be controversial, Dehan discontinued it. Visa took over the premium reservation program for its preferred cardholders and paid DinnerBroker a fee for each premium reservation.

DinnerBroker also struggled with the technical issue of letting restaurants know about the reservations, which is the reason that it used phone, fax, or email. Another technical issue was to find a reliable way to fulfill the discounts. On approximately 2 percent of discounted reservations, the restaurant erroneously failed to honor the discount, thus leading to a dispute with the consumer. The process of training restaurant managers was a difficult and time consuming. More recently, DinnerBroker began working with credit card companies like Amex to facilitate the discounts, by automatically posting them on credit card statements.

Although the restaurant industry did not embrace a discount-based strategy in flush times, by October 2008, with the American economy sliding further and further into recession, the industry finally seemed to favor a discount-based business model. Dehan seized upon the opportunity with plans to re-launch the website and renew his promotional efforts in early 2009.

By that time, Dehan had the vehicle he needed for growth—smart phones, or, more generally, mobile telecommunications. "Mobile devices are the right interface. Desktop computers just don't do it," he explained. "Most people don't plan ahead for restaurant outings." DinnerBroker was planning to launch an iPhone app in the first half of 2009, which would provide maps and directions to restaurants.

Outcomes

DinnerBroker's users appreciated the convenience of reserving tables at any time and from any location. It was a convenient alternative to the vagaries of telephoning a restaurant.

DinnerBroker also offered significant value to restaurateurs by filling additional tables—especially during off-peak hours. Restaurants achieved payback for their investment with DinnerBroker after filling just a few tables, and every cover after that brought in revenue that would otherwise have been forgone. As we said above, more than 1,000 restaurants have signed on to the DinnerBroker.com model.

DinnerBroker enjoyed broad market appeal. Some reservation sites catered to restaurant devotees who dined frequently and wanted to accumulate points. While DinnerBroker did offer its own a loyalty point system, the company focused instead on its discount model. Thus, DinnerBroker appealed to diners who were budget conscious and wanted immediate benefits.

Insights

Businesses based on offering discounts should fare well during recessionary periods. Even as consumers cut back on their expenses, many are reluctant to give up comforting rituals like the occasional meal out. With customers seeking discounts, restaurants are more willing to offer discounts to fill tables.

DinnerBroker originally launched nationally, but this stretched the sales force and other resources too thin, in part because the web was not as customized as it is today. The main search engines of that day—Yahoo! and America Online—were national portals that offered little opportunity to target specific cities. “If I could do it over again,” Dehan mused, “I would probably just focus on San Francisco and one or two other large metros.” By 2009 the web’s search engines—notably, Google—allowed more targeted search capabilities.

As a final piece of advice, Dehan recommended that entrepreneurs “Stick with what they love. You need to decide what type of person you are. If you’re just being opportunistic and you face challenges, you will fail quickly and have to move on. If you don’t love it, move on quickly. If you do love it, hang in there and in the long run you’ll succeed.”

Iggy's Restaurant:

Combining an Inspired Menu with Lean Production Principles to Create a Superior Dining Experience

by Sheryl E. Kimes and Nigel Goodwin

Description

Iggy's was a small fine-dining restaurant at the Regent Hotel in Singapore. In 2009, it was declared the 45th best restaurant in the world and, by extension, the best in Singapore.¹² Iggy's success could largely be attributed to the quality and inventiveness of its cuisine, but the application of lean production principles also enhanced the dining experience. The restaurant was named for its founder, Ignatius Chan, an award-winning sommelier and restaurateur. Chan owned and operated the restaurant with his wife, Janice Wong.

Iggy's offered a *prix fixe* menu that married foods of the east and west, serving four or five courses for lunch and eight for dinner.¹³ Iggy's executive chef created the dishes, while Chan presided over the kitchen and ensured a strong wine list. Iggy's used only the freshest ingredients, selected at their seasonal peak, and the menu changed frequently. The restaurant's extensive wine cellar heavily favored Burgundy, Champagne, and Riesling. Respected as a wine authority, Chan made a pilgrimage to France thrice yearly to personally taste and purchase bottles.

Iggy's offered fine service in an intimate setting, based on Chan's stated desire to offer personal but unobtrusive attention to all his guests. In fact, many patrons said the restaurant felt like a private club. Iggy's seated a maximum of 50 patrons in its main dining room and attached private dining rooms. The main dining room featured a glass-enclosed kitchen framed by an L-shaped kitchen bar with 13 seats. These seats allowed patrons to observe the action in the kitchen and interact directly with the staff.

Execution

One observer has labeled the rise of Chan and his restaurant to the top of the industry as “a Singapore fairy tale.”¹⁴ Chan, who lost his father at the age of three, was raised by his mother in a flat in Singapore. Not wealthy, Chan's mother nevertheless saved money to treat her son to an occasional meal at one of Singapore's finest restaurants of the day. These rare, glamorous evenings left an indelible imprint on the boy's mind and ignited his passion for fine dining.

¹² “The S. Pellegrino World's 50 Best Restaurants,” http://theworlds50best.com/module/acms_winners?group_id=1&item_id=84, as viewed 31 August 2009.

¹³ Depending on the season and the menu, lunch was typically priced at S\$45 to S\$95 while dinner was typically priced at S\$150 to S\$175.

¹⁴ Violet Oon, “Glimpses of Glamour Lead to Top World Restaurant Ranking,” *Foodiesspeak*. <http://www.violettoon.com/foodiesspeak/index.html>, as viewed 29 August 2009.

Iggy's introduced the *prix fixe*, upscale menu to Singapore, using lean production techniques to improve service and hold costs in line.

Upon completing his military service in 1985, Chan found an employment opportunity with the Mandarin Oriental Hotel, which sponsored his formal hospitality education at the Singapore Hotel Association Training and Education Centre (SHATEC). Chan began working in the hotel's coffee shop, but his managers soon found that he was ill suited for the coffee shop environment. "I was not the sharpest of service staff," he explained. "I am diligent but not fast and coffee house service requires you to be super quick. I would be more concerned about taking care of the guests properly than turning the restaurant around for the next service."¹⁵ He was subsequently reassigned to the hotel's French restaurant, Fourchettes, which was a better match.

At Fourchettes, Chan was introduced to his second great love: wine. In 1989, Chan won a six-month training scholarship that allowed him to understudy at some of Europe's finest restaurants, including the Crillon in Paris and The Ritz in Madrid. After completing these studies, he spent time touring and working in French wineries. The following year, he won a Veuve Clicquot Champagne scholarship and was named Singapore's Best Sommelier by SOPEXA.

When the Raffles Hotel reopened in 1991, Chan became its cellar master. In 1998, he was selected as the only Asian member of the *Grand Jury Europeen*, and in 1999 he was inducted into the *Jurade de Saint Emilion* wine fraternity.

Chan made his first foray into restaurant proprietorship in 1994 by opening Les Amis in Singapore with three partners. Les Amis became one of the country's finest French restaurants and won many accolades. However, Chan eventually formed a new vision of how food and wine should be enjoyed and longed to establish a new restaurant.

Iggy's opened its doors in September 2004, with a stately and refined club-like décor. The restaurant initially seated 28 diners in two areas—the 13 seats at the kitchen bar, plus 15 at tables. An extension with two private dining rooms

opened in March 2007, along with a show kitchen with a chef's table and seating for six.

Kitchen and table service alike used lean production principles, in which each step was evaluated in terms of its contribution to value creation for the customer. All steps in the process were tightly organized and integrated to ensure a smooth flow. With small batch sizes customer demand drove continuous production, rather than having the restaurant push production. To eliminate waste, the restaurant avoided overproduction and poor quality, as well as excessive setup time, processing time, waiting time, transportation, and inventory.

Much of the streamlining was facilitated by the *prix fixe* menu. One person was responsible for preparing each course, making the kitchen similar to an assembly line. Complex tasks were segregated and standardized and workloads were balanced among employees. Similarly, table service was organized and standardized. Each step in the process was closely located to minimize transport. For example, because each meal involved the same courses, the serving staff could identify the necessary flatware for the entire meal. Kept in attractive wooden trays or cabinets near the tables, the flatware was prepared and organized in advance. As the flatware from one course was removed, the flatware for the next course would be brought to the table and laid out. The efficiency of the side work allowed the wait staff to be responsive to the customer's timing, or "tempo." The serving staff was efficient yet subtle, leading one reviewer to describe the service as "impeccably unobtrusive."¹⁶

Outcomes

We must note that Iggy's was not without its detractors. The fixed menu concept ran counter to consumers' innate desire for choice. In the restaurant's early days, some customers disapproved and actually walked out.

That rough start was soon offset by the international accolades, the first of which came in April 2006—a year and a half after launching—when the prestigious United Kingdom-based *Restaurant Magazine* rated Iggy's the fourth best restaurant in Asia and the 98th best in the world. Furthermore, Iggy's was the only restaurant in Singapore to be included in the list. Iggy's improved its ranking to 60th place the following year.

Iggy's had received international praise for its "innovative cuisine with discreet, yet attentive service."¹⁷ In 2006, 2007, and 2008, Iggy's was listed in the S. Pellegrino World's 100 Best Restaurants list. In 2009, Iggy's entered the Top 50,

¹⁶ Kevin Gould, "A Happy Marriage in Singapore," *The Guardian*, 27 May 2006, <http://www.guardian.co.uk/travel/2006/may/27/singapore.travel-foodanddrink.restaurants.hotels>, viewed 29 August 2009.

¹⁷ John Abbott, "Iggy's of Singapore tops Miele Guide," Decanter, <http://www.decanter.com/news/news.php?id=271421>, as viewed 31 August 2009.

¹⁵ Oon, *loc.cit.*

ranking 45th. “Ignatius Chan,” wrote the panelists in their report, “has created a restaurant renowned for the technical ability of its kitchen, with an eight-course gastronomic menu that has an abundance of delicate flavors, combining the finest ingredients from around the world.”¹⁸

Local and regional recognition followed. In 2009, *Singapore Business Review* named Iggy’s Restaurant of the Year and also gave Iggy’s the title of Best Wine List. The 2009–2010 edition of the Miele Guide (an independent ranking of Asia’s best restaurants) proclaimed that Iggy’s was Asia’s number-one restaurant.

Local and international restaurant reviewers concurred. A reviewer with London’s *Guardian* newspaper described Iggy’s as “the subtlest, most satisfying east–west cuisine I’ve ever eaten.”¹⁹ One widely read Singaporean food critic wrote:

Owner Ignatius Chan and [then] chef Dorin Schuster have, through perfect service, exquisite food, and a wonderfully serene setting, created what I believe is one of the region’s best restaurants.²⁰

Insights

Chan offered some advice for young people starting out in the restaurant business—or by extension, in any field. “When you are young and working in such a top world class restaurant...you should open your eyes, open your ears, and close your mouth. Just observe and learn and absorb.”²¹

Chan had additional words of wisdom for restaurateurs and businesspeople at all levels. “Be patient,” he said. “Things might not always work the way you want at first. But always look for ways to streamline and innovate. This helps you provide better service and operate in a more cost-efficient manner. And never compromise on quality ingredients.”

The Five Ss of lean production were clearly evident at Iggy’s: Seiri, Seito, Seiso, Seiketsu, and Shitsuke, rendered in English as Sort (organize), Set in Order (neatness), Shine (cleaning), Standardize (process), and Sustain (discipline or habit). Application of the Five Ss in Iggy’s kitchen and at the table service helped make the service efficient, smooth, subtle, and responsive to the customer’s pace, thereby creating a superior dining experience.

The most fundamental piece of advice Chan offered was simple: “Do what you love.” By following his passion for fine dining and fine wine, and by giving his customers a taste of the high life that had so profoundly influenced and inspired him as a child, it was clear why Chan had become so successful.

¹⁸ S. Pellegrino, *loc.cit.*

¹⁹ Gould, *loc. cit.*

²⁰ “Iggy’s is the 4th best restaurant in Asia,” *Chubby Hubby* (7 May 2006). <http://chubbyhubby.net/blog/?p=314>, viewed 31 August 2009.

²¹ Oon, *loc. cit.*

Jumbo Seafood Restaurants: Catering to Local Seafood Tastes, Rewarding Loyalty, and Harnessing Technology to Streamline Customer Service

by Sheryl E. Kimes and Nigel Goodwin

Description

With seven popular establishments in Singapore, Jumbo Seafood was famous for its savory food prepared in the Singapore and Hong Kong styles, and was also notable for its technology-enabled operations.

The original (and still largest) Jumbo restaurant, located at the renowned East Coast Seafood Center, could seat over 1,000 diners at a time. Six smaller Jumbo restaurants were situated at high profile locations, including the bank of the scenic Singapore River, the Singapore Indoor Stadium (on the bank of the Kallang River), and the trendy Dempsey Hill area. The company also participated in two joint-venture seafood restaurants in Tokyo, both of which opened in 2008.

Jumbo offered indoor and *al fresco* dining, either *à la carte* or from set menus. In the management’s own words, Jumbo served “quality food at reasonable prices in a friendly environment.” Signature dishes included chili crab, fried tiger prawns with oat cereal, deep fried red tilapia with nonya sauce, bamboo clams with minced garlic, deep fried fresh baby squid, deep fried bean curd, black pepper crab, and lobster salad.

Jumbo often hosted corporate functions, birthday parties, and anniversary parties, as well as large-scale wedding banquets with special menus. VIP rooms could accommodate up to 60 people each and were equipped with both wireless internet for corporate functions and karaoke systems. Jumbo also offered a catering service.

Jumbo’s key innovation was to solve the problem created by the production complexity of Chinese seafood restaurants, which typically had multiple food preparation departments (e.g., steaming, stir frying). Originally, waiters had to make four copies of each check, one for each of the various preparation areas. This inefficient system was prone to errors and placed a heavy burden on the wait staff. Jumbo solved this problem in 1999 by eliminating the duplicate checks and providing its waiters with handheld order-taking devices—set in both English and Chinese. The devices were supplied by HP and cost approximately S\$800 each. Jumbo claimed to be the first Chinese restaurant in Singapore to use such technology. The main Jumbo location was equipped with 24 handheld devices, eight point of sale machines, and ten printers, so orders and bills could be quickly processed and delivered.

Table management was a challenge at the large East Coast restaurant, given that more than two-thirds of the customers were walk ins. To offset the communication chal-

In addition to serving good food at modest prices, Jumbo Seafood served a thousand covers or more per day by using such technology as walkie talkies and hand-held ordering devices.

lenge of this large and noisy room, the waiters used walkie-talkies and the restaurant employed a speaker system to call diners when their tables were ready. The East Coast location also featured video screens to display advertisements for different food items. This feature was well received by customers and improved sales of the advertised items.

As another innovation, Jumbo claimed to be the first restaurant or restaurant chain in Singapore to create its own loyalty program, which it ran independently. Jumbo Rewards members received a 10-percent discount on lunch and dinner at all Jumbo Restaurants (excluding the eve of Chinese New Year) and a 20-percent discount on weekday lunches at selected locations (excluding holidays). In addition, 5 percent of each bill was accumulated as Jumbo Dollars. Thirty per cent of a meal bill could be paid with Jumbo Dollars, which could also be used to purchase vouchers and gift cards. Some 15,000 customers have joined this program.

Execution

The original Jumbo restaurant was established at the East Coast Seafood Center in 1987. The Center was a seaside cluster of eight seafood restaurants with a raucous, open-air environment. These restaurants were known for the quality of their food, making the center a popular dining spot. This restaurant's success encouraged the company to expand.

In 1994, the company established a second restaurant, on the grounds of the Serangoon Gardens Country Club, an environment quite different from the East Coast Seafood

Center. This restaurant also proved to be popular, and five more restaurants were eventually established.

The servers initially resisted the handheld ordering system, but within the first week they found the system to be user-friendly. Now, according to the management, the serving staff "would never go back" to the manual method of taking orders. Jumbo originally planned to allow customers to pay through the handheld devices, but this plan was blocked by bank restrictions.

Outcomes

Jumbo has won numerous awards for its food. Among its more recent honors, Jumbo was named in the Singapore Business Review's Top 50 Restaurants Awards in 2008 and 2009. Jumbo was also named one of the top five winners in the Gourmet Choice Awards (Singapore Category) 2009, which was organized by Citibank and *The Business Times*. Jumbo had received the Singapore Service Star from the Singapore Tourism Board for achieving the mark of quality service.

The restaurant's technology improved customer service. The walkie-talkie communications and the handheld order-taking devices cut the time spent waiting for a table from as much as 60 minutes to 30 minutes or less. On the second day of Chinese New Year of 2010, Jumbo achieved a goal of nearly 2,000 covers.

Jumbo's initial concept was so successful that it began expanding into other dining concepts in 2009. In that year, the company opened several new restaurants to serve Hakata ramen (Yoshimaru Ramen Bar),²² southern China-style clay pot rice (Claypot Fun),²³ and Singapore-style hot pot (JPOT).²⁴

Insights

Jumbo's experience demonstrated that appropriately applied technology could increase productivity in restaurants, even in a restaurant as large and complex as Jumbo. Jumbo's management did have a word of caution for other would-be high-tech restaurateurs, though: have a thorough understanding of the business's needs and of the features and benefits of any given solution. Restaurateurs must be sure that the technology would meet their needs.

²² Originating in Hakata, Kyushu, Hakata ramen is a distinctive ultra-thin ramen with firm texture served in thick, flavorful broth extracted from pork bones (Tonkotsu).

²³ Clay pot is a style of cooking food in an unglazed clay pot that has been soaked in water so as to release steam during the cooking process.

²⁴ Hot pot, also known as "steam boat," is a method of cooking that employs a simmering pot of stock into which various cuts of meat, seafood, and vegetables would be dipped. Various dipping sauces and spices could also be added.

OpenTable's POP: Boosting Restaurant Performance by Shifting Demand to Off-Peak Hours

by Sheryl E. Kimes and Nigel Goodwin

Description

The largest electronic restaurant reservation service at the time of this study, OpenTable.com seated three million diners every month, with 8,270 restaurants participating in the United States and an additional 1,230 in Canada, Mexico, the United Kingdom, and several other countries. Responding to the crush of prime-time restaurant bookings, OpenTable developed a demand shifting program, known as "Placement. Offer. Performance." (POP). In contrast to the program from DinnerBroker that offered discounts to demand-shifting customers, OpenTable's program involved rewards points and restaurant vouchers.

OpenTable's core business, automated reservations at high-end restaurants, was supported by its Electronic Reservation Book (ERB), an integrated hardware and software application for reservation, table, and customer management.²⁵ The ERB also gathered information in a customer database to support marketing efforts. The system was connected both to OpenTable.com and each restaurant's own website. Restaurants paid OpenTable a modest monthly fee for the use of the ERB system, plus US\$1.00 for each diner seated through an OpenTable.com reservation or \$0.25 for each diner seated through a reservation on the restaurant's own website.

OpenTable.com helped customers search for and reserve tables at restaurants at any time, based on cuisine, price, location, reviews, and other criteria—at no cost to the customer. OpenTable.com displayed real-time table availability and a wealth of information about each restaurant including photos and customer reviews. When a customer made a reservation either at the OpenTable site or the restaurant's own site, the system transmitted the details directly to the restaurant's ERB and sent a confirmation email to the customer. The customer also received a reminder email the day before the meal.

OpenTable's demand-shifting effort rested on its existing customer loyalty program. A customer received 100 Dining Reward Points for each reservation that was made and honored, with points redeemable for OpenTable Dining Cheques valid at any OpenTable restaurant, at the rate of 1,000 points to US\$1.00 (or similar conversion in other currencies).

OpenTable's POP program encouraged reservations at its U.S. clients during off-peak times. Participating restau-

OpenTable encouraged restaurant guests to book during off-peak hours by offering incentives.

rants provided OpenTable with a schedule of low-demand operating hours, which OpenTable.com displayed on the website—advertised as bonus hours. A customer who chose to reserve during those periods would receive 1,000 dining rewards points instead of the usual 100.

The extra points were underwritten by the restaurants, which paid US\$7.50 for each diner seated through POP (as opposed to US\$1.00 per diner under normal circumstances). While some restaurant operators grumbled about the higher fee, they could not argue about the economic benefit of filling otherwise empty tables.

Execution

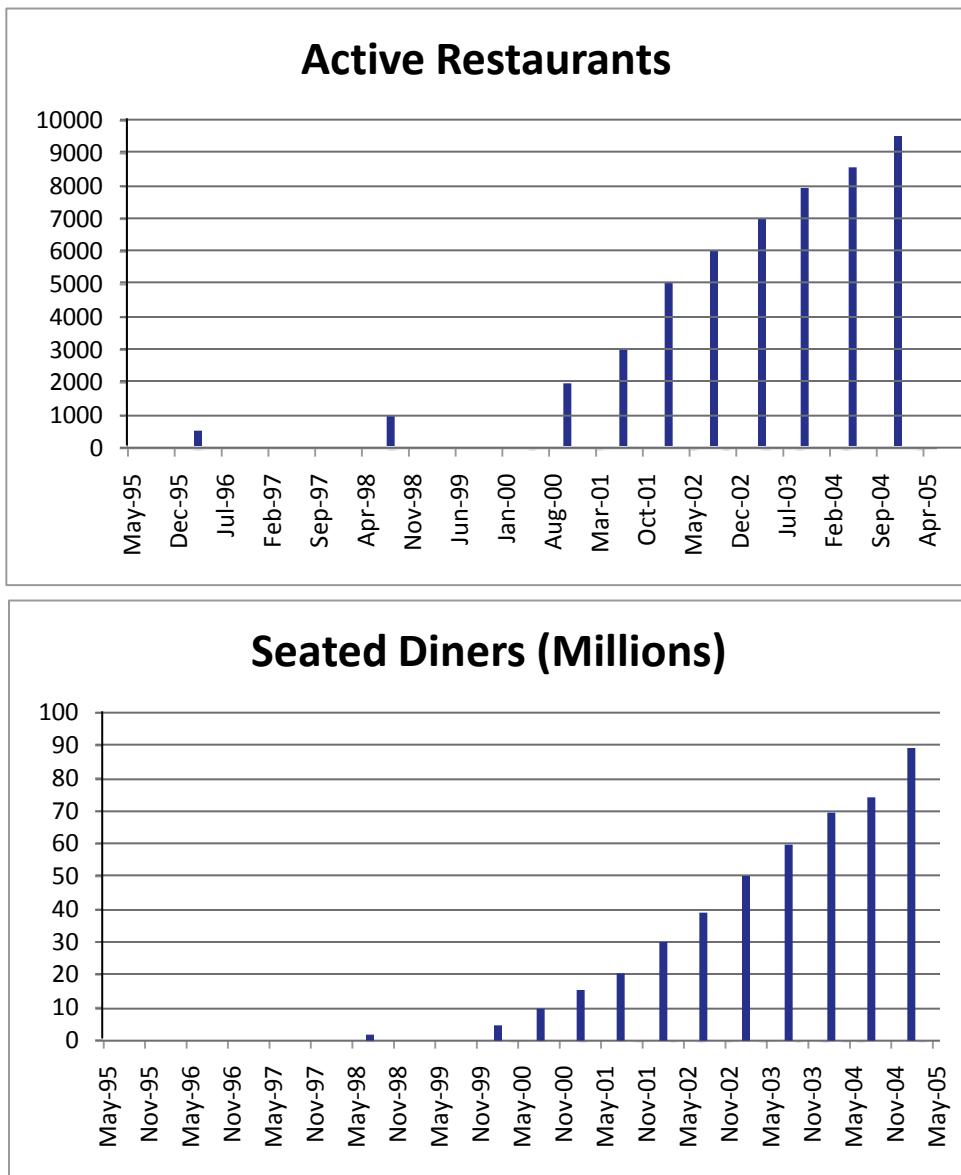
Founded in October 1998, OpenTable launched its complementary reservation website in June 1999 featuring just ten restaurants in San Francisco, steadily adding restaurants thereafter. OpenTable received a significant boost in January 2000 when America Online incorporated a link to OpenTable.com. Additional links and endorsements followed, with CitySearch in March 2001, Yahoo! in February 2005, and Zagat.com in May 2007.

Restaurants that were reluctant to join eventually saw that online reservation was an undeniable consumer trend.²⁶ High profile restaurants joined—such as the highly prestigious French Laundry in San Francisco—and gave OpenTable.com more legitimacy, buzz, and momentum (see Exhibit 3, next page).

Awareness also grew quickly among customers. OpenTable.com seated its one millionth diner in August 2002. By February 2006, the site was seating one million diners every month. By April 2009, the site was seating over three million diners every month with a cumulative total of 90 million (Exhibit 3).

²⁵ In basic terms, reservation management consisted of making, changing, cancelling, and confirming reservations; table management consisted of seating diners and tracking tables; and customer management consisted of tracking VIPs and repeat customers and recognizing customer preferences.

²⁶ Approximately 30 to 35 percent of U.S. adult consumers made an online restaurant reservation by 2008. They tended to be younger, to be more educated and to dine out more frequently. See: Michael J. Dixon, Sheryl E. Kimes, and Rohit Verma, "Customer Preferences for Restaurant Technology Innovations," *Cornell Hospitality Report*, Vol 9, No. 7 (2009).

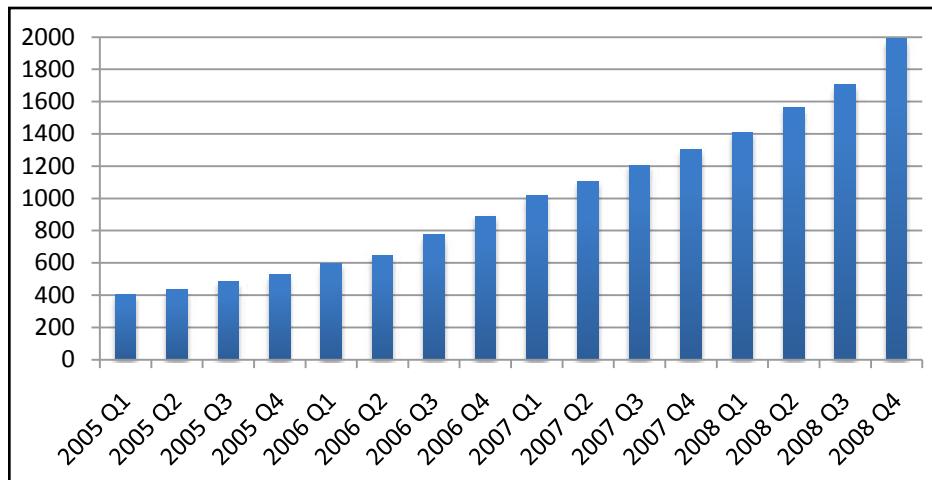
EXHIBIT 3**OpenTable growth**

Source: Open Table.

When restaurants asked OpenTable for help in generating additional covers in early 2004, Doug Boake, senior vice president of business development, realized that most diners who booked through OpenTable.com were seeking tables during the same time period, generally the 6:30 to 9:30 PM dinner hour. In contrast to DinnerBroker's discount-based program, Boake was aware that restaurants were reluctant to offer discounts because of the potential impact on perceived quality. Boake and his colleagues developed POP with the idea of providing incentives for off-peak booking. As he explained:

POP was designed with the restaurants in mind. We thought, "What's the best program for the restaurants?" Not all restaurant managers have a background in revenue management. They just need to get more business. We wanted to help them fill empty tables.

OpenTable's client relations staff personally introduced POP to the restaurant managers to explain how this new program would maximize the value of their OpenTable investment. Boake recalled that POP was initially a "distant priority," because OpenTable was busy promoting its core services. As the program gradually gained momentum, some salespeople began to promote POP exclusively. One

EXHIBIT 4**OpenTable POP participating restaurants**

Source: Open Table.

key point was to show the restaurateurs how to differentiate fixed and variable costs, because many restaurant managers considered all costs to be variable, which is not the case.

In good economic times, hundreds of restaurants joined POP, but the economic downturn caused even more to seek additional ways to sustain or increase volume. Beginning in 2008, OpenTable began to promote off-peak time slots more aggressively through email promotions and preferred placement on OpenTable.com. Customers who searched the site for restaurants in their area were presented with two groups of results: restaurants that offered bonus points and those that did not. The “Placement” element of POP became even more important for restaurants that wanted to increase their exposure, even during their prime time slots. For example, some restaurants wanted to stimulate trials and others were battling in highly competitive market segments.

Outcomes

The POP program was extremely successful. The number of restaurants offering bonus points grew from 404 at the beginning of 2005 to nearly 2,000 in at the end of 2008 (Exhibit 4). Participating restaurateurs understood the incremental contribution of POP diners even after the additional fees, and the program was well received by customers who earned additional loyalty points.

The chief challenge for the POP program was in encouraging restaurant managers to see the value of offering more “inventory” in off-peak times. OpenTable had to show the restaurants how often their tables were empty and then make the case for joining POP. As Boake explained:

In the early days, restaurants were too tight about this and only indicated when they were really empty. We've

focused on educating the restaurants on the fact that they probably have more empty tables than they think and that filling those tables really pays off. Now, the restaurants give us more time slots.

OpenTable also had to demonstrate that POP was not cannibalizing customers. Some restaurateurs were convinced that customers reserving under POP would have dined at their restaurant anyway, but were taking the added benefit of the bonus points and costing the restaurant the US\$6.50 differential per seat. OpenTable's evidence showed that POP actually added new covers, particularly as the recession of 2008 and 2009 deepened.

As of April 2009, POP was only available in the U.S., but Boake and his team were considering overseas implementation.

Insights

“POP has been successful because OpenTable put the customer first,” Boake declared. “This means making the program as easy and as valuable as possible. Keep it simple. There's no need to be complex. The incentives are always based on 1,000 points—not 800 or 1,200. We didn't want to overthink it.”

POP was a pioneering idea, but OpenTable made it successful through consistent promotion and application of the concept. “Also, POP has been successful because we stayed the course,” he said. “Sometimes that's hard because there's a lot of missionary work to do first.” Finally, sometimes a company just has to be “lucky” for an innovation to succeed. “OpenTable happened to be in the right place at the right time.”

PriceYourMeal.com: Online Auctions for Casual and Fine Dining

by Sheryl E. Kimes and Nigel Goodwin

Description

Like the demand shifting programs from DinnerBroker and OpenTable, PriceYourMeal.com encouraged additional restaurant business at the margin. Instead of express reservations, it used an online auction of meals and restaurant packages, in an approach similar to that of eBay. PriceYourMeal.com allowed restaurants to fill tables that might otherwise have stayed empty, while customers could save up to 75 percent of the cost of a meal, depending on their bid.

Launched by Sukhvir Dhillon, a Scottish restaurateur, MBA, and entrepreneur, the business operated in Glasgow, Edinburgh, Birmingham, and London. “We give customers a free online booking service,” he explained, “that lets them customize their evening out by pre-selecting their menus and drinks—it couldn’t be simpler to use.”

Restaurateurs had direct access to the site to post their offers. Unlike Priceline.com, the bidder knew which restaurant was making an offer. A typical offer might include a two-course lunch with coffee or a three-course pre-theatre dinner with wine for two. Other offers might consist of cooking classes, food vouchers of specific denominations, or dinner and hotel stay packages at participating hotel restaurants. A single restaurant could auction a maximum of two offers at a time, with a time limit of twenty-four hours per offer; this ensured that all participating restaurants had a chance to be seen. Some restaurants posted offers for meals during off-peak hours with the idea of filling empty tables. PriceYourMeal.com charged the restaurants a flat fee for each offer plus a credit card processing fee. Dhillon also offered database management applications to restaurateurs to derive additional revenue.

Registered users could search for desired restaurants by city and area, and sort the results by name, price, cuisine, and average diner rating. The search results could be displayed on a city map for handy reference. For each listed offer, the site displayed a starting or current price, the estimated value, and the inferred potential savings. Users could bid manually or use an auto-bid feature. Some offers had a “buy now” price for users who wanted to forgo the auction and secure the deal right away. A successful bidder paid for the offer through the website (with PayPal verification) and received a voucher valid for 60 days. The bidder then called the restaurant to reserve a table and redeem the voucher.

In addition to the auction offers, the site also featured “great offers,” which were package deals or special offers that could be booked by several guests at the listed price. Restaurants could also list and promote themselves for regular

reservations (rather than auctions); while these reservations were conducted through PriceYourMeal.com, the actual reservations were handled through LiveBookings.net.

The site also offered an interactive event-planning feature that allowed users to create an event (e.g., birthday party, reunion, or pub night), set a date, and then search for and book one or more venues based on the intended activities. Once the itinerary was set, the system allowed the user to input names and email addresses of the invited guests, who were then notified of the plans. Thus, PriceYourMeal.com offered three services to customers: bidding, booking, and planning.

Execution

Dhillon’s creation of PriceYourMeal grew out of his frustration with the expense and poor return for conventional restaurant promotions and advertising. His family operated seventeen restaurants, Europe’s largest chain of Indian establishments. Although he had worked at all levels of the business, he also had earned a degree in pharmacy and worked as a pharmacist for five years before returning to school for an MBA. He eventually became the director of operations at the restaurant company’s head office and also worked on the company’s marketing efforts.

The restaurant chain spent a considerable amount of money on marketing in newspapers and other traditional media. Not only did Dhillon note the high cost and low return, but he was also unable to measure the effectiveness of promotions. He also observed that most restaurant promotions came in the form of buy-one-get-one-free offers that carried challenging conditions and restrictions. Dhillon thought customers deserved—and would respond favorably—to something better.

Dhillon envisioned a website that would give restaurants more cost-effective promotions, be fun for users, and allow both parties more control. He could see a combination of the eBay and OpenTable concepts.

Dhillon started by purchasing an auction website template from an American vendor for US\$2,500. When it did not meet his expectations, he spent six months fixing the code and customizing the site. Later, after going live, he hired a skilled programmer to repair and improve the site. More animation was added to energize the site.

Dhillon established PriceYourMeal.com in Glasgow in early 2006. At first, he found it difficult to explain the concept to individual restaurateurs and convince them to participate. However, the president of the Glasgow Restaurateurs Association understood the concept, saw its potential, and offered to help. He invested in PriceYourMeal.com, listed his six restaurants on the site, and introduced Dhillon to other like-minded Glasgow restaurateurs. PriceYourMeal.com was able to go live with thirty restaurants.

An early contract with a marketing company failed to generate consumer interest, and Dhillon instead focused on public relations and press coverage, which then led to word-of-mouth advertising. Ultimately, PriceYourMeal.com received good coverage because it was such an unusual and innovative business. For example, the Scottish Marketing Community reported the following in its online newsletter:

With a vast range of dull and relatively expensive online booking services already on the market, PriceYourMeal.com was empowering users to decide for themselves how much they would pay for meals at top restaurants and hotels by bidding for meals and eating out at a price that suits their pockets.²⁷

After some initial success in Glasgow, Dhillon launched PriceYourMeal.com in the Scottish capital of Edinburgh in February 2007, London in March 2008, and Birmingham in December 2008. Dhillon planned to expand into Manchester as well. London proved to be a difficult market. Although more than 2,000 users registered in London, Dhillon believed that he had barely scratched the surface in that great city. London's restaurateurs were reluctant to sign up, for whatever reason.

Dhillon occasionally received inquiries from investors, but PriceYourMeal.com remained an independent business, as of this writing.

Outcomes

As was the case with the DinnerBroker and OpenTable demand-shifting programs, PriceYourMeal.com proved particularly popular during the economic downturn. Consumers could trim their dining bills, and restaurants could fill otherwise empty seats, using classic revenue management techniques. While each offer could have only one successful bidder, the system gave the restaurants more visibility among all the site's users.

Dhillon sees his approach as altering the way people approach dining out, because they can set a price and restaurateurs know that they have sold additional covers.

Despite its slow progress in London, the site enrolled more than 200 restaurants for its auction concept and more than 20,000 registered users. In addition, more than 2,000 restaurants accepted regular reservations through PriceYourMeal.com in conjunction with LiveBookings.net. At this writing, the site had run over 200,000 auctions and generated more than £300,000 of revenue.

²⁷ "Cheap Meals Innovate for Market Lead with New Business Model," *News and Events*, Scottish Marketing Community, <http://www.scottishmarketingcommunity.com/news-events?resid=340>, viewed 27 August 2009.

PriceYourMeal.com offered an auction website that allowed restaurants to increase sales at the margin by making special offers..

Insights

Dhillon believed that a strong aspect of his model was that customers appreciated being able to pay a stated price for a meal before it was consumed. Because the meal was a package, and because the customers set the prices, customers tended to think they were getting more value, as compared to more traditional promotions involving a free extra like an appetizer or glass of wine.

Noting that two other companies had tried and failed to copy PriceYourMeal.com, Dhillon credited his deep understanding of the restaurant industry. Dhillon stressed the importance of understanding one's target industry before launching a business.

As a related point, Dhillon actively looked for honest and constructive feedback, asking friends and associates to "poke holes" in his plans. That allowed him to develop a more robust business plan.

Based on his experience of purchasing the failed website template, he urges finding and hiring the most talented people possible, as with the case of the programmer he hired

Sakae Sushi and Apex-Pal introduced popular priced sushi to Singapore and then expanded with top quality food and employee-friendly HR policies.

to clean up and improve the site. As Dhillon mused, “You need to find the geeks!”

Dhillon made every effort to “stay ahead of the game,” rather than just emulate other businesses. He considered it necessary to try new ideas and add extra value, which is why he launched the event planning element—to get people more involved with the site.

Dhillon’s experience also illustrated the importance of diligence and prudence. “Watch your budget,” he said. “People and companies will try to take advantage of you. You need to be streetwise.” This proved to be the case when the auction website template failed to meet his expectations and when the marketing services company failed to deliver the results they had promised.

Finally, Dhillon emphasized the importance of passion and persistence. He believed in what he was doing. He did not take rejection personally, and he was not discouraged or dissuaded by challenges and setbacks. “I’ve worked on this business for nearly four years and there have been many ups and downs. The finances go up and down. It’s not easy. You’ve got to believe in what you’re doing. It also helps to have a supportive spouse!”

Sakae Sushi and Apex-Pal: “The Innovative Food People”

by Sheryl E. Kimes and Nigel Goodwin

Description

Singapore-based Apex-Pal International Ltd (Apex-Pal) developed such innovations as a computerized menu at every table, a drive-thru sushi restaurant, and a portable sushi conveyor belt for catered events. Its flagship brand, Sakae Sushi, brought affordable, healthy, casual Japanese dining to the mass market and then expanded rapidly throughout Asia and into the United States. Apex-Pal’s nine other niche brands were also primed for growth. Despite these accomplishments, founder and CEO Douglas Foo contended that the most important factor in the company’s success was not innovation itself, but a values-based and participative corporate culture that fostered innovation. As explained here, that culture led Apex-Pal to bill itself as The Innovative Food People.

Dining at Sakae Sushi was a high-tech experience. In addition to the sushi conveyor belts that were common in the industry, Sakae Sushi featured its own patented interactive menu. Using a computer screen and mouse, diners could navigate through more than 200 menu items on the screens and place orders or call a server to their table. This technology had been developed to appeal to the so-called iGeneration. “Of course, there are still paper menus and a live wait staff for the prehistorically inclined,” joked a restaurant reviewer in New York’s *Urban Daddy* e-magazine.²⁸

Foo’s nine other consumer brands were aimed to serve specific market segments and to capitalize on new opportunities. Many of those brands modernized Japanese traditions and presented them to the urban mass market. For example, Sakae Teppanyaki chefs cooked hot food right in front of guests, Kohi Ten was a contemporary Japanese coffee house modeled after Tokyo café culture, Sakae@Campus sold healthy rice and noodle dishes in school canteens at student prices, and Hei Sushi offered Halal-certified sushi to Muslim diners (see Exhibit 5). Despite their different menus and styles, all the Apex-Pal brands were built on the value proposition of healthy food and value for money. Most of the brands had just a few locations each, but they had been well received in the market and Foo planned to expand them in the future.

In January 2009, Sakae Sushi opened a drive-through restaurant in Singapore with indoor seating capacity of 140, plus 55 parking spaces. As the first drive-thru sushi establishment in the country, it offered a new, convenient, and fun dining experience for people on the go.

²⁸ “Belt It Out: Midtown’s 97-Foot Sushi Conveyor,” *Urban Daddy*, http://www.urbandaddy.com/nyc/1062/Belt_It_Out, viewed 28 March 2009.

EXHIBIT 5**Apex-Pal brands**

Brand	Description
Sakae Sushi	Apex-Pal's flagship brand. Trendy quick-serve sushi restaurants with conveyor belts. A fun-filled, value-for-money dining experience. Serving sushi, salads, yakimono (grilled food), and Teppanyaki.
Sakae Teppanyaki	Hot food prepared in the Teppanyaki style with guests seated around the food preparation area for an open concept dining experience. Serving beef, chicken, prawns, lobster, clams, oysters, and other seafood.
Sakae Izakaya	Following the Japanese Izakaya concept of pairing drinks with light foods, but taking the concept further with Teppanyaki for customers who wanted something more substantial. First establishment was a 'chill out' environment at Siloso Beach on Sentosa Island.
Hei Sushi	Halal-certified sushi for Muslim diners. Guaranteed to contain no pork and no lard.
Sakae@Campus	Healthy rice and noodle dishes sold from kiosks in school canteens at student prices.
Crepes & Cream	Sweet and savory crepes featuring premium ice cream and fresh fruit. An assortment of fillings from Japanese, Italian, and other cuisines. Served in a "hip and trendy" environment.
Hibiki	Fine food for discerning diners. Contemporary Japanese cuisine from a recognized executive chef. Sleek, modern interior and adjoining sake salon.
The Pasta Shop	Conventional pasta plus pasta with Japanese ingredients. Also offering thin-crust pizza, hamburgers, Japanese curry rice, and desserts. "A fun and trendy place for the young and energetic."
Kohi Ten	Japanese-style concept café. Serving aromatic coffee, breakfast sets, sandwiches, salads, and desserts.
Senjuu	Premium conveyor belt sushi restaurant. Based on a trend toward greater customer sophistication and knowledge of Japanese food. Aimed at a higher market segment than Sakae Sushi.
Nouvelle	A business-to-business brand. Catering for private functions with Apex-Pal's patented and award-winning portable sushi conveyor belt. Distribution of fish and seafood to major hotels and restaurants in Singapore.

Source: About Us: Our Brands, Apex-Pal, http://www.apexpal.com/about_us_brands.php, viewed 14 April 2009.

Apex-Pal had opened nearly 100 restaurants across Southeast Asia and at this writing had recently ventured into the United States with two Sakae Sushi restaurants in New York City. Foo's vision was for Apex-Pal to become a global company and for Sakae Sushi to be first in brand recall for casual, affordable Japanese dining worldwide. "We want to be for sushi what Starbucks is for coffee and what Pizza Hut is for pizza," he explained.

Execution

Foo had operated a garment manufacturing company in the mid-1990s, manufacturing clothing in India and exporting it to Japan. When low-cost competition from China threatened the operation, he sold the factory and turned his sights from clothing to the food business. "I moved from one basic human need to another," he reflected. "It seemed like a natural shift to me." More specifically, Foo was attracted to Japanese cuisine because he anticipated a trend toward healthy eating. At the same time, Foo noticed that Singapore's existing sushi restaurants served premium food for an exclusive market. "At that time, sushi was a rich man's food," he said. "The average person could not afford to eat it often, if ever. My girlfriend—who became my wife—loved to eat sushi so I knew I had to find a better way!" He believed he

could offer it for a better price if he could achieve economies of scale in his operations and in his raw material purchases.

Determined to bring sushi to the mass market, Foo made a pilgrimage to Japan in early 1996 to learn sushi preparation and sales. Upon returning to Singapore, he incorporated Apex-Pal in July 1996 and began building the flagship Sakae Sushi brand. The first Sakae Sushi restaurant opened in a shopping mall in September 1997 and the second followed six months later.

Although he was a natural entrepreneur with a business degree and a flair for marketing, Foo had no background in the food and beverage industry, much less in sushi. Foo believed that lack of experience actually helped him because it enabled him to think and act differently. It also kept him in tune with local tastes. Sakae Sushi did not make or serve sushi the way it was in Japan; rather, the food was suited for local consumers. As he explained:

We were more open-minded and daring and we tried new things. We got our heads bloodied a few times but most of the time things worked out well. As for being non-Japanese people selling sushi, that helped us, too. We were not bound by a cultural legacy, and we did not have to follow traditions. We just did what we thought

EXHIBIT 6**Apex-Pal locations**

Brand	Singapore	Malaysia	Indonesia	Thailand	Philippines	China	USA
Sakae Sushi	38	12	2	1	2	7	1
Sakae Teppanyaki	8	1	-	-	-	-	-
Sakae Izakaya	2	-	-	-	-	-	-
Hei Sushi	3	-	-	-	-	-	-
Sakae@Campus	2	-	-	-	-	-	-
Crepes & Cream	1	-	-	-	7	-	-
Hibiki	2	-	-	-	-	-	-
The Pasta Shop	2	-	-	-	-	-	-
Kohi Ten	1	-	-	-	-	-	-
Senjyu	-	2	-	-	-	-	-

Notes: Locations as of April 2009. Crepes & Cream locations in the Philippines were franchised. Source: Business Units: Restaurant Locator. Apex-Pal. http://www.apexpal.com/bu_reslocate.php, viewed 14 April 2009.

would work in Singapore. We were more flexible and adaptable that way.

From the start, Foo built a culture of leadership and innovation, building a good team of people who would take ownership and see things through to completion. “I’m just one man and I can only do so much in the day,” he said. “If someone can do my own job better than me, or do a certain task better than me, I’ll step aside.”

Before hiring even his first employee, Foo benchmarked the corporate cultures, training programs, and human resources policies at selected successful companies, focusing on such firms as Ritz-Carlton and McDonald’s. He then crafted his own human resource strategy based on what he had observed.

Foo also established an in-house training function “from day one.” Whereas many companies viewed training as an expense and preferred to outsource it, Foo viewed it as a worthwhile investment. Apex-Pal spent about 3 percent of its payroll on staff training each year and each employee spent nine days per year in service training. In 2009, this increased to twelve days for each employee.

Foo took a holistic approach to human resource management and stressed the connections between the company, the employees, their families, and the community. He believed that if employees served customers well, customers would support the company and the company could take care of its employees. The employees could then support their families and be productive members of the community. He encouraged employees to work hard, but to go home and

spend time with their families at the end of the day. “Don’t forget whom you’re working to support,” he would remind them.

This holistic approach to HR was met with a range of disbelief to outright resistance from the rest of the industry. As he explained:

This flew in the face of many F&B businesspeople in Singapore who just wanted to produce cheaply and make a quick buck. They valued profits more than they valued the customer’s well-being or the relationship with the customer. I didn’t want to get rich quick. I wanted to build a brand and a culture.

Foo also created a culture of inclusiveness, ownership, and participation. He wanted employees to know that he valued their contributions, often including their food ideas on the menu. “Employees are really pleased when they can point to a menu item and say, ‘That’s mine!’,” Foo said. When Sakae Sushi set out to create a new and healthier menu, employees who had background or knowledge in nutrition were invited to join the internal team driving the project.

Foo chose the company’s name as a constant reminder of his management philosophy. “Apex” challenged employees to constantly strive for excellence, while “Pal” reminded them to have fun and build friendships while they worked.

Foo and his HR managers presented the company’s values to the firm’s new employees. Skeptical at first, they were won over when “they saw that this was for real.” After

spending some time with the company, staff often reported that they thought of the company as a family and that the camaraderie motivated them to do their best.²⁹ Periodically, he met with the entire staff of a particular restaurant to reinforce the values and discuss the company's vision.

Foo was also attentive to the quality of the raw materials that went into Apex-Pal's food, visiting fish farms and testing food samples. The company's value proposition promised food that was healthy and free of contamination. Apex-Pal added Vitamin E to its rice as a cancer prevention agent because, "We care about our customers and want the very best for them."

When oil prices spiked in 2008 and suppliers wanted to raise prices, Foo said he would rather continue to buy quality fish and raise his own retail prices than buy substandard fish to maintain his pricing. "While we strive to make sushi affordable to the mass market, we must also maintain product quality," he adamantly declared. "If I must raise the price to maintain the quality, that is what I will do. It's not about fighting a price war; it's about offering a quality product."

Foo is no stranger to economic dislocation. Apex-Pal and Sakae Sushi were launched during the Asian financial crisis of the last century. While many businesses were failing and pessimism reigned, Foo boldly forged ahead with an affordable version of a premium product. Starting at just \$1.90 per plate, Sakae Sushi became a popular alternative to the expensive restaurants. The company later endured the SARS scare, bird flu fears, and a tourism downturn resulting from the Bali bombings. Apex-Pal survived because the value-for-money business model resonated with customers during harsh times.

To inject capital into his business, Foo listed Apex-Pal on the Singapore SGX Sesdaq in 2003—raising S\$4.29 million. As a result of its continued growth, the company was upgraded to the SGX Mainboard in May 2008.³⁰

Also in May 2008, Apex-Pal acquired Genki Sushi, a small chain of sushi restaurants in Malaysia, which it converted to Sakae Sushi.

Less successful was Sakae Sushi's 2008 foray into New York City, through a subsidiary company, Apex-Pal USA. The restaurants, in the midtown Chrysler Building and in Greenwich Village, received extensive media coverage and favorable reviews—particularly for the interactive menu, which was the first of its kind in the city.

Unfortunately, due to the ailing U.S. economy, the Chrysler Building outlet was forced to close—an unusual setback for Apex-Pal, which successfully opened 22 other

²⁹ Yang Huiwen, "Layoffs Not an Option for Sakae Sushi Boss, *The Straits Times*, 9 April 2009.

³⁰ The shares of smaller Singapore companies (often start-ups) were traded on the SGX Sesdaq while the shares of larger companies were traded on the SGX Mainboard.

outlets in Asia in the same year. Still open in Greenwich Village, Apex-Pal USA retained larger plans for New York City and was in the process of scouting new locations and negotiating leases at this writing.

Outcomes

By April 2009, Apex-Pal had grown to embrace ten consumer brands and nearly 100 restaurants. Sakae Sushi alone had 38 restaurants in Singapore and 24 spread across Indonesia, Malaysia, Thailand, the Philippines and China. (See Exhibit 6 for the breakdown of brands by country.)

Apex-Pal reported revenue of S\$66.6 million in 2006, S\$83.8 million in 2007, and S\$93.8 million in 2008. Moreover, Apex-Pal and Foo himself were frequently recognized with business and public service awards. (See Exhibit 7, on the next page, for a selection of those awards.)

Foo said the most satisfying outcome was not the financial results or the recognition, but the way in which the company bettered the lives of its employees and their families. He gave the example of one young woman who was a grade school dropout and a waitress at a Sakae Sushi restaurant. A truant employee, she partied too much one night and failed to report for work the next morning. Rather than dismiss her, the managers encouraged her to work toward becoming a restaurant manager. In her mid 20s, she became an area manager overseeing half a dozen restaurants a few years later. The company sent her back to school to complete her diploma and she was considering university enrollment. Along the way, she married and had a daughter. "That young woman transformed her life," Foo declared. "That is the greatest impact of my work: helping people live better lives."

As the global economy plunged in 2008 and 2009, Foo remained loyal to his people and resisted pressure to eliminate jobs. "Most people work for a livelihood. That becomes a huge responsibility you have to consider," he said in an interview with *The Straits Times* newspaper. "I'm responsible for more than 1,000 people, who are in turn responsible for more people at home. They have to put food on the table for their family."³¹ To protect his employees' jobs, Foo voluntarily took a 25 percent pay cut, similarly reduced the salaries of his senior and middle executives, and implemented a wide range of other cost-saving measures.

Insights

Foo proved that a business could survive through harsh economic and market conditions so long as it had the right business model and positioning. First, Sakae Sushi's product offering—casual and healthy Japanese food—was popular with the mass market. Second, Foo's value-for-money proposition gained appeal during economic downturns. Apex-Pal was not immune to the economic woes of 2008 and 2009,

³¹ Huiwen, *loc. cit.*

EXHIBIT 7**Selected awards for Apex-Pal and Douglas Foo****Individual awards for Douglas Foo:**

Singapore Youth Award 2008—Medal of Commendation
National Day Awards 2007—The Public Service Medal
International Management Action Award 2007
Health Leader (Excellence) Award 2005 (Awarded by Singapore Human Resource Institute)
ASEAN Youth Award 2004—Youth and Entrepreneurship
Singapore Youth Award 2003 (Singapore's highest honor for youths under the age of 35 for Entrepreneurship category; awarded by the National Youth Council)
Entrepreneur of the Year 2002 (Awarded by the Association of Small and Medium Enterprise and The Rotary Club of Singapore)
Top Outstanding Young Person Award 2002

Corporate awards for Apex-Pal, Sakae Sushi, and other brands:

HRM Award—Best-Work-Life Harmony Practices
SPBA Regional Brand Award 2006—Sakae Sushi
Excellent Service Award 2005
Singapore's 50 Fastest Growing Companies Award 2005
SAF Award for Employers 2004 (Awarded by Singapore Armed Forces)
Singapore Family Friendly Employer Award 2004 (Awarded by Ministry of Community Development and Sports (MCDS))
Singapore Innovation Award 2003 (Innovation of the Year) for the Innovative Application of the Portable Conveyor Belt
Singapore Promising Brands Award 2003—Sakae Sushi (Awarded by ASME & LianHe - June 2003)
Enterprise 50 Award 2002 - A showcase of the best home-grown companies
Singapore's Top Restaurant 2001—Sakae Sushi (Awarded by Wine & Dine, a Singapore based gourmet magazine 2001)
Singapore Franchise Mark 2001—Sakae Sushi (Awarded by the Singapore Productivity & Standards Board (now renamed as SPRING), International Enterprise Singapore (now renamed IE) and Singapore International Franchise Association (SIFA))

Source: Apex-Pal. <http://www.apexpal.com>, viewed 14 April 2009.

but the company had survived previous downturns and Foo was confident about this one as well.

Perhaps more challenging than economic downturns was sustaining company's culture through expansion. Not only was it difficult to find and train enough good people, but Foo's biggest concern was integrity within the organization. "Someone could be very capable, but if they have low integrity, they could cripple the company," he warned. "And when you're hiring someone, there's no way to test for integrity."

With Apex-Pal's expansion, Foo felt as though his people were "moving further away" from him. He periodically gathered the entire staff of a particular restaurant to speak with them, reinforcing the values and sharing the vision.

Looking at the Malaysia acquisition, Foo noted the importance and difficulty of maintaining corporate culture when a company grows through mergers and acquisitions. While M&A may be a quick way to grow, it presents cultural challenges. As Foo explained:

An acquired company might fit nicely with our company on paper, but the execution can be very, very difficult. We must convert people to our way of doing things and they often resist such changes. We must get them to open their minds and think of this as something positive, a new phase of life.

The Genki acquisition was manageable since it was a relatively small deal. "If we're going to do any more M&A in the future," Foo cautioned, "we'll need to think it through very carefully before making any moves."

In some ways, Foo actually appreciated the economic downturn of 2008 and 2009, because he felt the company needed a respite to reflect, plan, and prepare for the future. "We have grown so fast and been so busy, we need this time to slow down and catch our breath. This is a chance to re-orient ourselves and fill some gaps in the management team. When the economy picks up again, we'll be stronger and we'll be ready to grow again."

Shangri-La Hotel, Singapore: Buffet Lunch by the Minute

by Sheryl E. Kimes and Nigel Goodwin

Description

The Line restaurant at the Shangri-La Hotel in Singapore broke new ground with its distinctive Lunch by the Minute buffet offering. Diners could enjoy the sumptuous buffet lunch for half the usual price, provided they finished their meal in 30 minutes. With this program, the buffet was priced competitively against entrées and set meals at other fine restaurants, but offered a far better selection.

Even before this promotion, The Line was renowned for its lunch buffet, which offered a wide variety of food in many culinary styles. The buffet comprised sixteen “interactive theatre kitchens” featuring such diverse cuisine as Japanese, Chinese, Indian, and Italian.

Diners normally paid S\$45, which allowed them to eat their fill at their leisure. With Lunch by the Minute, diners paid a base price of S\$23 for the first 30 minutes and an additional \$0.70 per minute thereafter, until their charges reached the nonpromotional price of S\$45.

Opened in 1971, the Shangri-La Hotel Singapore was the flagship and first property for Shangri-La Hotels and Resorts. It was consistently ranked as one of the top luxury hotels in Asia and in the world.

One of several food and beverage establishments operated by Shangri-La, The Line buffet restaurant seated 410. With a modern design by Adam Tihany and “stylish” food, The Line received the Hot Tables award from *Condé Nast Traveler* in 2006, and TripAdvisor.com’s Popularity Index ranked it second out of 1,407 restaurants in Singapore.³² Approximately 90 percent of diners were Singapore residents. Lunch was served from noon until 2:30 PM (3:00 PM on weekends and holidays).

Execution

Vice president and general manager Thierry Douin and food and beverage marketing manager Ike Tresnawaty developed the Lunch by the Minute concept in October 2008, because they wanted the restaurant to be more flexible, be more responsive to the needs of individual diners, and offer more value. “The Line has always been known for its variety and quality, but it was also known for being pricey,” Tresnawaty reflected. “That pricey reputation kept some people away.” There was a wide selection of food, but some diners only wanted to eat a few things and did not want to pay the full price or stay for too long.

³² The TripAdvisor Popularity Index measured overall traveler satisfaction based on ratings, reviews and other sources. See: TripAdvisor, http://www.tripadvisor.com/Restaurant_Review-g294265-d781864-Reviews-The_Line-Singapore.html, viewed 19 March 2009.

Douin and Tresnawaty were also aware that a slowing economy would exacerbate existing price sensitivity, as people sought more value for their money. The restaurant also faced increased competition from bakeries and small eateries that offered sandwiches and light lunches.

Direct discounts would threaten the hotel’s brand positioning and encourage price erosion. At one point, Douin and Tresnawaty considered reimbursing diners for the cost of a taxi ride to the hotel, which was a fifteen-minute walk away from the shopping and dining hub on Orchard Road. With taxi charges increasing, they thought potential diners might decide not to make the trip. This idea was eventually dismissed due to its complexity and potential cost overruns.

Instead, Douin and Tresnawaty devised Lunch by the Minute. This idea met with internal resistance because it was complex, unusual, and potentially invited higher staff requirements and labor costs. More to the point, some managers thought the public would be confused or disinterested.

The operations, finance, marketing, and communications staff met to discuss, think through, and fine-tune the idea, although management did not conduct any formal customer research. They simply discussed the idea with friends and made decisions on their own opinions as well. “The idea was a bit of a risk, a bit of a gamble,” Tresnawaty admitted.

A soft launch of Lunch by the Minute, in February 2009, just after the Chinese New Year holiday, involved only corporate partners with offices in the area. The number of customers per day was limited and those customers were seated in a specific area of the restaurant separate from the full-price patrons. By sequestering the Lunch by the Minute diners from the regular buffet customers, the restaurant’s management could observe the experiment and gather more operational information. This also made it easier for servers to answer diners’ questions, provide beverages as quickly as possible, and be more attentive.

The management exercised care in writing the terms and conditions for Lunch by the Minute. The S\$23 minimum price covered a 30-minute lunch and was charged even if diners spent less than 30 minutes in the restaurant. The deal included coffee and tea, but fruit juice, wine, and other drinks were priced separately. Reservations were officially required, although walk-in customers were accepted. The promotion was valid from Monday to Friday for dining in only. It was not applicable with any other discounts, promotions, or privileges including dining certificates.

The management reprogrammed the restaurant’s existing digital display screens—which featured colorful food-related images—to include a time display to remind customers of how many minutes had passed in their meal and how many remained. The display was subtle and retained the elegant food images. At a cost of several thousand dollars, the new displays were ready in time for the soft launch of Lunch

With Lunch by the Minute, the Shangri-La Hotel brought in price-sensitive diners without discounting its basic meal price.

by the Minute. The restaurant initially put alarm clocks on the table but the clocks were soon discarded because they made people feel rushed, raised their stress levels, and diminished their enjoyment.

The burden for making Lunch by the Minute function fell on the staff, who had to be quick and attentive. Customers had no time to wait for staff to refill drinks or replenish food on the line. Staff also had to be able to explain the concept and the pricing method to the customers. When a Lunch by the Minute customer was seated, restaurant staff would explain the dining concept and present a copy of the promotional flyer bearing the terms and conditions. The staff would present the customer with a drinks menu, suggest a chilled fruit juice for a promotional price of S\$5.00 (normally, S\$12.50), and take the beverage order. After explaining the layout of the dining area and the theatre kitchens, the staff would direct the customer's attention to the nearest display screen, announce the present time and write it on the flyer. A few extra minutes would be granted so the customer could get oriented and not feel too rushed.

The staff would offer coffee and tea when the customer was eating dessert. After 30 minutes had passed, the staff would ask the customer if he or she would like to continue. When the customer indicated that the meal was finished, the staff would again announce the time as shown on the display screen and write the time on the flyer, clear the table, and process the bill.

Servers were trained with managers posing as guests, and managers also would stop servers at random times on the job and quiz them about Lunch by the Minute's procedures. More than thirty front line staff had to be trained in this way. According to Tresnawaty, "The training was intense because we had to drill the standard operating procedures into them and minimize any occurrence of miscommunication."

Outcomes

The Line was not the only restaurant in Singapore to offer a buffet with a time limit, but it was perhaps the most exclusive establishment and the only one that actually charged by the minute.

Lunch by the Minute received considerable attention from the media. "The papers got excited about this so we received good coverage," said Tresnawaty, who made sure the media included a phone number for reservations. Most Lunch by the Minute customers heard about the promotion through the newspapers or through word-of-mouth.

Some diners viewed the offer as a challenge and ate too much, too fast, to maximize the value. There was a brief fad in the media whereby journalists would eat as fast as possible at The Line and report on the experience—often with humorous results. As one such journalist wrote in a self-deprecating piece for *The Straits Times* newspaper:

I lost my decorum, stuffing my mouth with yet more food even while there was food already inside. I lost my civility, practically steamrolling over anyone in my path who did not move as fast as the Road Runner. And I lost my appetite for the rest of the day, so severe was my heartburn.³³

Fortunately, most people dined in a civil fashion and ate a reasonable amount of food. "Guests enjoy Lunch by the Minute more if they know what food they want and if they eat a reasonable amount in a reasonable time," said Tresnawaty.

A month after the launch, Lunch by the Minute welcomed an average of 20 customers per day, about 10 percent of weekday lunch customers. Most important, these customers, typically local residents, were not already in The Line's customer database.

By design, Lunch by the Minute diners turned over much faster than regular customers, although most stayed for 40 to 45 minutes and paid for the extra time. "They do not pay the full price, but they turn over faster, so it balances out in the end," commented Tresnawaty. "The important thing is we're bringing new customers in, people who did not visit The Line before."

³³ Andy Chen, "Appetite and Decorum Lost," *The Straits Times*, 15 March 2009.

Lunch by the Minute was a relatively cost effective promotion, even with the slight increase in staffing costs resulting from these customers' need for prompt attention. The other cost was reprogramming the digital displays to add the time. Tresnawaty noticed no additional food waste or increased food costs.

No other hotel restaurants or other high-end restaurants copied Lunch by the Minute. The reaction from the industry was a mix of admiration and disbelief. "Other restaurant managers were turned off by the complex mechanics," explained Tresnawaty. "They looked at us and said, 'Wow, you guys are brave!'" Other restaurateurs also recognized the intense staff training requirements and thought that training would be too difficult at their own establishments.

Insights

Tresnawaty observed that customers demanded a significant increase in value before buying in to an unusual concept. During a week when The Line offered its regular buffet (with no time limit) at a promotional price of S\$27, no one paid for Lunch by the Minute. When the buffet reverted to its normal S\$45 price, Lunch by the Minute regained its popularity.

Tresnawaty also saw the importance of conducting a soft launch for a limited audience before expanding the offer to the general market. This test allowed her to observe customers' behavior, measure their satisfaction, test the staff's ability to handle the promotion, and identify and correct any operational problems.

The Lunch by the Minute experiment also demonstrated the importance of making clear and agreeing upon the terms and conditions for an unusual offer. Because a small group of customers will seek ways to play the system to their advantage, managers must not leave anything open to interpretation or dispute.

Finally, Douin and Tresnawaty considered extending the offer to dinner, but decided that such an action might "dilute the concept." Furthermore, dinner is clearly an inappropriate meal period for time-sensitive promotions.

Stevens Pass Ski Area: Integrated POS and RFID Gate access System

by Sheryl E. Kimes and Nigel Goodwin

Description

The Stevens Pass Ski Area, a ski resort situated 110 kilometers west of Seattle, Washington, was located at the crest of the Stevens Pass, covering three sides of two mountains in the Cascade Range. Aside from its spectacular skiing and snowboarding opportunities, Stevens Pass was notable for using technology to support the sporting experience.

Stevens Pass featured 37 major runs and numerous bowls, cirques, and faces spread over a skiable area of 4.55 square kilometers. Supported by ten chair lifts, the "front side" runs, with a vertical drop of 457 meters, were well groomed and heavily used, while Mill Valley, commonly known as the "back side," offered a more natural environment. Stevens Pass received about 11 meters of annual snowfall. Cool drifting air kept the snow relatively dry and temperatures were often in the mid-twenties (F), making it comfortable for skiing. The resort featured a village with three day lodges.

The Stevens Pass Ski Area was founded in 1937 by two passionate skiers and entrepreneurs, Don Adams and Bruce Kehr. Seeking to establish a premier ski resort in the Pacific Northwest region, they acquired the rights to 121 acres of mountainside for US\$1 per acre plus a US\$35 operating contract. With only US\$600 in startup capital, they cleared trees and carved trails by hand, and set up a rope tow powered by an old Ford V-8 engine. Each ride on the rope tow cost 5 cents. The fledgling business reported gross revenue of just US\$88 and a net loss of US\$8 in the first year.

Adams and Kehr received a boost from the Civilian Conservation Corps, which built the first day lodge in 1937. Although that lodge was destroyed by fire in 1939, a new lodge was built the following year. Additional rope tows were added in the 1940s and chair lifts began appearing in the 1950s. Longer chair lifts opened up new runs and provided access to more beautiful vistas.

Adams eventually sold his stake in the company. Kehr took on a new partner and operated the resort for four decades, eventually selling the operation to Seattle-based Harbor Properties in 1976. The operation eventually covered 2,500 acres of mountainside.

As a day resort with no overnight lodging, Stevens Pass mainly drew local and regional visitors and often reached capacity on weekends. Stevens Pass was a medium-size resort by industry standards, but was quite large for a day resort; 900 employees supported 350,000 to 500,000 visits during each ski season, from November until April.

Stevens Pass used a resort-wide POS and RFID-enabled tickets to reduced queues and offered a credit-card option that allowed skiers to set their price according to their arrival time.

In the 2008–2009 season, the management of Stevens Pass launched a point-of-sale system (POS) integrated with radio frequency identification (RFID) lift access. The POS system combined lift ticket and pass sales, retail purchases, equipment rentals, and ski and snowboard school enrollment. It made transactions more efficient, especially for regular customers who made transactions in multiple locations around the resort.

The RFID lift access system made it easier and faster for visitors to board the chair lifts. The RFID circuits, which were called “lift access media,” were inserted into each daily ticket or season pass. Sensors in lift operators’ handheld devices would detect the RFID and open the gate to allow authorized visitor access. Season passes would bring up the customer’s photo on the handheld device.

First-time visitors needed to a lift ticket at the resort’s ticket windows, but they could purchase subsequent passes online by “reloading” the ticket. With normal wear and tear, most tickets lasted for up to 20 visits, typically covered an entire season for skiers. Similarly, season pass holders could renew their passes online from one season to the next.

Instead of the web visit, customers could tie their daily pass to a credit card, which was charged on their first run when the system read the RFID on their ticket. Charges depended on the time the visitor arrived, with different rates for arrivals before 9:00 AM, before 12:00 noon, before 3:00 PM, or after 3:00 PM. (Rates also varied based on the visitor’s age group.)

Execution

The POS and RFID project was launched in early 2008 after two years of research and planning. To create the POS system, the resort partnered with Resort Technology Partners (RTP), a U.S.-based firm that specialized in ticket and product distribution in the ski industry. Stevens Pass purchased

FreeMotion RFIDs from SkiData, an Austrian company that already had 1,000 lift access installations across Europe.

The RFID system was designed to keep the lift lines moving smoothly and swiftly through the gate areas. Each gate had twin antennas for early detection of the lift access media. The gate turnstiles normally remained open and would only lock if the person trying to go through did not have a valid ticket or pass. Each lift had one RFID-enabled gate for each seat. So, for example, the SkyLine quad four access gates. Finally, an employee was on hand at each lift area to resolve any issues that might arise.

The RFID system employed the same technology commonly found in inventory control, toll collection, building security, and library systems. Each ticket or pass bore a passive RFID tag that simply reflected radio frequencies and generated none of its own. The tag itself contained only a randomly generated number associated with the particular visitor, and no personal information was stored on the tags. A step beyond bar-code scanning that required line of sight, the RFID could be read through layers of clothing, typically, ski jacket pockets.

To ensure successful operation of the RFID system, visitors were advised to carry only one pass and to keep the RFIDs separate from other electronic devices, such as cell phones and MP3 players, and away from any items wrapped in metal foil, such as chewing gum or cold medicine. Any of these combinations could block or interfere with the radio frequencies.

Stevens Pass was one of only two American ski resorts to implement the SkiData RFID system in the 2008–2009 season, and the first to install the combined resort-wide POS, ticketing, and access control system. “While we have certainly had some hurdles in this first season,” said food and beverage director Sarah Larson, “it has been a remarkable success overall.”

The RFID system also allowed the Stevens Pass management team to gain some innovative promotional support, by encouraging season pass holders to give referral codes to friends. These special codes could be shared between customers online through Facebook, MySpace, and Craigslist, among other social media.

Outcomes

The POS system made all commercial transactions at Stevens Pass Ski Area more efficient, especially for regular customers who made multiple or repeat purchases in various locations. Likewise, the RFID system cut down waiting time and moved lift lines, along with other benefits. Visitors could keep their lift access media in their pockets and not worry about tags hanging off their jackets or searching through layers of clothing each time they wanted to board a chair lift. Visitors could renew their tickets or passes online and

avoid queues at the ticket booth. Daily skiers also received a US\$3 discount on each renewal. Furthermore, daily ticket holders who tied their tickets to their credit cards could be charged variable rates depending on when they arrived on the mountain.

FreeMotion, which won first prize at the 2007 Salzburg Innovation Awards, was a proven solution even before it was implemented at Stevens Pass. SkiData had also been nominated for the 2008 Austrian National Innovation Award.

Insights

The POS and RFID installations were significant undertakings for a business the size of Stevens Pass. As Larson said, "It completely changed how we do business and interact with the guests." General manager John A. Gifford added that getting used to the new system took time, but it opened opportunities for new programs.

Insights and Observations on These Ten Cases

As with the first set of cases, these cases illustrate how technology is transforming the way in which hospitality firms do business. Technology, when used appropriately, can provide customers with increased convenience and control and can allow hospitality companies to increase their speed of service, reduce their processing costs, increase their volume and revenue, and improve service and product quality.

For example, OpenTable and DinnerBroker both allow customers to make a reservation at their convenience and not have to worry about calling the restaurant. PriceYourMeal.com gives customers control over how much they spend for a meal by allowing them to set the price beforehand. ComfortDelGro allows its customers to summon a taxi in multiple ways (phone, mobile, SMS) and removes the uncertainty of when their taxi will arrive.

Technology can also provide benefits to the company. For example, Jumbo Seafood and Sakae Sushi used technology to increase the speed of service and to decrease order errors; by doing this, they have been able to increase volume and revenue. Stevens Pass used RFID technology to

streamline their operation so that they could better handle high volumes of customers. OpenTable, DinnerBroker, and PriceYourMeal.com all provide restaurants with the ability to spread out their demand and increase revenue.

Another theme that emerges from the cases is the importance of good service design. For example, Iggy's used lean production techniques to streamline their service delivery system and enhance the customer experience. ComfortDelGro, Shangri-La, and Stevens Pass carefully studied the customer experience to design their service. Brewerkz transformed its delivery system when it discovered that its customers did not value beer brewed on site.

The leaders of the companies profiled in this case series offered excellent advice for future innovators. Ignatius Chan of Iggy's, Ben Dehan of DinnerBroker, and Suhkvir Dhillion of PriceYourMeal all stressed the need to have passion for what you do and to "do what you love." This passion will help give you the patience and persistence that you will need when things don't go exactly as you had planned.

The need for understanding customer needs was another common theme. While Brewerkz was already open before its brewpub epiphany, Ike Tresnawaty at the Shangri-La carefully studied what customers of The Line wanted before developing her Lunch by the Minute concept. By understanding customer needs, she was able to develop a promotion that best responded to the needs of a particular market segment without cannibalizing the business from their other customers.

Finally, many of the innovators interviewed recommended keeping a continuous eye on ways to streamline your service delivery system. For example, Ngori Poh Keng of ComfortDelGro talked about a need to be creative when designing your service. Ignatius Chan of Iggy's suggested always looking for ways to streamline your operations, and Ike Tresnawaty of Shangri-La recommended thoroughly understanding how any innovations you are considering might affect your current and future operations. ■

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