



Executive Insights

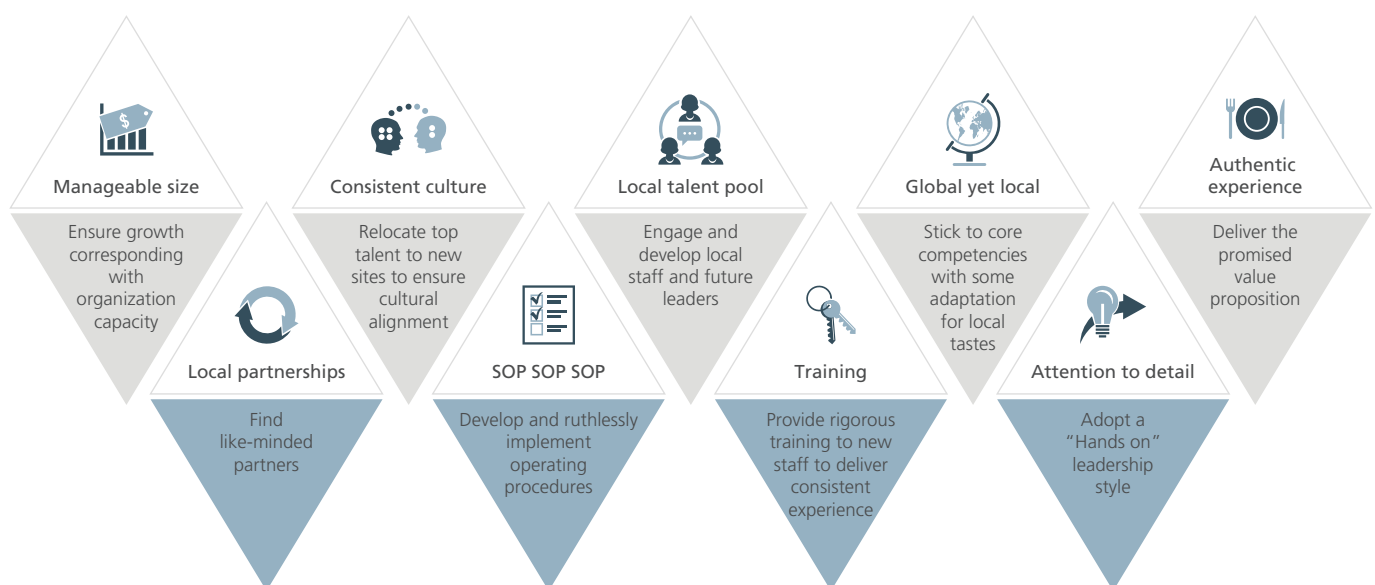
Successful Asian Restaurant Chain Expansions — The Menu of Capabilities Required

Scaling up successful restaurant concepts beyond a few outlets to build a larger and sometimes multinational platform is often key to restaurateurs and their investors' financial success. While the task is complex, leading examples show that in business, as in cooking, both the ingredients and the right approach are integral to ultimate success.

Many Asian restaurant groups from Singapore-based Chinese fine dining restaurants to Korean fried chicken chains have taken big risks by expanding their celebrated restaurants into regional or multinational enterprises. Some achieve stellar success growing profitably and even accumulating Michelin stars — however, most fail to triumphantly deliver the experience in new geographies.

Although diners' preferences will differ from location to location, city to city, and country to country, we have analysed the success and failures of some of the world's elite restaurants chains to identify the "softer" capabilities that determine winners.

Figure 1
Success factors for restaurant chain expansion



Source: L.E.K. Analysis

Successful Asian Restaurant Chain Expansions — The Menu of Capabilities Required was written by **Manas Tamotia**, Partner, in L.E.K. Consulting's Southeast Asia Core Strategy practice. Manas is based in Singapore.

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Stay within your means

Venturing outside home markets requires a lot of planning. Meticulous attention should be paid to new cities and locations that are right for your product, with the right customer profile and competitive landscape. At the same time, the world is big place and there may be many opportunities in different locations that could lead to success. Instead of pursuing growth for growth's sake, restaurant groups should be very focused on growth that is manageable for the organisation today and build capabilities for tomorrow. A number of restaurant chains headed by celebrity chefs with incredible talent and fantastic product have failed because they grew too big too fast.

Partner up

When embarking on a new venture the most successful restaurant chains target existing, trusted partners who have strong brand alignment. Fine dining chains, for example, could partner with five-star hotels that have a similar target customer base and aesthetics. To ensure compatibility, considerations must include the partners' location, profile, target customer base, and overall positioning in the market. Co-branding should also be considered with the local partner because it reinforces the brand image of the new product in the local market.

SOPs — the necessary 'evil'

Standard operating procedures (SOPs) and brand manuals are often associated with fast-food chains and considered anathema by a creative and successful chef. However, standardising operations in written processes ensures that best practices and past learnings are codified and not just limited to the restaurateur's memory. SOPs should be exhaustive covering everything from staff orientation and training to hygiene to safety to food flow and facilities management.

Bring people and culture

One of the clear markers of success for expanding a leading a restaurant chain expansion is ensuring that the culture of the business is created in each outlet. Moving experienced and high-performing staff into operationally critical positions in different restaurant locations around the world ensures consistent delivery of products and standards. High-performing staff who have been with the group for several years often feel ownership of the identity and culture of a dining group, and are usually the best custodians of this culture. Having these staff oversee operations in new countries ensures that customers enjoy the same experience in Seoul or San Francisco as they would in Singapore.

... but add from local talent pool

It is also important to new ventures to engage and develop local talent pool in the new location. This new staff not only helps the restaurant chain better adapt to the local community, but because they are fully immersed in the group culture and experience, they become the new global custodians of the brand.

Train and retain

In many of the top chains, training is conducted for up to four months, and is a combination of classroom teaching and in-restaurant practice. Chefs and managers are usually required to pass training qualifications and then undergo restaurant training practice before being placed in one of the organisation's venues. New venues do not open their doors until the organisation is comfortable that the service being offered is exactly what customers in other locations would experience. Top groups ensure that new chefs have standardised training so that they need only learn set steps and not than an entire menu. The methods used are established and reliable, balancing innovation with the strong foundations of tradition.

80/20 'glocal'

Although menus should remain stable in all locations and be a reflection of the group's cultural heritage, it is important to work with partners to provide localised offers to attract customer attention, and adapt menu design and food products to further appeal to the target customer group. Our research suggests that approximately 80% of dishes served in top restaurant chains are identical to the dishes served in the group's flagship restaurant, but the rest are adapted for the local tastes.

Micromanaging is best

Successful dining groups have learned that the initial and ongoing triumph of a venture requires a lot of "hands on" work from the leaders of the group. In one French chain, for example, the head chef visits each of the group's venues two to three times per year, often unannounced, to ensure that the venue's operations are up to standard. Interviews with managers from top chains show that sometimes micromanagement is needed to ensure service aligns with customer expectations. If the group expands too quickly or widely, the ability of management to ensure personal attention to each of the venues is compromised.

Authenticity is key

Any customer, whether in a fine dining restaurant or a fast casual chain, expects that the value proposition will be delivered. The authentic experience is core to the value the customer perceives, in addition to the selection of premium ingredients and world-class service (in a Michelin-starred restaurant, for example). Therefore, an Indonesian restaurant in Hong Kong needs to feel Indonesian in design, menu and even the languages spoken by the waiters.

Conclusion

The success of any international venture relies on a number of factors, including careful business planning, good management, and consistent products and services that keep customers coming back for more. The key lessons learned from some of the successful international dining groups show that following tried and tested steps and practice is the sauce behind profitable overseas expansion.

About the Authors



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Manas Tamotia is a Partner in L.E.K.'s Southeast Asia & India practice, and head of the Singapore office. He has over 15 years of experience in strategy consulting and M&A across Asia-Pacific and the Americas. Manas works with industrial products, particularly building & construction sector companies, on growth strategies, organisational restructure, M&A, and tactical strategies such as pricing, distribution, channel management and revenue management.

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