

# The Evolution of Capacity Management in the United Kingdom

How Capacity Management strategies repositioned an ailing pub restaurant industry for future growth

By Brian Sill, FFCSI

## *FCSI Fellows Look Back*

*We asked our FCSI Fellows to share their most challenging, interesting or rewarding achievements in what we hope will prove to be an interesting series. We began our series in the last issue with Ken Winch looking back on one of his most challenging projects, the restoration of the Great Kitchen at Windsor Castle. This issue, Brian Sill, FFCSI, shares his journey developing Capacity Management.*

This journey began back in the spring of 1996 with a handwritten letter from a gentleman in Great Britain. He asked that I come over to the UK and give him a statement of services and fees for how we help chain restaurant operators improve their business. His needs were urgent, because a cultural shift in the UK drinking and dining market was underway that required a whole new way of positioning pub and restaurant operations for higher volumes and future growth.

He had been given my name by an executive of the Bennigan's restaurant group, one of our clients. But he had also been the Operations Director for the first T.G.I. Friday's franchise in Britain – another long time client. His name was Tony Hughes and he was charged with bringing restaurant skills and leadership to a declining pub industry for what was then called Bass Taverns.

In the UK beer consumption in pubs had been declining at a rate of 5% per year. This meant pub operators had to come up with





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new offerings to make up for the lost revenue. Coupled with under-served demand from a time pressed, and now dual income middle class, there was however a huge latent demand for moderately priced food offers at the local pub – if executed properly. Pubs now had to become more female and family friendly offering comfort food in comfortable surroundings. So the survival strategy going forward was to become what are now called “pub restaurants.” But few publicans knew how to run a legitimate food operation. This was the vacuum Tony faced with Bass whose estate numbered in the thousands of pub outlets. So we took a trip to see what Tony was facing.

After a whirlwind tour of Bass pubs across the British countryside, I returned to the states and wrote the following introductory paragraph to our business proposal:

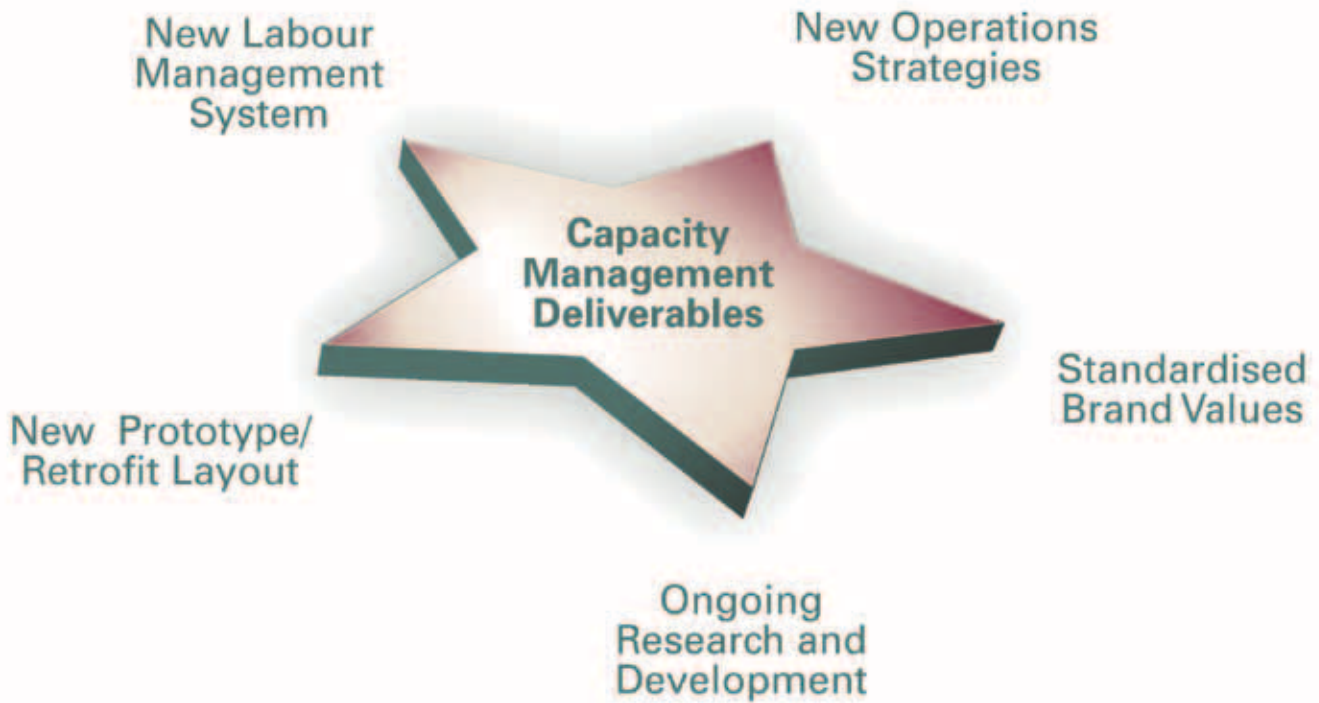
*The long term viability of pub restaurant operations will be increasingly challenged by a growing and highly competitive foodservice industry. Achieving profit objectives and growth will mean standardizing the service levels and efficiencies of current and future operations. Senior management is concerned that the current operations may not be achieving their full potential with respect to throughput speed, guest service efficiency, layout efficiency, worker capacity and staffing deployment. A tour of operations revealed the existence of slow guest service times, cook line bottlenecks, cumbersome ordering methods, layout inefficiencies, unbalanced facility and equipment capacities and the absence of man-*

*agement and training systems necessary to grow a chain restaurant enterprise.*

As we progressed to the next step in the interview process, I found myself standing at the head of the Bass Plc board room surrounded by pictures of the former heads of the company dating to the 1800s – fondly referred to as “the dead brewers society.” While introducing our Capacity Management approach to the board members I could tell everyone was very experienced in the pub/beer trade but not in restaurants. I looked over at Tony and thought to myself, we either have a very short, or a very long journey ahead of us.

In December of '96 we started our work with two of the ten major brands Bass had spent nearly \$1B on acquiring to jumpstart the transition to a food led enterprise. Vintage Inns was the first to start up and represented the typical British “hidey holey, oldey worldly” traditional pub – often in historic settings. Numbering 90 units at the time, the goal was to not look like a chain or restaurant, but retain the unique and quirky character of a local pub. It was a trick designing service that was efficient but not too polished, and fitting a high volume kitchen in the space of a large storage room.

Tony assigned a Bass operator to represent the brand values of each concept so that we wouldn't “Americanize” or compromise its brand values. David McHattie was the young manager selected to live with us for the four months it would take to do our work. David shows up again at



the end of our story in 2010 as the CEO of the UK National Skills Academy for Hospitality. But more about that later.

Harvester was the second brand to be executed within the same four month timeframe. A “chargrill” concept totaling 122 units, this was a concept with its own set of problems stemming from trying to cook 80% of the menu off a single piece of equipment. You can imagine the amount of grill cooking and holding taking place in the heat of the rush, and the amount of overcooking as a result. To minimize kitchen impact, guests were told there were no tables available despite many open tables in sight of the host stand.

The conclusion of our assessment identified the need for new operating procedures, new service structures, new cooking platforms, and new staffing deployment systems all of which were performed for each brand. We also trained one representative from each brand on our measurement methods for ongoing continuous improvement of the brand. Based on the success of this engagement we were called back for another two brands.

Toby Carvery was a very traditional British carvery numbering 117 units. A forerunner to the all-you-can-eat buffets in the states, it offers a self service choice of three carvings with a good selection of fresh vegetables and Yorkshire puddings. And

despite the self serve approach, there were barriers and bottlenecks to service. We helped identify these obstacles and over future improvements store volumes increased from 800 to over 3,000 covers per week, with some approaching 5,000 per week. It was statistics like this that got the attention of the financial press and we soon began to see “Capacity Management” show up on city analyst’s tick sheets and in the financial pages of *The Morning Advertiser*<sup>1</sup> and columns by city analysts.

All Bar One was the fourth brand to be analyzed. It was here we met Managing Director Karen Forrester for whom we would establish an extended relationship. Following this engagement, Bass was kind enough to offer her as spokesperson on a “Capacity Management Roadshow” across America where we took the stage to discuss the principles and successes at the University of San Francisco Hospitality Symposium for Chairman Tom Costello, FCCSI, the Women’s Foodservice Forum (WFF) and the 2000 Multi Unit Foodservice Operators Conference (MUFSSO). In addition to lectures at the Cornell Hotel School in the 1990’s, which was the precursor to their Restaurant Revenue Management Program, I subsequently have given lectures introducing Capacity Management to the Lausanne Hotel School in Switzerland.

After leaving Bass to seek new challenges,

Karen brought us in to perform a Service Assessment for the Hogs Head pub chain. On a train to London to deliver our assessment, I started writing a summary of the elements of good service design that surprisingly all started with the letter “C”... coordination, capacity, continuity, consistency, etc. and the “10 Commandments of Service Design” was born. Published initially in *The Consultant*,<sup>2</sup> this article is a frequent download from our website and has since been published in *Nation’s Restaurant News*,<sup>3</sup> *Restaurant Hospitality*,<sup>4</sup> and the *M&C Report*.<sup>5</sup>

A few years later we met Karen again when she was brought in to turnaround the struggling UK branch of the T.G.I. Friday’s chain. We provided assistance in identifying opportunities and deficiencies – particularly in the area of labour management. Our internet based Labour Analysis Services (LAS) determined the “size of the prize” in labour cost opportunities, and they were kind enough to co-write an article on its success in the M&C Report “Labouring the Point”.<sup>6</sup> This followed a six year LAS implementation in 400 T.G.I. Friday’s US stores that showed considerable achievements in labour cost reductions. Karen’s overall efforts have since been lauded in the press for a successful turnaround of this business, and she credits some of this with “Deterministics Capacity Management.”<sup>7</sup>

Following the first four brands at Bass Taverns we were asked to again develop operating strategies and tactics for Browns, a more upmarket brasserie recently purchased by the company. A brand made successful by a highly energetic entrepreneur, it nonetheless had its own plethora of challenges serving high quality, from-scratch food in a high volume, multi million pound business. Simon Blagdon was Operations Director for this brand and achieved great results from our efforts. He moved on to Pizza Express where we worked with him again, and in particular with the successful roll out of our labour management system. Simon has since moved on to grow Jamie’s Italian in partnership with celebrity chef Jamie Oliver. When the Canary Wharf site opened, he couldn’t wait to show us the Capacity Management practices he instituted including cooking throughput speed (nothing over six minutes), menu engineering, kitchen design and kitchen display monitors with count down timers. This year Simon was given the prestigious “Retailers” Retailer of the Year award, the same recognition Tony Hughes received in 2006.

At the conclusion of the Browns project the heads of Bass were kind enough to let me publish the results of this project in the June 1999 issue of *The Cornell Quarterly* entitled “Applying Capacity Management Science: The case of Browns restaurants.”<sup>8</sup> According to Wikipedia, this article is widely quoted in the hospitality omnibus.

About this time I was flying to Los Angeles to attend a Foodservice Consultants Society International (FCSI) conference. My seat partner turned out to be from Britain and was very interested in hearing “what an American restaurant consultant could possibly be doing to help British pub operators.” After a discussion lasting the duration of the flight, he asked if I would be interested in having dinner with him in a London restaurant that wasn’t one of the best, but had a unique ambiance. It turns out he was a Member of Parliament, Michael Fabricant from Litchfield, and he invited myself and Tony Hughes to have dinner with him in the Strangers Dining Room at the House of Parliament. We had a wonderful dinner and a behind the scenes tour of the Parliament chambers. He was also kind enough to invite me to attend the good bye dinner of the departing US Ambassador to Britain following the presidential win in America by Barrack Obama.

So while we started out with two brands, we eventually went on to work with a total of nine brands for Bass, now renamed Mitchells & Butlers. As a final thank you for our twelve year relationship, Tony was quoted at the Future of Pub Retailing Conference in 2007 saying:

*“Our partnership with Deterministics is the single biggest factor for our success in becoming the casual dining market leader in the past five years.”*



Eventually we opened a UK office with Hugh Cade, FFCSI who had retired as partner in charge of the Hospitality practice for Deloitte in London. And with the word spreading, we went on to perform numerous engagements for many British pub and restaurant companies including Whitbread, Green King, and Welcome Break to name a few...a practice that continues to this day.

The Capacity Management buzz caught the attention of the foodservice press and in 2004 we were featured on the cover of UK's *Restaurant* magazine: "Analyze This: Can Consultants Make Your Business Boom?"<sup>9</sup> The magazine even sent a team of journalists to America to review our recent project with Eric Houseman, President and COO of the Red Robin Gourmet Burgers chain. Eric was a strong supporter of the Capacity Management approach having presented their results with us on the stage at MUFSSO 2000. Since this time we have been asked to write more articles and present at UK conferences managed

by the *M&C Report*<sup>10</sup> and *The Peach Factory*<sup>11</sup> (which can be viewed at [www.Deterministics.com/CaseStudiesLibrary](http://www.Deterministics.com/CaseStudiesLibrary)).

But a real surprise appeared this year when I was contacted by our very first project delegate from 1996, David McHattie.

David had progressed to become the CEO of the UK's National Skills Academy for Hospitality. The British government was concerned, especially with the run up to the London Olympics in 2012, that there was a dearth of hospitality skills for a worldwide audience – in service and production, but also management. Along with Tony Hughes, now retired and a board director, they had created a *Hospitality Handbook* with one module entitled "Management and Leadership – The Principles of Capacity Management."<sup>12</sup> David created one day seminars they would give for a fee to operators around the country. This is common as we have found practitioners as far away as Malaysia selling seminars on our original work. I offered up the Case Studies Library on our web site as additional reading material in support of the curriculum and David responded with a very kind letter:

"Your time, expertise, advice and support have been invaluable in helping The National Skills Academy for Hospitality develop its new Principles of Capacity Management Program. The new program is an important addition to the portfolio of business solutions we are now able to offer the hospitality industry here in the UK. Capacity Management and Throughput Analysis is a vital component of operational expertise and customer service excellence and I am grateful for your expertise and the fact that you always give your support so willingly."

So it has been a good ride and, as it turned out, a long journey I could never have imagined. It is very rewarding to witness how the Capacity Management approach transforms the brands we work with, expanding their customer base and increasing profits to create a thriving foodservice industry. It is also gratifying to see the advancement and accolades of the men and women we worked with over the years, taking the skills and knowledge they acquired and applying it to new businesses. A true endorsement of the process methods we've developed.

I owe a debt of gratitude to Tony Hughes and the pub restaurant operators of the UK for pushing us to raise our game and contribute the best consulting deliverables we could muster. And it's nice to be remembered as a part of an industry's fabric. But as we all know, life is a journey and not a destination. And since this time, I have been asked to write three modules on Capacity Management for Prentice-Hall's Hospitality Instructional Modules to be offered to the 300 hospitality schools around the world. And so the journey continues...

### References

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- 2 "10 Commandments of Service Design" *The Consultant*, Second Quarter 2004
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- "The Evolution of Capacity Management in the Restaurant Industry," *The Consultant*, 4th Quarter 2007
- "Capacity Management: Engineering the balance between customer satisfaction, employee satisfaction and company profit," *The Consultant*, 2nd Quarter 2000

"Capacity Management Strategies: Balancing the design and management of foodservice facilities," *The Consultant*, 4th Quarter 1992 🌐



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