

RED ROOSTER

“On the verge of bankruptcy”



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On the 3rd of May 2018, the Sydney Morning Herald reported that certain Red Rooster franchisees were “on the verge of bankruptcy.”¹ The stores complained to the Franchisee Association of Craveable, the parent brand of Red Rooster, about the high costs and operating restrictions enforced upon them by Craveable. This report will go undercover at one Red Rooster store to discover what is truly affecting their profitability.

¹ Waters, C 2018, 'Dirty birds: Red Rooster, Oporto franchisees on 'verge of bankruptcy,' *Sydney Morning Herald*, 3 May, <https://www.smh.com.au/business/small-business/dirty-birds-red-rooster-oporto-franchisees-on-verge-of-bankruptcy-20180503-p4zd5c.html>

The franchise owner of this store, John, called his store manager Adam, at 8.05am on a Monday morning, just after Adam clocked in.¹

“Hey John, how’s it going,” said Adam, after he answered the call.

“Not great Adam,” John replied, “I was just looking at the labour productivity, and it’s terrible! We aren’t a busy store, you can’t roster on that many staff.”

“John, I’m starting to train the new staff!” Adam pleaded. “You know, the young teenagers you told me to hire to replace our experienced crew, who are apparently too old and expensive.”

Greater staff turnover has been empirically proven to increase customer wait times.² This is because employees gain the knowledge required to perform their jobs more efficiently as the tenure of their employment increases. Accordingly, Adam was concerned.

“Mate, this is a business, and I’m trying to make some money,” John explained. “Just don’t train the new staff on a Sunday, when I need to pay them penalty rates, and don’t have extra staff on.”

“Alright, if that’s what you want. I’ll put them on next week, when they have school holidays,” Adam abruptly replied.

“Yes, thank you Adam, I’ll speak to you later,” John said, before hanging up the phone.

Reluctantly, John rostered the new 15-year-old cashier Jessica on every day of the following week, from 10.30am to 2.30pm. She replaced 19-year-old Mia, who had worked at the store for over three years. *Figure 1* below highlights how much cheaper Jessica is compared to Mia.

Junior - Casual - Under 16 years

Table 1 of 2

Classification	Hourly pay rate
Level 1	\$10.04
Level 2	\$10.65
Level 3 - in charge of 1 or no persons	\$10.81
Level 3 - in charge of 2 or more persons	\$10.94

Junior - Casual - 19 years

Table 1 of 2

Classification	Hourly pay rate
Level 1	\$20.09
Level 2	\$21.29
Level 3 - in charge of 1 or no persons	\$21.61
Level 3 - in charge of 2 or more persons	\$21.89

Figure 1: Fair Work Obudsman 2017, ‘Pay Guide: Fast Food Industry Award,’ The Australian Government, 20 December.

² Kacmar, M & Andrews, M 2006, ‘Sure everyone can be replaced, but at what cost? Turnover as a predictor of unit level performance,’ *The Academy of Management Journal*, 49(1), 133-144.

The following Monday, school holidays had started, but it was no holiday for Adam. The store was busier than usual, with school kids coming in their droves for lunch, specifically for the \$5 quarter chicken and chips deal, which ran from 12pm to 3pm. With no additional employees, Adam still had to find the time to train Jessica. But the rush had already started by the time she arrived.

Adam, stressed by the amount of people waiting in line, shouted out to Jessica to quickly come out the front with him, to watch what he did. He took the remaining orders, then told her to quickly memorise the menu screen, as she would be taking the next one.

Soon after Jessica was left out the front by herself, the line began to grow. Her voice was quiet and unwelcoming. Her eyes darted around the menu screen as she searched for the items that the customer ordered, but at no point did they actually meet the customer. Her heart began to race.

One customer asked her to swipe their Red Loyalty card. Jessica had no idea the store even had a loyalty program, let alone how to use the cards. The customers in-store were getting impatient, as they stood there waiting, wondering how long it would take this one, inexperienced cashier to take their orders. Some left, whilst others waited with reluctance and frustration. But even after Jessica took their order, the wait wasn't over.

What the customers' couldn't see was the kitchen hands being overwhelmed. There were three people working in the kitchen – Adam who was packing the orders, Jason who was cutting up chicken and serving the chips, and Ryan who was making the burgers, wraps and rolls. Each person has a screen which displays the orders they are responsible for making, as can be seen in *figure 2*. On this day, all of their screens were full.

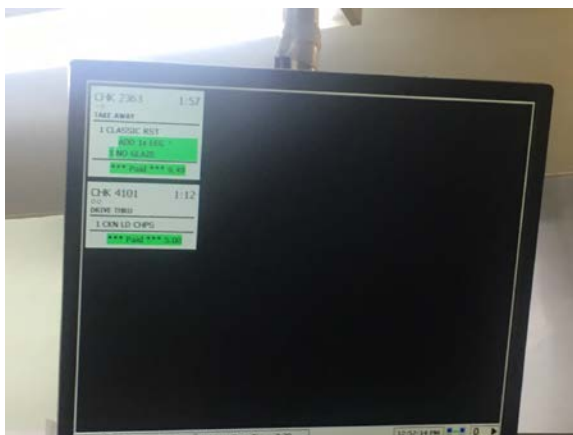


Figure 2: photo of order screen at anonymous Red Rooster store

This store recently installed the Summit Timing System, as pictured in *figure 3* below, which detects how long cars spend in the drive thru by sensors on the ground. Its beeps, which indicate a car has been in the drive thru for too long, continually echoed throughout the kitchen.



Figure 3: photo of Summit Timing System at anonymous Red Rooster store

“Forget about front, just get drive out!” Adam barked to his kitchen hands, upon hearing these beeps, directing them to make the drive thru orders first. Adam prioritises the drive thru orders because head office provides rewards to high-performing stores, and has no way of measuring the in-store speed of service. But even the drive thru customers can suffer.

“Park drive!” Adam shouted to the assistant manager Greg, who was working the drive thru, directing him to tell the customer to park in the waiting bay. Adam does this whenever an order approaches 3 minutes and 30 seconds - the target that head office sets. Even though the customer is yet to receive their meal, the store’s speed of service increases, and Adam is rewarded.

Speed wasn’t the store’s only concern. At the burger station, Ryan was trying so hard to keep up with the orders, that he sacrificed their quality. He threw the ingredients onto the Flayva Wrap, for example, with no attention to detail. The lettuce spilled out the side, there was hardly any cheese, and he used the wrong mayonnaise. But it wasn’t just Ryan; Adam stopped double-checking the orders he packed, and as a result, some items were left out of the bag, resulting in frustrated customers having to return to the store.

Eventually, Adam and his team finally started handing out the orders for customers in-store. The restaurant quickly filled up, and most tables were either being used, or were still dirty from the previous customers. Soon the bins were overflowing, and the customers just started leaving all their rubbish on the tables.

The rush had only just started to subside by 2.30pm, but Adam was adamant on keeping labour costs down, so he did not ask Jessica, or the kitchen hand who had also finished his shift, to stay back. They left with the store looking and smelling horrible.

Tired and frustrated, Adam persevered with the same crew throughout the two-week school holiday period, and each day seemed worse than the day before.

On a positive note, labour productivity improved by over 20%.³ However, Adam checked the Red Rooster website and found a customer complaint addressed to the management team, from a lady named Amanda, as depicted in *figure 4*.

Description Information

Description	This store is near my work so have been here a few times over the last 4 years. The service is actually appalling. You wait forever to be served and then are served by people who wouldn't know how to give service if it bit them on the ass. Staff training clearly not a priority at Red.
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Figure 4: real customer complaint made on the Craveable Brands website about this specific store. The name of the customer has been changed for privacy purposes.

The complaint was made on that first Monday of the school holidays. Adam remembered how busy they were, but he immediately checked their speed of service to see if it was as “appalling” as she claimed. On that day Amanda complained, some customers in the drive thru waited over six minutes to be served, as can be seen in *figure 5*. As Adam prioritises the drive thru customers, Amanda and others served in-store would’ve waited much longer.

Summary	Goal	Average time		Longest result	@ Time
		Total	%Match		
CSS	1:40	2:25	43 %	6:15	12:27
Total	3:30	3:32	54 %	6:21	12:27
Order	0:40	0:35	77 %	1:24	12:18
Pickup	1:00	1:49	29 %	5:05	12:27
Queued	---	1:07	29 %	3:45	12:30
Total cars	35				
Deleted	0				

Figure 5: daily speed of service report from anonymous Red Rooster franchise. This report was obtained through an employee who will also remain anonymous.

Adam then checked to see if this was an isolated incident. It wasn’t. In the first two weeks of April, only 44 percent of orders went out under the target of 3 minutes and 30 seconds, with an average of 3 minutes and 56 seconds.⁴

Adam was upset. Trying to train new staff during busy periods whilst being understaffed proved too difficult. This time, he called John.

³ Weekly Zuus workforce report.

⁴ Monthly speed of service report from anonymous red rooster franchise. This report was obtained through an employee who will also remain anonymous.

“Hey Adam, I noticed you got the labour costs down, great job,” John said, as he answered the phone.

“No John, not a great job,” Adam abruptly replied. “We couldn’t keep our customers happy, the one thing I actually care about. We were slow, the food wasn’t up to scratch, the restaurant was filthy, and Jessica couldn’t cope because I didn’t have time to train her properly!”

In fast food restaurants, perceptions of service quality are directly influenced by tangibles, employee behaviours, reliability, responsiveness, and empathy,⁵ so Adam was rightfully concerned. Especially because improving service quality positively influences customer intentions, which drives repurchase.

“Adam, I simply don’t have the money,” John replied. “It’s hard enough that we are trying to sell for \$13 the same chicken you can get at Woolies for \$9, and have to pay \$18 to Craveable suppliers for the same carton of Mount Franklin water you can buy at Woolies for \$11.”⁶

“Well if we don’t change something, it doesn’t matter how much Craveable charge you, we won’t have any customers left,” Adam proclaimed.

⁵ Qin, H & Prybutok, V 2008, ‘Determinants of Customer-Perceived Service Quality in Fast-Food Restaurants and Their Relationship to Customer Satisfaction and Behavioral Intentions,’ *Quality Management Journal*, 15(2), 35-50.

⁶ These are two of the main issues that franchisers explained to the Sydney Morning Herald: see citation #1.

Questions

1. *Using the Gaps, or PZB Model, identify and explain two gaps in Red Rooster's service management.*

The store has a service delivery gap, which is the gap between service delivery standards and service delivery reality. Around 12 months ago, Red Rooster installed a Summit Timing system to measure speed of service in the drive thru. Stores are encouraged to get all their orders out within 3 minutes and 30 seconds. However, 56% of orders took more time. Therefore, the key performance indicators exist, but they are not adhered to.

The store also has a service standards gap, which is the gap between management's perceptions of customers' expectations and their service quality specifications. Whilst management does provide specific key performance indicators, they do not always promote high standards. Firstly, as the Summit Timing System does not measure in-store speed of service, Adam prioritised the drive thru customers, which results in in-store customer waiting longer. Adam also rigged the system by excessively parking drive thru customers in the waiting bay.

Finally, this store has a perceived service quality gap, which is gap between the perceived service and the expected service; the combination of all the other gaps. The lady who complained, Amanda, expected to be served in a reasonable time and with appropriate empathy, but she clearly did not experience such on multiple occasions.

2. *During busy periods, explain the tactics that management could use to manage both capacity and demand. Ensure responses are relevant for a fast food chain.*

Management could manage capacity by employing more casual or part-time staff, increasing staff working hours, encourage staff to work overtime, cross-train employees, reduce interaction of staff with customers, increase customer participation with self-service machines

Management could manage demand by encouraging customers to come during off-peak periods by removing the quarter chicken and chips deal from 12pm to 3pm and make it from 2pm to 5pm.

3. *Without actually increasing the stores speed of service, how could Adam decrease the customers perception of waiting time?*

Adam could distract the customer from their waiting by providing various newspaper and magazine for customer to read, or providing a playground for family who have children. They could encourage customers who are dining in to collect their drink and take a seat, allowing them to be more comfortable. They could introduce some music, along with maintaining the cleanliness of the restaurant to improve the mood of the customer.

4. *Name and describe one source of role stress most relevant for a) Adam and b) Jessica?*

The store manager Adam primarily experienced role overload, which occurs when employees must process a large number of customers while attempting to maintain performance standards. This is because he was understaffed during the busiest period of the day.

The cashier Jessica primarily experienced role ambiguity, which occurs when employees are not given the appropriate information on how to perform their specific role. This occurred because Adam did not have the time to successfully train her, instead putting her out the front by herself almost immediately.

5. a) *Explain the possible strategies Red Rooster could implement to improve their relationship management and the potential benefits this could provide.*

Red Rooster could focus on signing up more customers to the red loyalty program, by properly educating their front line employees about the program, and incentivising them to sign up new customers. This allows customers to earn dollars that they can then spend at the store, which would encourage repeat purchase. They could also establish better practices for service recovery, for example, replacing whole meals when there is something missing or incorrect. They could encourage cashiers to build rapport with customers through uncommonly attentive behaviour (remembering orders of regular customers), common grounding behaviour (finding common interests), courteous behaviour (showing empathy by understanding if customers are stressed), connecting behaviour (chatting to customers about their day), and information-sharing behaviour (offering help with the menu for customers unsure on what to order). If successfully implemented, these practices could help keep and improve current customers, who would then come to the store more frequently, and recommend their friends to do the same. This could promote the long-term profitability of the brand, and help save them from the “verge of bankruptcy.”

- b) *Outline the potential shortcomings of this approach for a fast food restaurant.*

Being a fast food outlet, Red Rooster is a low involvement service, with most customers primarily wanting fast, convenient and low cost food. Therefore, they are likely not interested in having a relationship with the store. Furthermore, even if customers are interested in having a relationship with the store, the service workers will find it very difficult to do so during peak periods.

ⁱ The names of the people in this case have been replaced for privacy purposes. Whilst the case is based upon the real actions and conversations of all the people in this store, the dialogue is not verbatim and has been included to better demonstrate the relationships between the staff.