

Specialist Masters Programme

Deduction for Late Submission assignment:

1

Executive Summary

This report investigates Shake Shack Covent Garden, a company known for its exceptional burgers and shakes, offering a unique and elevated dining experience in London's vibrant Covent Garden district. With a commitment to upscale, fast-dining, Shake Shack has garnered a loyal customer base and achieved consistent growth. The research methodology employed involved a comprehensive approach to gather valuable insights. Online research, on-site observations, customer surveys, and interviews with employees and managers were conducted to gain a holistic understanding of the business. This thorough analysis identified key challenges and provided the foundation for the development of relevant recommendations.

Sales performance, cost management, and competitive dynamics were analysed to provide insights into Shake Shack Covent Garden's business operations. While the company has shown strong sales and maintained a favourable market position, challenges in cost management and competition from high-end franchises require strategic considerations. Opportunities for profitability and efficiency improvements were identified, offering valuable insights for future growth.

Supply chain management plays a critical role in Shake Shack Covent Garden's success. The company's commitment to local sourcing and quality assurance presents challenges related to scalability, maintaining authenticity, and managing imported ingredients. The proposed strategies of direct local sourcing, diversification, and technological integration offer viable solutions to enhance supply chain operations.

Labour challenges emerge as significant obstacles, impacting operational efficiency and employee satisfaction. In addition, customer reviews play a crucial role in understanding areas of concern such as price perception, food quality, customer service, waiting times, and overall satisfaction. Proposed solutions, including competitive benchmarking, bundle pricing, digital quality control, AI-driven feedback systems, and the implementation of technology-driven improvements, aim to enhance the customer experience.

Shake Shack Covent Garden faces constant milkshake stockouts, causing missed revenue opportunities. Implementing a real-time inventory tracking system would address this, increasing sales, enhancing forecasting, and improving profitability, with the investment cost outweighed by the revenue gains.

This report also includes critical analyses of the solutions aimed at addressing the challenges faced by Shake Shack Covent Garden. Emphasis is placed on the importance of careful evaluation and consideration of the proposed solutions. The insights provided in this report serve as a valuable resource for Shake Shack Covent Garden's management team, enabling them to make informed decisions and drive the future success of the restaurant.

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1. The Business and its operations

1.1 Company Overview:

Shake Shack Covent Garden is a fast-casual restaurant chain that has experienced remarkable success and growth since its inception in 2004. What began as a humble food cart in New York City's Madison Square Park quickly captured the hearts and taste buds of both locals and tourists with its exceptional burgers and shakes. Today, Shake Shack has evolved into a global brand with a strong presence in major cities worldwide.

The Covent Garden location stands as a testament to Shake Shack's unwavering commitment to providing an elevated dining experience. Situated in the heart of London's vibrant Covent Garden district, the restaurant seamlessly blends the essence of the city's diverse food culture with the distinct Shake Shack brand identity. Serving as a hub for locals, tourists, and food enthusiasts alike, Shake Shack Covent Garden offers a unique and memorable dining experience.

1.2 Primary Operations and Product Range:

Shake Shack's primary operations revolve around delivering exceptional food and a unique dining experience to its customers. The company prides itself on sourcing premium ingredients from trusted suppliers, ensuring the utmost quality in its offerings. With a menu that includes a variety of burgers, hot dogs, shakes, and sides like french fries, Shake Shack caters to diverse customer preferences while maintaining a consistent focus on flavour, freshness, and overall quality.

1.3 Menu Development and Innovation:

Shake Shack focuses on creating a unique dining experience by regularly introducing new and exciting menu items, limited edition offerings and collaborations with renowned chefs to attract customers who appreciate culinary creativity.

1.4 Marketing and Branding:

Shake Shack implements effective marketing campaigns to build brand awareness and loyalty. Through various channels such as social media and collaborations with influencers, the company engages with a diverse customer base. The visually appealing restaurant interiors and cohesive brand image contribute to the overall brand identity.

1.5 Value Proposition:

Order Winners:

- **Commitment to Quality Ingredients:** Shake Shack's focus on sourcing high-quality ingredients sets it apart from competitors and appeals to customers seeking a premium dining experience.
- **Meticulous Preparation Methods:** The attention to detail in Shake Shack's food preparation ensures consistent quality and taste, enhancing customer satisfaction.
- **Collaboration with Renowned Chefs:** Partnering with esteemed chefs as April Bloomfield and Massimo Bottura adds prestige to Shake Shack's brand and creates unique, limited-edition offerings that attract food enthusiasts and generate excitement.

Qualifiers:

- **Fine-Dining Atmosphere:** Shake Shack's ambiance and upscale dining experience differentiate it from typical fast-food establishments, attracting customers looking for a more refined environment.
- **Clean Menu Presentation:** The simplicity and clarity of Shake Shack's menu make it easy for customers to navigate and choose their preferred items, enhancing the ordering experience.
- **Limited Edition Creations:** Offering special menu items from renowned chefs showcases Shake Shack's innovation and keeps customers engaged with new and exciting options.

2. RESEARCH METHODOLOGY:

We employed a comprehensive approach to scrutinise Shake Shack Covent Garden's operations, combining online research, on-site observations, and direct feedback collection.

Initially, we engaged in extensive online research, analysing through customer reviews on platforms like Yelp and Google Reviews, industry reports, and relevant articles. This provided a broad understanding of the chain's supply chain, financial performance, and operational strategies.

Concurrently, we visited the Shake Shack Covent Garden store, enabling us to directly observe daily operations, evaluate service quality, and gauge the restaurant's atmosphere. Interactions with staff members and management gave us first-hand insights into their challenges, work ethos, and the store's broader strategic vision.

We also conducted customer surveys and in-depth interviews with employees and managers. The customer feedback gave us invaluable perspectives on the dining experience, while the interviews helped us understand the operational challenges and the workforce dynamics in more detail.

The collected data from these varied sources was then methodically analysed. We discerned recurring themes, significant challenges, and potential improvement areas. Based on this analysis, we have developed our proposed recommendations, projecting their impact considering our deep understanding of the operational context and the insights derived from our research.

3. SALES, COST AND COMPETITORS

3.1 Introduction:

Shake Shack Covent Garden, managed by Diverse Dining, has firmly established itself in the UK market. This section delves into the sales performance, cost management, and competitive landscape of Shake Shack's Covent Garden branch. Despite strong sales figures and a favourable market position, the brand faces inherent challenges within the industry. Fluctuating sales patterns, high operating costs associated with its premium location and services, and fierce competition from other upscale franchises necessitate strategic analysis and a commitment to innovation. It is crucial for Shake Shack to maximise its financial health, address profitability, and optimise cost efficiency to thrive in a dynamic market environment.

3.2 Sales Performance:

In terms of sales, Shake Shack Covent Garden is not facing significant issues as they continually have high volume of sales and consistent growth. This does not mean that there is no room for improvement. The shop average daily sales on weekdays are approximately £10,000 to £12,000, while weekends and holidays see sales peak at £20,000 to £23,000. This strong performance is consistent with the upward trend in the fast-casual dining sector pre-2021, which was growing at a CAGR of roughly 7%. The most popular items are the Shake Shack Burger (£10-£11), milkshakes (£5-£6), and French fries (£4-£5). With 90% of customers choosing a complete Shake Shack experience (burger, milkshake, and fries), it reflects the broader consumer trend of seeking high-quality, unique dining experiences.

3.3 Cost Management:

The cost structure for Shake Shack Covent Garden will be broken down as follow below:

Rent: Covent Garden is one of the most famous and frequently visited tourist areas in London. Commercial property rent in such an area is estimated to be around 285,000 pounds per annum (<https://www.loopnet.co.uk/Listing/North-Row-London/23709817/>). (UK, 2023)

Labour: There are a total of 50 employees with an average of 20 staff members always on call in Shake Shack Covent Garden. The hourly wage is 10.70 pounds an hour. A further breakdown of the structure and problems are given in the Labour section in the statement of analysis.

Maintenance and Equipment: Based on market rates and the pristine Covent Garden location, costs of maintenance will likely be around 2-5% of the shops revenue where this can grow depending on the situation because it varies according to the traffic volume and the need to maintain a high-quality environment with refurbishments.

Licences and Insurance: These are confidential data to the shop but based on market research a high value property setting business in Covent Garden should expect licensing and insurance fees to potentially be 1500-2500 pounds annually for licensing, and 2500-5000 pounds for insurance.

Waste and Shrinkage: Based on interviews with the workers in Shake Shack Covent Garden, wastage and shrinkage cost is not a substantial issue for the establishment. This is because they employ an efficient and effective system with their suppliers, incorporating systems such as Just-in-time inventory and close supplier relationships.

3.4 Competitor Analysis:

Shake Shack operates in a highly competitive market, with primary competitors such as Five Guys, Byron Burgers and Honest Burgers. Specifically in Covent Garden, these competitors are also present around Shake Shack's Covent Garden branch. It is important to note that these competitors are more of a direct threat to Shake Shack as they are all in the high-end restaurant franchise market specifically selling burgers, fries and drinks.

Product offerings: In terms of product offerings these three competitors are also well known to produce high quality food produced with high-quality local and fresh produce.

Pricing: Pricing between Shake Shack and these three competitors in the area are relatively similar with product prices not differing by more than 2-3 pounds, considering the condiments included with the orders.

Location and Ambiance: Shake Shack does have the most central and high traffic location compared with the other competitors where the branch is located at the heart of the Covent Garden market where customer volume is consistent and large.

4. Statement and analysis of the problem:

4.1 Supply Chain

Introduction:

Shake Shack Covent Garden is deeply committed to delivering fresh, locally-inspired, and high-quality menu items. Key to its success is its strategic collaboration with local artisans and suppliers, maintaining stringent ethical animal welfare standards, and a strong focus on enhancing supply chain operations. This section dives deep into the supply chain strategies of Shake Shack Covent Garden, identifies challenges encountered with its unique sourcing methodology, and proposes potential solutions for more optimised supply chain operations.

Statement:

Shake Shack Covent Garden has built a stellar reputation for its exceptional burgers and other offerings, most notably, their use of locally sourced ingredients. A deep commitment to community engagement, animal welfare, and quality assurance are the cornerstones of the company's success. Yet, as the business grows and consumer preferences evolve, it faces several challenges in maintaining its distinctive sourcing model and ensuring smooth supply chain operations.

Analysis of the Problem:

1. **Scalability and Local Sourcing:** Shake Shack sources locally and internationally. For instance, it obtains its beef from Aberdeen Angus, renowned for their grass-fed cows on Scottish pastures, free from hormones or antibiotics, and sources its free-range Wiltshire cure smoked bacon. This approach has certain benefits such as ensuring high-quality ingredients, supporting local businesses, and potentially reducing greenhouse emissions. However, as Shake Shack's reach expands, preserving the essence of its local sourcing becomes more complex, and maintaining its authenticity can be challenging. Moreover, dependence on local suppliers can introduce risks if there are disruptions in the local supply chain.
2. **Quality Control and Supplier Management:** Shake Shack procures from a limited number of approved suppliers, with a strong emphasis on quality and safety of the product. The supplier base is comprehensive enough to cushion any disruptions, but this strategy involves high levels of food quality assurance and safety protocols. Maintaining these stringent measures across all stages can be a daunting task.

3. Consistency and Imported Ingredients: Shake Shack imports its buns from America to maintain consistency across all its locations. While this strategy caters to the preferences of American customers abroad, it introduces additional costs and carbon footprint due to international shipping. Furthermore, dependence on a few suppliers may introduce risks if there are disruptions in the supply chain.

Solutions to above problems:

1. Direct Local Sourcing and Partner Engagement: Shake Shack could tackle the scalability concerns and uphold its local sourcing approach by fostering deeper partnerships with existing suppliers and expanding sourcing directly from local farms and producers. This would provide stability in the supply chain while preserving the authenticity of menu offerings.

2. Diversification and Resilience: Building partnerships with multiple suppliers for each ingredient would ensure steady supply and buffer against potential disruptions, an important strategy given the recent trend of increased costs and delayed deliveries for imported goods.

3. Technology Integration and Collaboration: Shake Shack could further optimise its supply chain by investing in advanced supply chain management technology, such as inventory tracking systems and supplier collaboration platforms. Furthermore, collaborating with third-party logistics providers could handle transportation, warehousing, and inventory management, improving efficiency across the supply chain.

4.2 Labour

Introduction:

The organisational structure of a Shake Shack shop would typically follow a hierarchical framework.

1. Store Manager: At the top of the shop's organisational structure is the Store Manager. They have overall responsibility for the daily operations. They oversee staff management, customer service, inventory control, and financial performance.
2. Shift Managers and Team Leaders: Supporting the Store Manager, there are Shift Managers and Team Leaders who are responsible for managing and coordinating the activities of the restaurant staff during specific shifts. They provide guidance, delegate tasks, and ensure smooth operations during their assigned shifts.
3. Team members : The team member includes various roles such as kitchen staff, cashiers, servers, and other customer-facing positions. They are responsible for food preparation, order taking, serving customers, maintaining cleanliness, and delivering a positive dining experience.

Statement:

The range of issues that employees can run into while working is one of the labour obstacles Shake Shack is up against. This covers a range of issues, such as workload, high employee turnover, wages, language barrier, lack of staff and adapting to technology challenges.

Analysis of the problem:

1. **Workload:** Shake Shack may have trouble controlling their staff's workload, particularly during busy times. There may be more pressure on staff to process orders quickly and uphold service standards due to the fast-paced nature of the restaurant business and strong consumer demand.
2. **High Employee Turnover:** The restaurant industry is known for high turnover rates. The constant need for hiring and training new employees can disrupt operations, increase recruitment costs, and impact overall efficiency.
3. **Lack of Staff:** Unexpected staff shortages brought on by illnesses, scheduling issues, or other factors might put a strain on the remaining team members, which could affect customer satisfaction.
4. **Adapting to Technological Changes:** Employees may need to adjust to new procedures as a result of the integration of technology, such as self-ordering kiosks or digital ordering systems. To maintain seamless operations and employee satisfaction throughout technology transformations, sufficient training and support are crucial.

Solutions to above problems :

1. **Workload:** In order to distribute tasks equitably and reduce employee stress during busy times, it is important to use effective scheduling techniques and to maintain ideal workforce levels.
2. **High Employee turnover:** Refine the recruitment and onboarding processes, prioritising applicant-job compatibility and thorough training. To retain employees, offer competitive pay, benefits, and growth opportunities. This strategy minimises the costs associated with constant new hires who, on average, require two weeks or around £428 pounds to become fully effective.
3. **Lack of staff:** Develop a proactive staffing strategy that includes cross-training employees to cover multiple roles and maintaining a standby part-time workforce for unexpected shortages. This approach ensures operational continuity and reduces the strain on existing staff. Enhancing communication channels enables better workforce planning, fosters teamwork, and allows for swift resolution of scheduling issues.
4. **Adapting to Technological Changes:** Offer comprehensive training and support to employees during technological transitions. Involve employees in the evaluation and selection of technology to ensure their needs and concerns are considered. Communicate the benefits of technology adoption, such as increased efficiency or improved customer experience.

4.3 Customer Review:

Introduction:

In this analysis, we have studied customer reviews of Shake Shack Covent Garden across multiple platforms including Google and Yelp, as well as insights from food bloggers. We have additionally conducted direct customer surveys on-site for real-time feedback. The goal was to gain an understanding of various influencing factors like pricing, food quality, ingredient sourcing, customer service, waiting times, and overall satisfaction.

Statement:

The performance of Shake Shack Covent Garden appears to be influenced by a complex interplay of factors, where we were able to collect a comprehensive review of customer feedback. Key areas of concern include price perception, food quality, ingredient sourcing, customer service, waiting times, and overall satisfaction.

Analysis of the Problem:

1. **Price Perception:** Customer feedback suggests a disconnect between the price and perceived value of the food, despite the use of high-quality ingredients. The cost does not seem justified by the dining experience, prompting a need for price adjustment or value enhancement.
2. **Food Quality and Consistency:** Customer opinions on food quality are divided. Some praise the unique taste, while others deem it lacklustre for the price, indicating potential inconsistency in food preparation or a misalignment with customer expectations.
3. **Ingredient Sourcing:** Customers recognize and appreciate Shake Shack's commitment to high-quality, ethically sourced ingredients, a strength that could be emphasised to justify premium pricing and stand out from competitors.
4. **Customer Service and Ambience:** Customer experience reviews are mixed, with compliments for the staff and outdoor dining setting but confusion around entrance and exit paths. These insights indicate the need for clearer directions and signage.
5. **Waiting Times:** The average waiting time to receive an order is relatively long, suggesting possible operational inefficiencies. However, this might be attributed to the location's high demand rather than shortcomings in service. The average waiting time is roughly around 20 minutes based on various customer surveys. Besides, about 3 out of 10 people on average that we surveyed around Covent Garden who would not wait this long for their food here marking a loss in potential sales.
6. **Specialty Items:** Unique offerings, such as crinkle-cut cheese fries and seasonal items, enhance the dining experience and could be promoted more to set Shake Shack apart from competitors.
7. **Overall Ratings:** With an average review rating of 4/5, some customers felt the experience did not meet expectations or justify the price, while others appreciated the service and quality of offerings at Shake Shack Covent Garden.

Solutions to above problems:

1. Price Perception:

- **Competitive Benchmarking:** By analysing prices at UK competitors like Five Guys, Honest Burgers, and Byron, Shake Shack can spot pricing gaps to guide future decisions.
- **Bundle Pricing:** Based on most-ordered menu combinations, Shake Shack can introduce meal bundles at competitive prices. These value meals, focused on customer favourites, can offer perceived savings for customers while maintaining Shake Shack's profit margins.

2. Food Quality and Consistency:

- **Implement Digital Quality Control:** Shake Shack will utilise digital tools, such as digital checklists and automated temperature monitoring systems, to ensure that food preparation processes adhere to strict quality standards.
- **Shake Shack can plan to use automated solutions like Miso Robotics' "Flippy 2" for quality control.** With a £3924 initial installation fee and £28,000 annual rental cost (Canham-Clyne, 2022), it can perform the work of the whole cook station which would roughly be 6 employees at Shake Shack based on their staff's information. This is cheaper than the annual cost of 6 human employee cooks with an hourly wage of £10.70 ($£20,544 \times 6 = £123,264$ yearly). Considering the long-term benefits, such as consistent quality and increased efficiency, this investment is strategically sound.

3. Technological Integration for Enhanced Customer Experience:

- **AI-Driven Feedback and Sentiment System:** Use AI tools to analyse customer feedback and identify recurring food quality concerns.
- **Based on average application development cost,** this would cost the establishment around £80,000 to develop an app while the average market maintenance rate would be 20% of maintenance cost yearly. The benefit to this is not entirely tangible but it will increase potential store ratings from the current online average of 4 out of 5 stars and also improve the marketing and sales potential.

4. Waiting Times and Overall Ratings:

- **Introduce a Kitchen Display System (KDS):** A KDS could potentially reduce order processing times by up to 25% (hypothetical generalisation from reports and online sources) by streamlining kitchen operations and ensuring real-time tracking. If we assume an average waiting time for a meal at 20 minutes, a KDS could reduce this to around 15 minutes.
- **Deploy a Mobile Queue System:** This system would primarily affect waiting times for seating rather than food preparation. From surveys an average waiting time for seats in Shake Shack Covent Garden would be around 30 minutes at peak hours. It would be highly beneficial if the system can improve waiting time by even 15-20%, bringing it down to about 25 minutes.

4.4 Inventory:

Introduction:

Rather than engaging in price competition, Shake Shack prioritises customer experience by offering "fresh" fast food—a unique concept within the industry. Unlike its competitors, Shake Shack's menu focuses on quality and freshness over extensive variety. With 23 menu items, Shake Shack offers a curated selection compared to McDonald's extensive menu of over 50 items.

Inventory Management Practices:

1. Streamlined Menu: Shake Shack focuses on a limited range of burger options, simplifying inventory procurement and tracking.
2. Standardised Ingredients: The majority of Shake Shack's burgers use the same beef patty, enabling easier inventory management and offering potential combinations using these patties.
3. Demand-Based Inventory: Shake Shack determines daily inventory levels based on sales from the corresponding day in the previous week, with a safety stock in place.
4. Just-in-Time Approach for Milkshake Stock: Shake Shack implements a just-in-time approach to inventory management, counting stock daily and placing orders based on the next day's requirements and current inventory levels. This approach specifically applies to milkshake stock, with regular orders placed for a single morning delivery.
5. FIFO and FEFO Principles: Shake Shack implements "first in, first out" (FIFO) and "first expired, first out" (FEFO) rules for perishable commodities to minimise wastage and ensure freshness.
6. Multiple Vendor Collaboration: Shake Shack works with multiple vendors to mitigate concentration risk and maintain a reliable supply chain.
7. Order-Based Food Preparation: Orders are cooked when it is placed, minimising daily wastage.

Statement and Analysis of Problem:

Stockouts: The shop frequently experiences stockouts with the milkshakes. This results in a loss of approximately 150-200 milkshake orders per day (£750-£1000). The primary causes of these stockouts can be attributed to inaccurate demand forecasting, inadequate real-time tracking of inventory levels, and limitations in supply runs.

Solutions to above problem:

The implementation of a real-time inventory tracking system is recommended. This system will integrate the point of sale (POS) and inventory management software, utilising barcode or RFID technology to track milkshake components and monitor inventory movements.

The benefits and financial impact of this solution are as follows:

1. Improved Inventory Management: The real-time tracking system will provide up-to-date visibility of milkshake stock levels, preventing stockouts and minimising the loss.
2. Enhanced Demand Forecasting: Accurate and real-time inventory data will enable better demand forecasting, to anticipate fluctuations in milkshake demand and adjust inventory levels accordingly.
3. Increased Revenue: By maintaining a consistent supply of milkshakes, Shake Shack Covent Gardens can capture additional sales opportunities. It is estimated that the solution will generate a benefit of at least £22,500 per month from the sale of additional milkshakes alone.
4. Operational Efficiency: The automation of inventory tracking and restocking processes will streamline operations, reduce manual errors, and save time on inventory counting and reconciliation.

The estimated cost of implementation ranges from £15,000 to £20,000 per month. This investment will yield significant returns by improving overall profitability.

5. Critical analysis of the solutions:

Supply chain

1. Direct Local Sourcing and Partner Engagement: This is a viable strategy given its alignment with Shake Shack's commitment to quality and local produce.

Analysis:

- Direct sourcing strengthens supply chain reliability and maintains the unique offerings Shake Shack is known for.
- A risk associated with this approach could be increased costs due to local sourcing, as observed with the £3.12 cost per unit for local Aberdeen Angus Beef Burgers (Brake Scotch Aberdeen Angus).
- However, mitigating overseas supply chain disruptions and supporting the local economy may justify these extra costs. Moreover, this strategy resonates with consumers increasingly valuing sustainable food sourcing

2. Diversification and Resilience: This strategy is viable and increasingly critical in the face of global supply chain uncertainties.

Analysis:

- By partnering with multiple suppliers for ingredients, Shake Shack could cushion against potential supply disruptions and address issues of increased costs and delivery delays for imported goods.
- This approach aligns to the statement where in response to challenges, BICS suggests food and beverage businesses were more likely than other sectors to have changed supply chains. *Over half (55%) were using more UK suppliers, 37% were increasing diversity in suppliers, and 25% were expanding into different modes of freight* - Business Insights and Conditions Survey (BICS). (Unit, 2022)

- Diversification fosters resilience and adaptability, but it is important to not over diversify to suppliers that do not align with the quality and standards needed by Shake Shack.

3. Technology Integration and Collaboration: This solution is highly viable and aligns with the ongoing trend of digital transformation in the business world.

Analysis:

- Advanced supply chain tech can enhance efficiency, despite high upfront costs.
- Collaboration with logistics providers can improve operations, yet quality control with partners is vital. Overall, benefits likely outweigh potential costs.

Labour

1. Workload

Analysis:

While using effective scheduling techniques and maintaining ideal workforce levels can help distribute tasks more equitably, it is still challenging to accurately predict and manage workload fluctuations during busy times. Factors such as unpredictable customer demand and unforeseen circumstances can impact the effectiveness of scheduling strategies.

2. High Employee turnover

Analysis:

High Employee turnover: *"Hospitality businesses have consistently shown a high staff turnover rate, with 5.7% of the entire workforce leaving in June 2022."* (Walton, 2022). The turnover in the restaurant industry is frequently influenced by external factors, including seasonal employment trends and individual career aspirations."

3. Lack of staff

Analysis:

Managing multiple roles and ensuring consistent availability of part-time staff can introduce complexities and potential scheduling conflicts. Maintaining open lines of communication and resolving scheduling issues swiftly may not always be feasible in a fast-paced restaurant environment.

4. Adapting to Technological Changes

Analysis:

Not all employees readily embrace technological changes or possess the necessary skills to adapt quickly. Providing training and support alone may not guarantee seamless adoption, and additional resources may be required for ongoing support and troubleshooting.

Customer Review

1. Price perception: Competitive benchmarking is in another term a price war which is unlikely to be viable given the higher-end price market for Shake Shack products. Therefore,

bundle pricing is a more appropriate strategy in adjusting to perceived customer savings to enhance customer satisfaction and loyalty.

Analysis:

- While prices are similar and high-end burger shops are assumed to be economically price inelastic, reducing them could erode profits and cash flow, undermining Shake Shack's quality-focused strategy.
- A bundle pricing approach on the other hand can be more advantageous, represented in the example below:

With reference to previous data indicating the percentage of customers who order a burger, fries, and milkshake together. The collective three individual items cost roughly £22. By implementing bundle pricing at a cost of £18 for the three items, with a cost of sales estimated at £8, Shake Shack expects to attract sales from the final 10% of individuals who order individually. The cost of sales for just an individual burger is estimated at £4. With an average of 660 customers on weekdays and 1300 on weekends, the strategy can increase gross profits by £9400 monthly.

2. Food quality and Consistency: Digital Quality Control is highly viable to implement both digital quality control and also integrate automated solutions like Miso Robotics' "Flippy".

Analysis:

- These tools ensure high compliance to strict standards. However, the costs of implementation and training need to be considered. Specifically, to the usage of robotics like "Flippy 2", given the potential benefits of consistent quality and increased efficiency.
- However, the significant initial investment could be a barrier as there will be a need for strong cash flows to purchase and maintain these additional technologies.

3. Technological Integration for Enhanced Customer Experience: An AI-Driven Feedback and Sentiment System is viable as the technology is quite prevalent in modern day usage.

Analysis:

- An AI-driven feedback system with the use of chat boxes or QR code mobile applications are backed by existing technologies that have been proven to be much more cost efficient. Besides, the ability to swiftly identify and address recurring issues makes the AI feedback system a more worthwhile investment.

4. Waiting Times and Overall Ratings: Both the Kitchen Display System(KDS) and Mobile Queue System are highly viable.

Analysis:

- Costs and training are required to use both systems but they are not significantly costly investments.
- The improvements toward waiting times and customer satisfaction can be displayed with an analysis at the bottom:

On a cost benefit analysis spectrum, 70% of potential customers would wait while 30% of potential customers may leave due to long wait times. By using a KDS to reduce waiting times by 25%, we can attract 50% of these customers who do not want to wait(on a conservative figure). This amounts to an average of 5000 extra customers

monthly. Considering the average spend of customers at £15-£18, we could achieve additional sales of £75,000 to £90,000 monthly from this system.

Inventory

1. Implementation of RFID and real-time inventory tracking: While implementing real-time inventory tracking may seem like a viable solution there are several considerations that need to be taken into account.

- **Cost-Benefit Analysis:** The estimated cost of £15,000 to £20,000 per month to implement RFID for real-time inventory tracking could have a significant financial impact on the business.
- **Availability of Vendors:** Vendors have specific delivery times and limitations on their operations, making it difficult to align with the needs of one shop. This could result in delays in inventory replenishment even with real-time tracking.
- **Potential Staff Allocation Issues:** If there is a need to increase supply runs and restock inventory more frequently, it may require diverting staff from other tasks. This could lead to slower service or the need to hire additional staff, which would incur additional expenses.
- **Operational Disruptions:** Increasing supply runs and restocking during operational hours could disrupt the smooth flow of operations. Staff members focusing on restocking may be taken away from their primary duties, affecting customer service and potentially leading to customer dissatisfaction.

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Appendix:





1.1 Shake Shacks Menu





Item	Num. of Varieties
Beef Burgers	9 (same beef patty in all, 2 varieties with bacon)
Chicken Burgers	1
Veg or Vegan Burger	2
Chicken Nuggets	1
Hot Dogs	1
Chips	2
Shakes	4
Ice Cream	2
Floats	1





Soft drinks & Dog food not included as they are either not popular or easy to replenish

1.2 Burger Menu:

Shake Shack has 12 burger options with 5 using only beef patty, 2 using beef and bacon patties, 1 using beef and veg patty, 1 using only chicken patty, 1 only veg and 1 only

Burger Menu		
Burger		Patty
	Single Shack Burger	Beef
	Double Shack Burger	Beef
	Smoke Shack Burger	Beef & Bacon
	Double Smoke Shack	Beef & Bacon

	Shackmeister	Beef
	Double Shackmeister	Beef
	Shake Stack	Beef & Veggie
	Cheeseburger	Beef

	Double Cheeseburger	Beef
	Shroom Burger	Veggie
	Crispy Shallot	Vegan
	Chicken Shack	Chicken