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Business Plan for a U.S. Based Healthy and Organic Ethnic Korean Quick-Service Restaurant

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Business Plan for a U.S. Based Healthy and Organic Ethnic Korean Quick-Service Restaurant

by

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PART ONE

Introduction

The increased globalization of ethnic cuisine has become a reality in the past decade due to the rise in food and beverage popular culture. The celebrity chefs on such television networks such as the Food Network and the Travel Channel has led to many persons becoming more interested in a variety of ethnic, fusion, healthy and organic dining options. For the past few decades, the most popular ethnic cuisines in the U.S. have been and still are Italian, Chinese, and Mexican foods (Leahy, 2007). However, with the increased interest in food and beverage culture and desire for variety, there are many new and exciting ethnic dining options being introduced to the U.S. palette. Korean cuisine is one such ethnic food that is relatively new to the U.S. and is continuing to grow in popularity (Formichella & Rowan, 2012).

In regards to opening a successful quick-service restaurant business, especially an ethnic cuisine that is fairly unknown to U.S. patrons, a solid business plan is necessary. Initially through the literature review, the historical context of U.S. quick-service restaurants and the historical context of ethnic cuisine in the U.S. will be analyzed. Then the current context of U.S. quick-service restaurants and current context of ethnic Asian cuisine in the U.S. will be compared and contrasted. A further analysis of the literature review will address the globalization of ethnic Asian cuisines, specifically in the U.S. market (Sullivan, 2004). Then finally the literature review will examine a couple very successful Asian themed quick-service restaurant chains in the U.S. such as Yoshinoya and Panda Express restaurants in order to gauge their strategies for successful franchising operations.

In the final section of the paper, a business plan will be designed to create a quick-service Korean restaurant with healthy and organic foods as the main options. The business plan will

address issues of demographics, location, menu pricing and costs, menu design, ethnic product supply and distribution / receiving capabilities, product considerations, potential target market, competition, marketing strategies, startup investment capital, running costs, and also a SWOT analysis of the strengths, weaknesses, opportunities, and threats.

Purpose

The purpose of this paper is to design a business plan for a healthy and organic Korean quick-service restaurant in the Las Vegas market with the potential for franchising operations.

Statement of Objective

There are very few quick service Korean restaurants in the Las Vegas market or the U.S. for that matter (QSR Magazine, 2012). Also before any decision to invest the startup investment capital, there must be a well-planned study of the feasibility and viability for such a quick-service restaurant operation (Parsa, Self, & King, 2005). Las Vegas will be the location for a test market and initial base of operations for future franchising planning. The change of procedures from a traditional casual Korean restaurant being converted to a quick-service type of establishment must be taken into consideration as well.

Justification

The justification for a Korean quick-service restaurant is the desire for new and exciting variety in dining options to U.S. consumers. With the globalization of food and beverage culture through many forms of popular culture, ultimately contributed to choose ethnic Korean cuisine for the quick-service restaurant concept. Also, with the factor that many families are now dual-income families, single parents, same-sex partners, and other such factors, the traditional family of past decades are ever changing (Perrone, Wright, & Jackson, 2009). The time factor is also a valuable justification. There are many families that simply do not have the time to prepare

home-cooked meals on a daily basis (Washington Post, 1996). Also there are many take-out options that are unhealthy considering the limitless options of fast-foods and drive-thrus available. The healthy and organic quick-service option of Korean cuisine would be a healthy alternative.

Also the rise of economic prowess of South Korea can be analogous with that of Japan a few decades ago. South Korea has recently become a world economic power with the rise of such conglomerates such as Samsung, LG, Hyundai, and Kia. In the past decades of the 1970's and 1980's, Japan also became an economic world power with their limitless automobile and electronics companies flooding the U.S. market. Along with Japan's rise in the U.S. economy, followed the cuisine of Japan to the U.S. Nowadays, there are sushi and Japanese restaurants in nearly every major metropolitan area of the U.S. Japan's cuisine was popularized along with their other consumer products. This aforementioned fact shows the comparison of South Korea's import products leading to the potential of Korean cuisine becoming increasingly popular in the near future as well in the U.S. market.

Constraints

The business plan for a healthy Korean quick-service restaurant is initially aimed mainly for the Las Vegas market. The local demographics of the Las Vegas market for the Asian population are not very large, although it has steadily been increasing (United States Census Bureau, 2012). The fact that Korean cuisine is also relatively new to the American palette, some characteristics of fusion should be considered along with the traditional aspects of the Korean cuisine to make it more appealing and familiar to American tastes. There is also only a limited amount of literature available regarding traditional Korean cuisine in English, so there may be a lack of historical and context of the food culture. The translation from the Korean language to

English may also have the effect of some loss in proper translation. Finally, the business plan focuses on the success of the business and ultimately franchising only to major metropolitan areas of the U.S. therefore, international franchising is not considered in this paper (Zimmeth, 2007). The franchising aspects will be solely applied to the domestic U.S. market.

Glossary

Organic - of, relating to, or grown with the use of fertilizers or pesticides deriving from animal or vegetable matter, rather than from chemicals (Organic, n.d.).

PART TWO

Introduction

The literature review in the introduction that follows examines some of the historical and current context of quick service restaurant establishments in the U.S., or otherwise referred to by the acronym Q.S.R. establishments for short from this point on. The literature examines why households dine out, examines the ever changing traditional family and gender roles and its importance on the Q.S.R. industry. Then the literature follows to evaluate consumers' rising health consciousness and desire for healthy, organic, green, ethnic, new and interesting foods.

According to an article entitled, *Why people eat out* (1996), states that "home cooking may not be a thing of the past, but it's not as nearly as common as it used to be." In 1955, American's spent about 25 cents per every dollar for eating out of home...but that percentage has risen very consistently ever since, according to a spokeswoman for the National Restaurant Association. In 1996, approximately 44 % of families spent on food away from home (*Why people eat out*, 1996). A primary reason for this trend is the presence of women in the workforce...as women working away from home simply do not have the time to make three meals a day, seven days a week. The most interesting statistic was that approximately 49 % of all restaurant orders were for off-premises consumption (*Why people eat out*, 1996).

The reality that women are now away from home, and in the workplace, changes the dynamics of the traditional family household. The ever-changing traditional family and gender roles have a great importance and impact on the restaurant industry, especially the Q.S.R. sector. According to (Perrone, Wright, & Jackson, 2009), "Gender roles in family and work domains are in a state of flux. The traditional view of the male as breadwinner and the female as homemaker has shifted over time. Changes in social norms have resulted in men and women placing a high

value on both work and family roles.” Currently in the United States, the vast majority of men and women combine work and family roles. In fact, the most recent census bureau data indicate that dual-earner families are the most prevalent family (U.S. Census Bureau, 2012). According to these aforementioned points, families clearly do not have as much time to prepare healthy home-cooked meal for their families on a daily basis. Also families are changing in further ways. According to Meadow & Stacey (2006),

“...when couples do marry, their divorce rates are high and remarriages are frequent, rendering family constellations increasingly complex. Single individuals now reside alone in a full quarter of U.S. households, while far fewer families conform to the 1950s ideal of a married male breadwinner, at-home mom, and their children. Most of us know single parents, step-families, cohabiting couples (many of whom have children), interracial families, and children adopted from abroad. More and more of us know parents who have used assisted reproductive technologies, including gay and lesbian couples and individuals...This ‘postmodern family condition’ has fueled culture wars over ‘family values’ and political contests over issues such as no-fault divorce, abortion, welfare, ‘fatherlessness’, sex education, faith-based marriage-promotion initiatives, same-sex marriage, and lesbian and gay adoption and custody rights. Family sociology itself plays a part in these conflicts as politicians and advocates frequently use research on the causes and effects of divorce, single parenthood, sex education, gay parenting, and the like to buttress their claims. At the core of these controversies lies a fundamental ideological divide over whether it is better to promote a ‘one size fits all’ model for American family life or to give broader acceptance and support to family diversity.”

These ever-changing traditional family and gender roles greatly impact the Q.S.R. restaurant sector, due to the time constraints placed on families because of their busy and consistently changing family dynamics and life styles. These post-modern ideals of family have led to increases in revenues in the Q.S.R. sector of restaurants and off-premises consumption and take-out meals.

Consumers are also beginning to become increasingly aware of the need for health consciousness and have a growing desire for healthy, organic, green, interesting, ethnic, new, and variety of foods. There is a growing concern for the obesity problem among the U.S. population, especially among the younger generations. Parents are especially responsible for the healthy eating habits of their children and to ensure they are aware of the health risks associated with high calorie fast foods and drive-thru options, which are available on every corner of nearly every major metropolitan city (Court, Vince-Cain, & Jefferson, 2010).

Quick Service Establishments in the U.S.

This section of the literature review will examine the historical context of U.S. Q.S.R. establishments and their origins. The literature review will continue to discuss the history of ethnic cuisine in the U.S. and a closer look into ethnic Korean cuisine. Also some important definitions of some traditional Korean dishes and sides, which will be used in the menu planning phase of the business plan, will be defined from personal interpretation and from personal experience. Then the main potential competitor will be introduced, Bibigo restaurant from the South Korean based company CJ America, LLC.

The Q.S.R. sector of restaurants is a major part of a \$440 billion restaurant industry in America. Q.S.R. establishments such as McDonald's operate over 30,000 units in over 118 countries (Nusair & Parsa, 2006). Before McDonald's and other more modern Q.S.R.

conglomerates and chains were around, there were pioneers of the Q.S.R. industry in America. One of the first Q.S.R. establishments in the U.S. was started by a pioneer named Edgar Waldo “Billy” Ingram from Wichita Kansas, who created White Castle in 1921 as one of the most successful restaurant chains in the history of America (Nusair & Parsa, 2006). Edgar Ingram was a pioneer in the Q.S.R. industry due to his establishments were the first to run operations indoors, transformed the lowly regarded hamburger into America’s most popular food item, maintained centralized control structure over all units, initiated standardized procedures at all units, first to introduce the menu booklet, first to offer coupons to attract customers, first to hire women during World War II to run operations, kept turnover rates at lower pace than competitors to maintain quality, offered more than prevailing wages to employees than competitors, and even offered employee benefits such as free meals, showers, air conditioners, and exhaust vents for the employees’ comfort (Nusair & Parsa, 2006). Edgar Ingram transformed the Q.S.R. industry by creating the foundations that many establishments still follow to this day. Ingram was a pioneer and started the Q.S.R. idea change in the restaurant industry nearly one hundred years ago.

The history of ethnic cuisine in America is one that is rooted in immigration throughout hundreds of years from persons and ethnicities from all over the world. America was built on the foundation of immigration and created a melting pot of diversity and a unique American cuisine. Yet, many of the origins of these ethnic cuisines have been preserved throughout time to maintain as many traditional and authentic cooking methods from many immigrants’ native countries. However, the ethnic diversity of America and melting pot of American cuisine has also created a new genre of cuisine that mixes ingredients from many different ethnic foods to create fusion cuisine. Ethnic foods continue to gain ground on American menus. Appetizers are

particularly probable melting pots, with lettuce wraps, pot stickers and hummus placing among the top 10 appetizers that operators are thinking of adding to their menus. Americans feel the need for diversity in their dining habits, but, for the most part, within a certain comfort zone (Leahy, 2007).

A Closer Look into Ethnic Korean Cuisine

Korean Cuisine is fairly new to the American palette, but continues to grow in popularity. According to Formichella & Rowan (2012),

“Korean cuisine (typically referring to South Korean cuisine) is characterized by regional specialties and distinctive styles. The local variations reflect historical boundaries of the provinces from which these foods and culinary traditions originated. Ingredients and dishes vary by province, and throughout the years, many have tended to overlap and integrate. This integration is why many regional dishes are now national. Other dishes that were once regional have proliferated into customized variations across the country. Korean food stands out from other cuisines with the many side dishes, or *banchan*, which are served during meals. The number of these can range anywhere from two to a dozen or more. Everyday meals always feature at least a few. Koreans perfected the art of preserving food over thousands of years, so many of their most common side dishes rely on fermentation, pickling or salting for flavor and preservation, to produce a tangy, salty and spicy taste. One of the most notable of these is *kimchi*, Korea’s famous spicy cabbage. There are hundreds of varieties of kimchi, each featuring different combinations of vegetables. It can be served with any meal at any time. Rice is the backbone of almost every Korean meal. However, this has not always been the case. The grain is not indigenous to Korea. When it first came to the peninsula, rice was

prohibitively expensive, so it was likely mixed with other grains to stretch it. This is still done in dishes such as *boribap* (rice with barley) and *kongbap* (rice with beans). Also, noodles can replace rice in some recipes. Today, rice is used to make a number of dishes not limited to the traditional bowl of plain white rice. It is commonly ground into flour to make one of the 200 varieties of rice cakes called *tteok*. It can also be cooked down into a congee (*juk*) or gruel (*mieum*) and mixed with other grains, meat or seafood. Korea also produces a number of rice wines. Each meal traditionally includes soup or stew served as part of the main course, rather than at the beginning or the end of the meal. Soups known as *guk* are often made with meats, shellfish and vegetables. Soups can be turned into more formal soups, known as *tang*, often served as the main dish of the meal. *Jjigae* is a thicker, heavier seasoned soup” (Formichella & Rowan, 2012).

Formichella & Rowan sum up the traditional ethnic cuisine to such precise historical and current context, that no further elaboration is necessary. It seems as if they have grown up eating ethnic Korean cuisine their entire lives. Ethnic Korean cuisine is known for bold flavors, ingredients that coincide and are developed to match with the four seasons of the year, and gentle subtleties of balance and presentation. It is also extremely healthy and beneficial to many health problems.

Important Definitions of Traditional Korean Dishes

Many of the following terms are Korean language words using Revised Romanization to translate the terms into English for a clearer understanding of the food products that are planned to be used in the menu design phase of the business plan section (D.W. Kim, personal communication, November, 2012):

-*Bibimbop* (*Bee-Beem-Bop*) - is a signature Korean dish where the word literally means “mixed rice”. It is usually served with rice in a bowl topped with sautéed, raw, and seasoned vegetables, chili pepper paste, sesame oil, some type of meat, and either a raw egg yolk or fried egg are common additions. There are many variations to this dish. The ingredients are mixed together just before eating. It can be served either hot or cold. It is usually presented with complementing colors for visual appeal.

-*Dolsot* - a stone bowl / pot that are used to keep the food warm and often leave a crust of crispy rice on the bottom.

-*Namul* - a variety of seasoned, raw, or sautéed vegetables such as cucumber, zucchini, radish, mushrooms, carrots, spinach, bracken fern stems, tofu, bellflower roots, soy bean sprouts, lettuces, kale, and many other vegetables usually thinly sliced or julienned.

-*Mu* - radish or Japanese term for daikon.

-*Doraji* - bellflower root.

-*Gosari* - bracken fern stems.

-*Gim* - the Korean term for edible seaweed. Welsh term for laver. Japanese term for nori.

-*Bulgogi* - literally meaning “fire meat”. It is usually very thinly sliced and marinated rib eye steak in soy, some sweetener such as honey, pineapple juice, Asian pears, green onions, and garlic.

-*Kalbi* or *Galbi*- sliced short rib marinated in a similar fashion as Bulgogi.

-*Gochujang* - spicy red pepper paste.

- *Doenjang* - a fermented bean paste that is similar to Japanese Miso, but slightly darker.

Main Competition for Healthy Korean Q.S.R. Establishment – Bibigo

There are not many similar establishments serving Korean style traditional bibimbop as their main course or entrée in Q.S.R. restaurant chains. Bibimbop is a comfort food and dish often served often even on South Korea's two major airline carriers. Korean airlines and Asiana airlines often offer bibimbop as an entrée offering to their passengers. The reasoning behind this is it is simple, yet a delicious Korean comfort food and one that many persons of different origins can feel comfortable eating as it is not too extreme or bold in flavors. It is simply prepared with rice, a mixture of vegetables, and optional seasonings and sauces to mix in to enjoy the dish. It can be synonymous with one-pot meals such as gumbo, jambalaya, or other dishes served in one pot, without many unnecessary accompaniments.

The main competition for the Q.S.R. establishment of the business plan for a quick service Korean Bibimbop restaurant franchise is entitled Bibigo. Bibigo is a casual restaurant concept owned and operated by CJ America, Inc., which is based in South Korea. The Bibigo restaurant chain has a similar restaurant concept of Bibimbop as their main focus, but with a more casual dining feel, not the Q.S.R. concept. However, Bibigo has a weakness in terms of competition due to the fact that they not only operate restaurant chains, but also biotech companies, food processing and manufacturing, and other food related concentrations. CJ America does not only concentrate in restaurant operations, so they often do not put forth the effort into solely their restaurants' operations. CJ America has a vision to open more than one thousand establishments prior to 2015 in international locations throughout the world (CJ America, 2012). The fact Bibigo plans to open one thousand restaurant chains in the next two years, from their current number of restaurants of 20 international locations (CJ America, 2012), would diminish the quality and standardized operating procedures, unless implemented flawlessly through proper training and development of their new opening locations. Currently

they own and operate only three U.S. locations all based in Los Angeles County (CJ America, 2012).

Globalization of Asian and Korean Ethnic Cuisine in the American Market

Ethnic cuisine has been on the rise into the mainstream for quite some time now. Popularized through popular culture and the desire for new and interesting dining options, many different ethnic cuisines are moving from the specialty stores into the mainstream outlets (Phillips, 2006). Our close neighbors to the North in Canada have seen an influx of immigrants in the past decades. Phillips (2006), states,

“According to the 2001 Canadian census, immigrants make up 18 % of Canada's population. By 2017, Statistics Canada estimates this number will reach 22 %, with one of every five Canadians belonging to a visible minority. From 1991 to 2001, 1.8 million immigrants arrived in this country from around the globe, mostly from Asia, and settled in larger urban areas. The market for ethnic foods has exploded, fuelled by changing immigration patterns and increased global travel. However, demand for ethnic foods isn't confined to immigrant communities; it's quickly crossing over to the mainstream. For example, a 2005 report from Agriculture and Agri-Food Canada shows that 75 % of ethnic foods in the U.S. are consumed by the mainstream population.”

The impact of popular culture, increased international travel, increased global emigration, and other such related factors show the increased impact on the globalizing of food and beverage trends.

Asian food and beverage trends have been steadily increasing in the U.S. for some time now. In a cleverly entitled article, *Quick Serve's Sleeping Tiger: Economic ties to Asia have kept the continent in the headlines for decades, but consumers are just now discovering there's more*

to Asian cuisine than eggrolls (QSR Magazine, 2012), there shows a relative growth in Asian food and beverage trends hitting the U.S. market with a frenzy. In the article of QSR Magazine (2012), the article points out,

“Asian national cuisines new to mainstream American palates are emerging at the heart of the U.S. quick-serve industry lately, acquainting the world’s biggest non-Asian market with zesty new influences ranging from...ethnic cuisines including Korean. This trend is being driven in part by increasing commercial and tourist ties between America and Asia. Demographic changes also play a huge role, including an explosion in Asian immigration to the U.S. as well as the broader palate of younger Americans...even include emerging brands such as Red Mango, a Korean line of tart frozen yogurts that opened its first U.S. location in Los Angeles two years ago and already has about 70 outlets in 14 states...although Asian concepts have long been full-service restaurants, brands are turning to the quick-service segment to deliver the new tastes consumers are craving...Orange Papaya is a Korean fast-casual that is aiming to open a handful of outlets in southern California in the coming months. Its menu features Asian-marinated pork, beef, and chicken dishes in handy wraps...the Asian quick-serve creating the most excitement is the Kogi Korean BBQ taco truck...Kogi fuses the appeal of Korean-barbecued meat with the handiness of a taco format...parking it all over southern California and dishing out varieties of the meat, which is flavored with slightly tangy Korean ‘salsa roja,’ topped with cilantro, onions, cabbage slaw, and soy-sesame chili then put into a soft corn tortilla. Kogi Korean BBQ’s success quickly has led to another aspect of the rising Asian tide - fusion” (QSR Magazine, 2012).

The aforementioned literature points out the increased globalization of Asian and Korean themed Q.S.R. establishments all across the U.S. and North America. The fairly recent trend of Asian fusion and Q.S.R. success stories shows the potential of a Korean-style Bibimbop Q.S.R. having the potential for a great rate of success. Along with the organic and green vegetable options, will be the traditional a la carte marinated organic meat options, traditional Bibimbop with a slight mix of fusion for a certain level of comfort to the American patron, and also simplicity to the menu for quick and easy dining choices.

Advantages of Franchise Models

The following literature addresses the advantages of the franchising system and models over independently owned restaurant establishments. Zimmeth (2007) defines and elaborates on franchising as follows:

“Franchising offers potential franchisees the opportunity to quickly start a new business based on a proven method rather than having to build a new business and brand from the ground up. Franchising today grants a franchisee the right to use the branded name and sell the products and/or services of the franchisor. What exactly does this mean? It provides instant name recognition. The franchisee pays an initial fee, as well as subsequent royalties, and in return, gets to use the franchise name and sell the products and/or offer services, as well as use their operating systems, technical expertise, marketing systems, training systems, management methods, and any other important information. The franchisor also trains the new franchisee and provides on-going support throughout the life of the franchise” (Zimmeth, 2007).

The advantages of franchising shows the positive aspects of receiving support and on-going training with the brand name recognition that many patrons find to be comfortable and know exactly what to expect.

Examination of the High Failure Rate in the Restaurant Industry

On the other hand, not all franchises are successful. The hard work and long hours are key to successful operations of a running a restaurant operation. Furthermore, the success is not immediate and depends greatly on the time invested into your own franchise, and will prove to take time and hard work.

Furthermore Parsa, Self, Njite, & King, (2005), goes on to elaborate certain key points about restaurant failure rates and then follows to examine the extremely high failure rate that is common in the restaurant industry:

“Failure rates were notably higher for small, independent operations than they were for relatively large, franchised restaurants. Thus, we suggest that the financial community make itself aware that the restaurant industry comprises different segments with varying levels of failure rates and, thus, different levels of risk. In that regard, the banking community could consider lower interest rates for all restaurants and particularly for those ventures that are statistically more likely to succeed. Purported high business failures have often resulted in high interest rates for restaurateurs” (Parsa et al., 2005).

Figure 1 shows the different failure rates between independently owned restaurants and chain restaurants. The ratio comes out to about 2 to 1 or nearly double the failure rate for the

independently run restaurants.

<u>Restaurant Ownership Turnover (ROT) in the Test Market, 1996-1999</u>					
	Year	Year	Year	In	
	One	Two	Three	Business	Total
Total ROT:	638	1,107	1,457	982	2,439
ROT percentage per year:	26.16	19.23	14.35	40.26	100
Cumulative percentage:	26.16	45.39	59.74		
Number of independent					
restaurants failed:	408	699	910	573	1,483
ROT percentage:	27.51	19.62	14.23	38.64	100
Cumulative percentage:	27.51	47.13	61.36		
Number of chain restaurants					
failed:	230	408	547	409	956
ROT percentage:	24.06	18.62	14.54	42.78	100
Cumulative percentage:	24.06	42.68	57.22		
Ratio of independent to chain					
restaurants:	1.77	1.71	2.22	1.40	1.55

Figure 1. Restaurant Ownership Turnover (ROT) in the Test Market, 1996-1999.

(Parsa, et al., (2005, September 14). Why restaurants fail. *Cornell hotel and Restaurant Administration Quarterly*, 46(3), 304-3220.

Successful Asian Themed Q.S.R. Franchises

Yoshinoya Model

The Yoshinoya success story is a testament to the Japanese food culture and Asian themed Q.S.R. establishments. The history of the company has been rooted in traditions from more than a century ago. In the website, Yoshinoya America (2012), the history of the company is elaborated upon in quite some detail.

“In 1899, on the outskirts of Edo Castle in the Nihonbashi Fish Market of Chuoku, Tokyo, Eikichi Matsuda opened the doors of the very first Yoshinoya restaurant. Named for his birthplace of Yoshino-Cho, Osaka, Mr. Matsuda’s restaurant featured wholesome,

delicious meals with the convenience of modern-day fast food. It was an entirely new concept in Japanese culture, and both the hard-working fisherman and market visitors embraced it. Yoshinoya was an instant hit. So well-loved was Yoshinoya that not even the Great Kanto Earthquake of 1923 could topple its success. The restaurant simply moved to Tsukiji with the rest of the Fish Market and throngs of hungry patrons continued to enjoy Yoshinoya's original gyūdon, or Beef Bowl®. With decades of continuous growth and a loyal following, Mr. Matsuda passed the company presidency on to his son, Mizuho, in 1958. Combining his lifelong education at his father's side with a capital of one million yen, Mizuho upheld Yoshinoya's commitment to inexpensive, high-quality food and further expanded the restaurant throughout Japan and across the globe. Now, Yoshinoya has over 1500 locations and is enjoyed by millions in Japan, Australia, Hong Kong, Mainland China, Malaysia, Singapore, Taiwan, United States and the Philippines" (Yoshinoya America, 2012).

The franchising operations of Yoshinoya have been streamlined for many decades. The proven success of their standardized systems can be seen through their thousands of locations throughout the world. Yoshinoya is one Asian-themed Q.S.R. that shows Asian cuisine has a place in the Q.S.R. market. The review of Yoshinoya's franchising operations is clearly defined below from their website (Yoshinoya America, 2012):

Q) What is the cost of opening a Yoshinoya Restaurant?

The total investment required to open a Yoshinoya Restaurant will likely fall between \$509,498 to \$806,375. Generally, this will include your franchise fee, construction, equipment, a \$10,000 Opening Advertising Budget, three months of operating expenses and other expenditures. Depending on the area, complexity of the build-out and size of the location, these

costs can vary. If you are converting an existing restaurant to a Yoshinoya Restaurant, your initial investment in various categories, including construction and leasehold improvements may be significantly less, but of course this depends on the current condition of the space, equipment included and condition of, utilities and layout.

Q) What are the franchise fee and royalties?

With the initial franchise fee \$27,500 and a low 4% royalty, Yoshinoya offers an exceptionally competitive franchise. A Territory Development Agreement offers discounted franchise fees.

Q) What is the term of the Franchise agreement?

Your franchise term is 10 years, with two, five year options.

Q) What kind of training will I receive?

Your Yoshinoya franchise training includes one week of extensive, initial training for yourself at our training headquarters in Torrance, California, six weeks for your lead kitchen personnel and 12 weeks for your front of house store manager. Training includes up to four persons. Some training will be at operating locations.

Q) What experience do I need?

Although previous restaurant ownership experience is helpful, it is not necessary to become part of the Yoshinoya Family. We seek motivated entrepreneurs to help us grow throughout the United States.

Q) What are some of the financial requirements to become a franchisee?

Financial responsibility is extremely important in any business venture. Each franchise applicants financial history and current status will be carefully reviewed and evaluated.

(Yoshinoya America, 2012).

Panda Express Model

The Panda Express is also a great testament to Asian-themed restaurants being quite successful in the Q.S.R. sector. Following Chinese cuisine styles of Mandarin and Szechuan which are famous in mainland china, the company has become extremely successful in just over four decades. The history and story of the company can be found on the website (Panda Restaurant Group, 2012):

“[In the early 1970’s] The Panda Restaurant story began when Andrew Cherng, a young man from the picturesque Yangzhou region of China, came to the United States to pursue his American dream. With little money but a lot of heart, Andrew and his father Master Chef Ming-Tsai Cherng started the first Panda Inn restaurant in Pasadena, California. The fine dining restaurant introduced the robust flavors of Mandarin and Szechuan cuisine to Southern California and became the inspiration and standard for the Panda Express restaurants that are loved across the world today. With the help and support of his wife Peggy, Andrew knew that quality meals made with fresh and premium ingredients served fast and hot would win over the hearts and stomachs of hungry guests. Today, Andrew and Peggy's vision and passion continue to guide the growth of Panda Express across the United States and abroad...Panda Express has 1,489 restaurants throughout the United States and Puerto Rico and is America's fastest growing Chinese restaurant concept” (Panda Restaurant Group, 2012).

Panda Restaurant Group is also another Asian-themed Q.S.R. concept that have proven to be extremely successful in this extremely high turnover and restaurant failure rate industry. Panda Express goes to further elaborate on the possibility for success of a Korean-themed Q.S.R. restaurant concept with the proper business planning and execution. The franchising operations of Panda Express are unique in the sense that they own and operate all of their 1,489 restaurant

locations throughout the world. Panda Restaurant Group is growing fast however, and Panda is aggressively seeking new locations. If you are a developer, real estate broker, or landlord and would like to submit a site for consideration, there are many options to lease out facilities to Panda Restaurant Group. Unfortunately there are not franchise stores. Panda Restaurant Group does not offer franchises at this time” (Panda Restaurant Group, 2012).

Conclusions and Analyses

The aforementioned literature points out the increased globalization of Asian and Korean themed Q.S.R. establishments all across the U.S. and North America. The fairly recent trend of Asian fusion and Q.S.R. success stories shows the potential of a Korean-style Bibimbop Q.S.R. having the potential for a great rate of success. Along with the organic and green vegetable options, will be the traditional a la carte marinated organic meat options, traditional Bibimbop with a slight mix of fusion for a certain level of comfort to the American patron, and also simplicity to the menu for quick and easy dining choices.

The advantages of franchising over an independently run restaurant operation clearly shows the positive aspects of receiving support and on-going training with the brand name recognition that many patrons find to be comfortable and know exactly what to expect. On the other hand, not all franchises are successful. The hard work and long hours are key to successful operations of a running a restaurant operation. Furthermore, the success is not immediate and depends greatly on the time invested into your own franchise, and will prove to take time and hard work.

The examples of franchising operations of Yoshinoya and Panda Restaurant Group have been streamlined for many decades. The proven success of their standardized systems can be seen through their thousands of locations throughout the world. Yoshinoya and Panda Express

are two Asian-themed Q.S.R. concepts that shows Asian cuisine has a place in the Q.S.R. market, which both companies have proven to be extremely successful in this extremely high turnover and restaurant failure rate industry. These two Asian-themed Q.S.R. concepts of Chinese and Japanese cuisine leaves only one more Eastern Asian country's cuisine to be developed into the Asian-themed Q.S.R. market – Korean Cuisine. With the proper business planning and execution, there is great potential for a successful Korean-style themed Q.S.R. concept.

PART THREE

Introduction

The business plan portion of this paper will address the issues of the main objectives of the business, outline the mission statement, and offer some insight into the keys to a successful business operation, specifically an ethnic Korean style quick service establishment. The organization summary is outlined with the ownership, legal entity, and start-up costs outlined in figure 2: start-up requirements. Some of the possible location and facilities are mentioned for the business site and also the menu products are introduced for the quick service restaurant. A market analysis summary is described in a market analysis to identify some key target market demographics and figure 3: market analysis (demographics) shows some of the forecasted restaurant covers and growth rates over a period of five years. Also an analysis of the potential for success in this fiercely competitive restaurant industry is examined and some insight into how to overcome the challenges is offered in the market analysis summary. Of course the use of an important tool in any business arena, the S.W.O.T. analysis, is used to compare the strengths, weaknesses, opportunities, and threats of the Korean-theme quick service restaurant entitled, Let's Mix it Up – Korean Style. Then a review of the management and personnel summary is reviewed along with labor costs over the course of a year. Benefits and perks such as health benefits and paid vacation are briefly described in the personnel section. Payroll and labor costs are outlined in figure 4: personnel plan / payroll for the initial year of operations. Finally a conclusion summarizes the insight gained from this business plan.

Objectives

- To create an ethnic Korean style quick service restaurant startup to compete with the demand for healthy, organic, and new variety of food options.

- To ultimately increase sales annually by 10% year over year and increase brand awareness with the potential to franchise the restaurant concept domestically within the United States.
- To serve quality food and beverage products using healthy, organic, and green options to compete with less healthy fast food chains.
- To increase the awareness of ethnic Korean cuisine to the American patron in a quick service setting, to compete with other successful Asian-theme quick service restaurants.

Mission

Let's Mix it Up - Korean Style quick service restaurant is passionate about ethnic Korean food culture. Let's Mix it Up hopes to promote a healthy, organic, based ethnic Korean style quick-service restaurant while providing excellent service and affordable prices. Let's Mix it Up hopes to promote an entirely new concept of Korean traditional cuisine with some fusion aspects to create an increased awareness of ethnic Korean cuisine in the United States' domestic market. From the initial startup company, Let's Mix it Up hopes to increase brand awareness and ultimately increase locations throughout the United States through franchising operations.

Keys to Success

- Create a brand awareness of only offering the freshest, healthiest, organic, and quality products to create a reputation for high quality foods provided at a reasonable price.
- To hire and train the most passionate employees with a desire to grow and be promoted within the company from the beginning start-up stages.
- Depending on success factors, initially expand business operations from Las Vegas to surrounding areas, such as Henderson, Summerlin, North Las Vegas, and other

immediate areas within Clark County, Nevada. Then progressively and aggressively expand franchise operations throughout other large metropolitan areas within the United States.

- Choosing a great first location as the demand for the product should be in an area where quick-service and ethnic diversity are accepted. Possible locations are in surrounding college campuses such as the University of Nevada, Las Vegas or the College of Southern Nevada. Another possibility may include the McCarran International Airport terminal, where there are large numbers of diverse travelers with a wide palette range.

Organization Summary

The conceptual business plan for the organization of an ethnic Korean style quick service restaurant was the idea of the sole proprietor, Daniel Kim. It will serve traditional Korean cuisine in a quick service setting and offers Bibimbop as the main menu item. Let's Mix it Up - Korean Style will offer a variety of traditional a la carte Korean cuisine options as well, from simple and healthy soup options, marinated organic meats and vegetables, and other simply prepared dining options.

The prospective initial restaurant locations will be around the campus of The University of Nevada, Las Vegas or the College of Southern Nevada. These locations were chosen due to the proximity to a younger generation of patrons that are more accepting of ever changing dining options. Also the need for quick-service would be ideal for a college setting. Dining variety and the need for quick service alternatives to the traditional fast-food options would also provide dual-income families, single parents, and other non-traditional families a new and interesting dining option with their busy schedules and time constraints at an affordable price with quick service in

mind. The main sales point of this quick service restaurant would be take-out meals during lunch and dinner meal times.

Legal Entity

Let's Mix it Up - Korean Style, will initially be owned completely by Daniel Kim. The Korean-theme quick service restaurant will be the sole proprietorship of Daniel Kim in the pre-opening stages. Then a network of investors and partnerships will be built upon the hopeful success of the restaurant operations to increase locations, and ultimately build upon franchise operations throughout the United States.

Start-Up Summary

The start-up costs consist mainly of furniture, fixtures, and equipment (FFEs). Then the legal costs such as business licenses and other legal fees to start initial operations such as securing a location and contracting leases of the restaurant premises. Also the marketing and advertising of the grand opening will need to be considered as well. The minimal space of the dining area will need dining tables and chairs. The kitchen will need to be equipped with a high 10,000 BTU flame stove top burner (similar to the ones used for Chinese Wok cooking), in order to crisp the bottom of the rice or other grain product quickly. Also a steamer for the rice, grains, and noodles will be necessary. Convection ovens and broilers will be needed for high-quantity cooking of vegetables and meat products. Also the kitchen will need refrigeration and freezer components for the highly perishable food inventory. Initially, only an estimated one and a half weeks' worth of inventory will be ordered for the grand opening for the first three days of operation due to the uncertainty of business levels and to set par levels from the onset of operations. The high cash-flow is based on a need to have strong liquid capital for paying debts and on-going operating costs for the initial stages of operations. Also the liquidity will allow for

labor costs and utility costs to be paid immediately without taking on additional debt in the start-up stages. The initial investment and start-up costs will be comprised completely from the sole proprietor's personal liquid cash savings in the amount of \$250,000 during the initial stages and first year of operations.

Start Up Requirements	
Startup Expenses	
Legal	\$5,000
Insurance	\$600
Rent (Lease)	\$1,400
Computer	\$2,500
Other (Misc.)	\$2,500
Total Startup Expenses	\$12,000
Start Up Assets	
Cash Required	\$175,000
Startup Inventory	\$3,000
Other Current Assets	\$10,000
Long-term Assets	\$20,000
Total Assets	\$208,000
Total Requirements	\$220,000

Figure 2: Start-Up Requirements

(D.W. Kim, personal communication, November, 2012)

Products and Services

Let's Mix it Up - Korean Style, will serve its customers mainly traditional ethnic Korean cuisine in a quick service environment. The meals will be available for dine-in or take-out during lunch and dinner periods. The main entrees to be served are based on healthy, organic, Korean cuisine, and an alternative dining option from the plethora of fast-food chains in the Las Vegas market. Some of the menu items planned to be used in the restaurant has been elaborated upon in the literature review section of the paper. But to reiterate, Bibimbop, which is a signature Korean dish served atop a grain or noodle of your choice such as rice, barley, buckwheat noodles, or flour noodles with a variety of vegetables will be the main focus dish of the restaurant. There are numerous vegetable and meat options to be placed atop the grain or noodle and then mixed with a spicy chili based sauce or paste, and sesame oil to suit one's own taste preference. In order to offer even more variety, a spring mix and romaine mix will be offered as a low-carb alternative to the grains or noodles for the even more health-conscious. The option of the rice or barley rice to be made with a crispy bottom in a hot stone pot to form a crunchy texture will be created through the use of the 10,000 BTU wok burners to minimize wait times for take-out diners. The crispy rice will be transferred to the take-out container with an aluminum foil base to maintain the crispy texture. A la carte options of marinated Korean style meats such as sliced rib eye, Korean short ribs, grilled chicken, spicy marinated pork, sautéed tofu, and other forms of protein will be offered for the meat selections with a side of rice or noodle of your choice. The soup options will be basic and simple, and will also be served a la carte at a very reasonable price. The soup options will include a Korean style bean-paste soup (similar to a darker miso soup) with tofu and green onion, a soft tofu-soup made with vegetables and a spicy level of your choice called Soon-Dubu, and finally a clear beef stock with sliced beef

and daikon called Mu-Guk, for a more simple soup accompaniment. Beverage options will include a variety of specialty drinks only found in Korean grocers and specialty stores to offer a unique selection. Finally, a minimal dessert menu will be offered as well. These will include fresh sliced Korean pears, fresh sliced Korean melons, and also a Korean shaved ice made with a red bean, fruit topping and a low-fat sweetened condensed milk to blend it all together.

Market Analysis Summary

The demand for quick-service and take-out meals as dining options is ever increasing as the traditional family roles change throughout time. Time constraints of people living in a 24 hour city also place a toll on families to prepare healthy meals at home on a daily basis. Among these take-out options, there are limited numbers of restaurant establishments serving healthy and organic meal options. The majority of quick service establishments are hamburgers, pizza, and other unhealthy dining options.

The increasing awareness and desire to try new and interesting foods work to the advantage of the ethnic quick service food industry as these trends are becoming more prevalent due to social media, popular culture, and a growing diversity in ethnic populations. Also the busy life styles of the American people contribute to the increasing revenues in restaurant sales, especially take-home meals. The justification for a healthy and organic Korean quick service restaurant also offers new and exciting dining options, not especially familiar to the American patron. Also the Las Vegas demographic for the Asian population has been steadily increasing according to the United States Census Bureau, which would lead to a greater revenue stream as well.

Market Segmentation

Let's Mix it Up - Korean Style will initially serve four primary target markets. The primary target market will be university or college students due to the proximity of the desired location, then the non-traditional family such as dual-income families will be another major market segment due to time constraints to prepare home-cooked meals on a daily basis. Then there are the health-conscious and single patrons which are also a good percentage of the market segment. The market segmentation is provided as follows.

- University and college students will make up about 50% of the market segmentation during the first year of operation due to the proximity of the desired restaurant location. An anticipated annual growth rate of 10% is expected if the business is successful for the student market.
- Non-traditional families, especially dual-income families are expected to make up 30% of the market segmentation during the first year of operation due to the time constraints placed on their busy life styles and a desire for healthy dining options. An annual growth rate of 15% is expected if the restaurant is successful during the first year of operation.
- Health-conscious patrons and single patrons are expected to comprise of about 10% each of the market segmentation for a total 20% of the total market. An annual growth rate of 5% is expected for each segment if the operations and marketing promotions go as anticipated.

The restaurant is planned to mainly be a take-out quick service establishment with only 6 tables with 4 chairs each. This would equal 24 chairs with a daily anticipated turnover rate of 3 times a day. Dine-in covers are thus calculated at 72 covers a day ($6 \times 4 \times 3 = 72$), assuming total capacity is met. The main concentration would be on take-out meals with a lunch average estimated at 60 covers per day, and dinner covers at 40 covers per day. The majority of lunch

take-out patrons are expected to be college students and health-conscious patrons. The majority of dinner take-out orders are expected to be non-traditional families and single patrons. The restaurant is planned to be open 365 days a year with the hours of operation from 10:30am to 9:30pm. If we add the estimated daily covers of 72 dine-in + 60 take-out lunch + 40 take-out dinner = 172 covers daily. Thus 172 covers daily x 365 days a year = 62,780 covers a year (See figure 3: Market analysis of yearly covers and projected yearly growth-rate estimates). This is merely a conservative estimate of annual covers at this time. With these conservative numbers as the estimated base figure for the number of yearly covers, the projected average check per cover is estimated at \$9 per person. This would mean that the estimated revenue for the initial year of operations would roughly yield gross revenue of approximately \$565,020 (62,780 covers for the first year x \$9.00 avg. check per cover = \$565,020). Accounting for the startup requirements estimate of \$220,000 and the estimated first year's labor costs of \$148,209, the amount of net revenue (not including running costs) for the first year of operation would be as follows: $\$565,020 - \$220,000 - \$128,209 = \$216,811$. If also considering for paying the sole proprietor an annual salary of \$50,000 and the cost of running and operating expenses. The analysis for at least break-even for the first year of operations, with the potential for some net revenue is viable. Also the potential net revenue would be invested directly into the next years cash liquid assets and operating budget.

Market Analysis	Year 1	Year 2	Year 3	Year 4	Year 5	
Potential Customers						Growth Rate(Est.)
University / College Students	31,390	34,529	37,982	41,780	45,958	10.00%
Dual-Income Families	18,834	21,659	24,908	28,644	32,941	15.00%
Health-Conscious Patrons	6,278	6,592	6,922	7,268	7,631	5.00%
Single Patrons	6,278	6,592	6,922	7,268	7,631	5.00%
Total	62,780	69,372	76,734	84,960	94,161	10.67%

Figure 3: Market Analysis of Yearly Covers and Projected Yearly Growth-Rate Estimates

(D.W. Kim, personal communication, November, 2012)

Service Providers Analysis

The quick service restaurant industry is extremely competitive and challenging. There are many fast-food dining options in the restaurant industry, but not many which are based on the idea of healthy and organic options. Ethnic dining options have steadily been increasing as well, but the Korean ethnic cuisine is still fairly new to the American patron, and there is great room for growth in this area in the Las Vegas market. Asian-theme quick service restaurants are growing in popularity due to popular culture and social media. Fusion of Asian ingredients is also found in nearly every major restaurant chain the United States these days as well.

Alternatives and Usage Patterns

The plan to offer the healthiest, organic, fresh, and prime ingredients should have a positive impact on the reputation of the Let's Mix it Up - Korean Style brand. Also the plan to only order on a weekly par basis guarantees the freshest ingredients. The selection of ingredients from the most reputable distributors and vendors will be a major strategy as well to win over the competition. In order to keep prices affordable, many of the ingredients will be processed in the restaurant directly and many of the ingredients have minimal labor intensity. These practices should provide a definite competitive advantage.

SWOT Analysis

Strengths

The strengths of the quick service ethnic Korean restaurant is that there aren't many competitors in this realm of ethnic Korean cuisine. The new and exciting dining options will offer a healthy, organic, and distinctively unique alternative to the many unhealthy fast-food options currently available in the quick-service marketplace. There is an increased desire for a variety in dining options, and Asian-theme foods have become a mainstream trend over the past

few years. With the globalization of food and beverage culture, ethnic Korean cuisine is something fairly new to the American palette and should prove to be fairly successful with the traditional and interesting new dining option. Also the cooking methods will mainly be healthy forms such as baked, sautéed, steamed, grilled, and raw. These forms of cooking methods do not require the use of fatty oils and reduces the loss of nutrients in the natural and organic ingredients. The natural minerals and nutrients are retained to offer more healthy food products. Also Korean cuisine is known for a balance of distinct flavors such as savory, sweet, spicy, salty, and sour, without the use of heavy sauces or oils. The foods are naturally fermented or cooked in a manner to retain as much of the natural nutrients as possible. And finally, the largest Korean demographic outside of South Korea is just a few hours away in the city of Los Angeles, California. With the distribution capabilities of large Korean food vendors and supply chain management capabilities of these companies in the Western region of the United States, price negotiations and product availability should be quite easy to achieve.

Weaknesses

The weakness of the Let's Mix it Up - Korean Style quick service restaurant is the fact Korean cuisine is fairly unknown to American patrons. There are limited sources of competition in terms of Korean quick service restaurants to gauge the potential for success. There are the more established competitors of Asian quick service restaurants such as Panda Express offering Chinese quick service food and Yoshinoya offering Japanese quick service food. These major competitors have been in business for decades upon decades and have proven themselves in the realm of quick service restaurant chains in the United States as well as internationally. It will take quite some time to promote Korean cuisine as a competitor against these giant quick service restaurant chains. Also Let's Mix it Up - Korean Style is only a sole proprietorship until it can

prove to be successful in order to expand and organize franchise operations, which may take years to initiate.

Opportunities

The opportunities for Let's Mix it Up - Korean Style is it is a fairly new concept adapting Korean quick service cuisine. Korean food has become fairly popular recently with the increasing reputation of Korean Barbecue and *Kimchi* becoming ever more popular. Also the restaurant industry continues to grow as the need for families to take-out meals is rising due to the nature of their family roles and the changing traditional family roles. Also more and more people have enough expendable income for quick service food rather than casual or fine dining due to the economic climate of the past few years. The healthy and organic dining alternative of Korean cuisine should also excite the adventurous food enthusiast. Something different often times are a draw to many persons and Korean cuisine is one such food that is new and exciting.

Threats

The biggest threat for Let's Mix it Up - Korean Style is the fact there is a major food conglomerate in South Korea that has been creating a similar concept in locations throughout Los Angeles County and South Korea. The company is named Bibigo with the same menu design, but in a more casual setting. Bibigo is owned by CJ Foods America, which has unlimited resources and even manufactures their own food products and has major distribution capabilities. The company has not made any plans to open stores in the Las Vegas market, but they plan on opening 1500 locations internationally by the year 2015. This company will be a major threat if they decide to open more chains in the domestic U.S. market.

Management and Personnel Summary

Personnel Plan

The store hours of operation are planned to be open from 10:30am to 9:30pm, 365 days a year. Hours of operation are 11 hours. If the personnel arrive 30 minutes prior to open and 30 minutes after close, that would be a total of 12 hours of operation a day. Prep-cooks may cook in advance and during their shift during non-rush periods. The plan is to hire one store manager, one assistant manager, one chef, two line cooks, three part-time order takers and take-out expeditors each, and three bussers and dine-in expeditor each. Each full-time employee will be offered 2 weeks' vacation after one year of service, full medical benefits with a monthly contribution. The part-time employees will accrue vacation time based on working. Part-time employees will not receive benefits, but for every 200 hours worked, 1 day of paid vacation will be given (under the assumption if they work 40 hours a week, 52 weeks a year, they will earn 10 days of paid vacation a year). Salary increases will be granted on cost of living adjustments at 3% a year and performance bonuses for management staff.

Personnel Plan / Estimated Payroll Costs –	
	Year 1
Store Manager	\$38,049
Assistant Manager	\$33,000
Chef	\$33,000
Line Cook	\$15,360
Order Taker / Take-Out Order Expediter	\$14,400
Busser / Dine-In Food Delivery	\$14,400
Total Payroll	\$148,209

Figure 4: Personnel Plan / Estimated Payroll Costs

(D.W. Kim, personal communication, November, 2012)

Conclusions and Summary

There is a great deal of interest in food and beverage cultures from around the world these days as the world becomes a smaller place every day. Globalization, popular culture, social media, increased immigration and emigration, and the ever increasing diversity can be seen all around the world. With changes in demographics, traditional family roles, curiosity for new experiences, and an ever increasing adventurous spirit from persons who want to experience all that life has to offer, in a way has led to food and beverage trends constantly changing. Asian-theme restaurants or menu items are on the rise as many restaurant chains are using all types of Asian ingredients in many of their dishes be it fusion, or traditional. With these ideas and concepts in mind, a Korean-theme quick service establishment has a great deal of potential for success in the Las Vegas market. Not only is Las Vegas one of the world's greatest cities for sensational food from around the world, the diversity of Las Vegas is immediately apparent just by looking around at the various cultures and ethnicities from around the world. There are Chinese quick service restaurant chains such as Panda Express. There are Japanese quick service restaurant chains such as Yoshinoya. But there is still one Eastern Asian country's cuisine which is missing from the mainstream quick service food and beverage restaurant industry. Korean cuisine is a fairly new and exotic food that has the potential to become one of the next restaurant franchises from the Eastern part of Asia. Let's Mix it Up – Korean Style quick service restaurant offers a great deal of potential for success, if initiated and operated correctly. Where else is a better place to take a risk, in a high risk industry, than Las Vegas?

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