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Wil's Grill

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In January 2017, John Christ needed to make some decisions about his business, Wil's Grill. Not long ago, his dad had said, "Son, passion has gotten you here; not the money." Now, John needed to focus on "the money" – but which path should he take? He could expand his "street food" business, add a catering business, or do something else. John, who loved to make customers happy by serving them great healthy local food, recognized that he also needed to do so profitably.

BACKGROUND

John grew up on a ranch in Cave Creek, AZ, a small community northeast of Phoenix Arizona. His parents had food service and restaurant experience, and cooking and entertaining were an integral part of spending time with them. "By age 10," John recalled, "I could cook."

As a teenager, John bussed tables at a restaurant where his dad Wil worked. He also spent many mornings with his dad at a clay-bird sport shooting range near Cave Creek. When done, they needed to go elsewhere for lunch, since the range did not offer food or beverages. So, father and son worked out an agreement with the range owner to open a small food booth on-site, which they named "Wil's Grill." On a single grill they cooked burgers, fries and served beverages. Wil taught his son the nuts and bolts of running the business: obtaining necessary permits and licenses, ordering food and supplies, shopping, transportation, inventorying, cooking, cleaning and most importantly, "treating customers as friends." Hospitality-driven service was a core value.

To celebrate his high school graduation in December 2009, John went on a 30-day backpacking excursion with the National Outdoor Leadership School in Wyoming, where he later recalled, "I honed my leadership skills there and this would serve me well in managing my future business."

In August 2010 Wil closed Wil's Grill when John enrolled at Northern Arizona University (NAU), in Flagstaff, about 120 miles north of Phoenix. At that time NAU

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enrolled about 23,000 students. John majored in Environmental Studies, and also took classes in other areas, driven by “my inquisitive nature to learn as much as I could about the world around me.” At the NAU School of Hotel and Restaurant Management John learned about the “clean food” movement – characterized by locally produced, organic foods and sustainable practices.¹ Clean food was healthy for both the planet and for people through production of efficient amounts of food, provision of leftovers to local shelters, and minimization of waste via biodegradable products and recycling practices.

WIL’S GRILL FLAGSTAFF

On a visit to Costa Rica in 2013, John and another NAU student – Karl Shilhanek observed a vibrant “street food” community.² The “chicken lady,” “kabob guy,” and many other vendors served tasty, locally sourced and ready-to-eat fresh foods to local residents on the street, in the market, at a fair or other public place. Vendors sold “street food” from a portable stall, cart or food truck. John and Karl were inspired to start their own business, and the flames of Wil’s Grill were reignited when they founded their own Wil’s Grill in Flagstaff, AZ in January 2014.

The young men worked hard to get Wil’s Grill off the ground. They wrote a business plan, secured the required permits and licenses, and set up as a general partnership. The two partners each invested \$500 to get the business off the ground, and John’s parents provided a \$2000 low-interest loan to help them purchase grilling equipment.

“We earned our stripes in the first year,” John recalled. “We were hands-on with every aspect of the business.” Karl focused on business strategy, marketing and social media. He created a website that included their “clean food” menu, a mobile app and a social media presence (on Facebook). John focused on operations and food preparation. He established relationships with five local food sources -- including John’s parents’ Happy Mountain Farms. John believed his relationship with farms and producers “allowed me to have a unique understanding of the local supply chain.”

Wil’s Grill was highly portable, and targeted two main markets: 1) NAU students who were tired of chain-based fast food and wanted good, reasonably priced, late night food, and 2) community events, where organizers and customers wanted reasonably priced, clean, high quality street food (in contrast, many street food vendors served manufacturer prepared and processed food). Operations included procuring food, preparing main courses and sides, transporting food to venues, and hiring temporary labor for serving and clean-up. Wil’s Grill leased excess kitchen space in non-competing Flagstaff restaurants and bars, for prepping or cooking some food. Once the food was prepared in these locations it was served on tables with warming trays. For outdoor events, an event management company assigned Wil’s Grill and other vendors to specific locations for specific hours. Most food (e.g. burgers, vegetables) was prepared on site, in view of customers.

Within four months John and Karl were able to pay off the \$2000 loan; since then, they had taken no further loans. The business was not profitable and they did not pay themselves a salary. John and Karl both worked second jobs to cover basic living expenses in 2014 and 2015, and their parents paid their college tuition. John lived a simple lifestyle with minimal financial obligations. They did not invest in a brick-and-mortar operation. Their “office” was as portable as the business.

In May 2014, Karl decided to relocate to Bellingham, WA to be closer to his family. The breakup was amicable. John reestablished Wil's Grill as a sole proprietorship. Without his partner, at first John relied on "gut instinct" to run his business. Summer 2014 was tough, especially interviewing and hiring people. John felt this "was challenging. I didn't know what I was looking for." To hire temporary employees for street events he posted ads and networked with local bar owners. In June John hired what he referred to as "my first permanent part-time employee, Cody McCrae, a Hotel and Restaurant Management student." Cody had also "grown up in the kitchen." On his first day John gave him some instructions and left for another commitment. Working alone, Cody prepared sliders and coleslaw and proved himself. John placed a lot of trust in Cody, his first assistant manager. Cody flexed his hours and worked as business levels demanded.

Preparation and cooking was fast paced, whether in a leased kitchen or on the grill at an event. There were many 18 to 20 hour work days. John believed that he treated his temporary employees fairly, and therefore they were customer focused and wanted to work for him again. John also learned that he needed to define routines and flow-chart responsibilities for some job positions, and to calculate staffing based on the estimated number of plates/day to be served.

STREET FOOD EVENTS

Street events involved lots of guess work, since both weather and attendance were unpredictable. John told a friend, "It's like rolling the dice to try and guess what food people will want." During the Flagstaff Pro Rodeo, Wil's Grill served 425 plates of barbecue per day, whereas for most events, 200 - 300 plates/day was typical. During the Rodeo, one employee quit. John recalled: "Lines formed quickly; everyone came to the booth around lunch time, hungry. We performed well -- though there's always room for improvement." Getting food out quickly was most important, and food quality was more important than presentation or quantity.

Customers enjoyed watching food preparation, including the employee chatter. Pricing was customized for each event client (Exhibit 1 includes sample menus), so event revenue varied. A 200 to 300 plate day could gross \$2,000 to \$3,000, enough to sustain operations. Ongoing grill maintenance and food purchases were the main operating costs. Other expenses included liability insurance, permitting, licensing and payroll. John lived modestly, paid bills in cash and avoided debt. He used his personal pick-up truck to transport food, and budgeted for fixed costs, irrespective of ebbs and flows of revenue. He estimated that profit margins averaged 18% - 25% -- good for the street food business. 2014 to 2016 revenues totaled \$129,000 (Exhibit 2).

John had "learned on the fly;" he worked hard and wasn't discouraged by challenges. Feelings he experienced when customers told him how much they enjoyed his street food and his passion for clean food outweighed any discouragement. Street food was fun and fast-paced. John loved it.

THE WIL'S GRILL MARKET

By 2015 Wil's Grill primarily served Flagstaff, along with Prescott and Sedona to the south, Williams to the west and most of Northern Arizona (with a combined population of about 275,000 people³). Winter weather limited the number of street food events in Flagstaff, given its 7,000 foot elevation. Sedona, Prescott and the Verde Valley (all within 100 miles of Flagstaff), at lower elevations, were warmer. Collectively,

each of these communities held almost 50 events that featured street food. For special events John sometimes traveled as far as Phoenix or Page (both within 150 miles of Flagstaff); he included fuel costs in his pricing. Phoenix was the 12th largest metropolitan area in the U.S. with a population of 4.57 million people and a vibrant street food scene.⁴ Wil's Grill had received excellent reviews from local writers, food critics and customers, and was featured in the July 2015 issue of *Flagstaff Business News*. More food trucks were also appearing on the scene, and some new entrants served healthier fare. John's promotional marketing budget for 2016 was \$2,100, although he believed he should spend \$5,000.

As for catering, large competitors included Big Foot BBQ and Satchmo's (local barbeque restaurants that also offered catering), as well as Main Street Catering and Thorneger's Catering. Some competitors had been in business for twenty years or more, and were well-established in the local catering market. Wil's Grill had the strongest focus on clean food, and John received referrals from caterers for specialties Wil's Grill was known for -- smoked meats and barbeque.

Various studies conducted in the United States indicated a growing interest in "clean food" and this was beginning to influence some customers' food and beverage purchase decisions. Consideration for healthy choices had reportedly increased from 61% in 2012 to 71% in 2014, and in 2015 67% of respondents had given thought to environmental sustainability, 72% had given consideration to how food was produced or farmed, and 26% regularly purchased locally sourced items.⁵ John believed that the demographics and psychographics of people in Northern Arizona aligned well with the national clean food movement.

THE CATERING MARKET SEGMENT

In fall 2015, John coordinated with NAU marketing research students on an exploratory survey to learn more about customer perceptions of the Wil's Grill brand, food offerings, the clean food movement and the catering market segment. He realized that with just 79 respondents, the survey results were directional at best.⁶ The survey indicated that 56% of respondents were willing to spend at least \$11/person on a catered event, of which, 24% were willing to spend about \$16/person and 78% were willing to spend an additional \$1 to \$6/person for clean food. 72% of respondents had never heard of Wil's Grill. Regarding the decision to use a caterer, barbeque beef and pork, Mexican, Italian, Asian and vegetarian were the most desired catered event food options. A caterer's reputation, customer reviews, service, food selection and price were critical factors in selecting a caterer, and 63% indicated that locally sourced food would influence their decision.

To keep current on trends and opportunities, John was a voracious reader of food trade journals. One article stated that "farm to fork has been a trend emerging in weddings."⁷ Catered events could have margins of up to 40%. Catering customers were typically older, more affluent, and included both individuals and businesses. The business model was somewhat more predictable than street food vending, with a pre-determined number of guests, food type, pricing, and event specifics. Catering opportunities were available year-round in the Northern Arizona market.

Catering could be labor intensive. John estimated that a buffet-styled catered event required one staff member for every 30 guests, and a "plated, waited and served" event would need up to twice as many staff members. New job descriptions and training would need to be developed. John expected that he would need to expand his menu

and improve the food presentation, based on what clients wanted. Customers also often asked caterers to provide décor, entertainment, etc.

John would need to invest in new kitchen equipment, logistics, and a cargo trailer to store, maintain and transport food. The required investment would increase if John planned to cater multiple events simultaneously. John realized he'd need to get out of his comfort zone and assume debt to expand into the catering segment. He would have to figure out a way to secure financing.

John estimated his annual catering marketing expenses would be \$7,500. He believed he would realize synergies with his existing street food segment marketing investment, but a catering client base would need to be developed. John saw his brand as "Wil's Grill and not Wil's Barbeque, offering a wide assortment and variety of foods and flavors off the grill. We can be so much more than barbeque." In street food, John focused on smoked meats and barbeque because it was easily prepared and sold at a reasonable price. Wil's Grill stood for street food among those who were aware of the brand. His motto "Have grill will travel" reflected that he traveled to various street food events. He had never copyrighted this motto, but he had trademarked the Wil's Grill name.

John developed high-level ballpark estimates for future cash flows and investment associated with the options under consideration for growing the business (Exhibit 3). He strongly believed that the Wil's Grill brand was defined by "our reputation among those we've served, and those who have heard about us. Our reputation is one of sincerity, transparency, consistency and quality."

John needed to make a strategic decision: how to move forward with Wil's Grill and his livelihood?

NOTES

¹Feine, Suzy. *Green, The New Color of Love*. CaterSource, 1 May 2009. Web. 24 July 2017. <http://www.catersource.com/green-catering/green-new-color-love>.

²"What Is Street Food?" *The Street Food Institute*. N.p., n.d. Web. 24 July 2017. <http://www.streetfoodinstitute.org/what-is-street-food/>.

³Arizona Cities by Population. (2015, May). Retrieved July 24, 2017, from https://www.arizona-demographics.com/cities_by_population; United States Census Bureau/American Fact Finder.

⁴Theobald, B. (2015, March 26). Census: Phoenix area population grew rapidly. Retrieved July 24, 2017, from <http://www.azcentral.com/story/news/arizona/politics/2015/03/26/census-phoenix-area-population-grew-rapidly/70507534/>.

⁵<http://ljournal.ru/wp-content/uploads/2017/03/a-2017-023.pdf>. (2016). *International Food Information Council Federation - Food and Health Survey 2015*, (10), 69-77. doi:10.18411/a-2017-023.

⁶Survey Monkey September 2015 – *Wil's Grill* Case Author and MKT 439 Marketing Research Students; 79 respondents to a 20-question survey.

⁷Jacobs, A. S. (2016, March 29). Relaxed Luxury: New Farm-to-Fab Wedding Inspiration. Retrieved July 24, 2017, from <http://www.instyle.com/news/relaxed-luxury-new-farm-fab-wedding-inspiration>.

Exhibit 1 – Wil's Grill Sample Menu Items

Marinated Chicken & Veggie Kabob	\$5.00	Pork & Brisket Sandwich	\$12.00*
Grass-fed Hamburgers	\$10.00	Grilled Chicken Legs	\$5.00
Beer Brat with Sauerkraut	\$8.00*	Loaded French Fries	\$6.00*
Mac & Cheese, Cole Slaw, Beans	\$3.00*	Gatorade	\$2.00
Bottled Water	\$1.00		

*Price varied based upon the vendor fee charged by event management.
 Note: John targeted a minimum avg. ticket order of \$10.00 and a 25%-35% food cost.
 Source: John Christ – Owner, Wil's Grill (July 2017) – *Sample Street Food Menu*

Example – BBQ Lunch Garden Party for 30 people; Buffet Service <i>Sample Catering Menu</i>			
	Quantity	Unit Price	Line Total
Appetizer – Garden Fresh Bruschetta	1 tray	\$120/tray	\$120.00
Salad – Mixed Field Greens	30 cnt	3.50/cnt	\$105.00
Entrée – Slow Smoked Brisket	8 lbs	22.99/lb	\$183.92
Entrée – Slow Smoked Turkey	8 lbs	22.99/lb	\$183.92
Side – Buttermilk Cornbread	3 trays	4.99/dzn	\$37.50
Side – Mama's Tater Salad	7.5 lbs	9.99/lb	\$74.93
Side – Cowboy Beans	7.5 lbs	7.50/lb	\$56.25
BBQ Sauce	0.75 gal	20.00/gal	\$15.00
Beverage – Unsweetened Tea	1.5 gal	5.50/gal	\$8.25
Beverage – Fresh Squeezed Lemonade	1.5 gal	10.00/gal	\$15.00
Services – On-site Buffet	1 hour	125.00/hr	\$125.00
		Sub-Total	\$924.77
		Tax at 10.95%	\$101.26
		Grand Total	\$1,026.33

Notes: Menus available on Wil's Grill website.
 Clean food discussed on website and menu boards at events.
 Source: John Christ – Owner, Wil's Grill (April 2017)

Exhibit 2 – Profit and Loss Statement (2014-2016)

Ordinary Income/Expense (\$ US) – Accrual Basis January through December				
	2014	2015	2016	Comments
Income				
Food Sales	18,000	24,568	86,921	
Total Income	18,000	24,568	86,921	2014: 8 special public events & seasonal weekend street service; 2015: 15 special public events; 2016: 40 special public events
Cost of Goods Sold				
Food Purchases		12,533	32,401	Goal: = 30% of Food Sales thru purchasing efficiencies and sourcing co-operative
Direct Labor Payroll (Cody paid \$3,613 (2015) and \$6,470 (2016))		4,937	10,675	2015: Cody (450 hrs) & sub-contract labor 2016: Cody (650 hrs) & sub-contract labor
Business Licenses/Permits/Insurance		1,434	4,005	Per event basis
Total COGS	6,000	18,904	47,081	
Gross Profit	12,000	5,664	39,840	
Operating Expense (Fixed)				
Advertising & Promotion		1,105	2,131	
Automobile Expenses		369	4,700	Fuel and maintenance
Bank Service Charges		287	210	
Computer and Internet Expenses		228	1,000	
Office Supplies		283	53	
Professional Fees		2,043	2,300	Client meetings, Legal, Acct, R&D
Propane		286	555	
Reimbursement			109	
Rent Expense		1,412	1,500	Leased kitchen space
Repairs and Maintenance			92	
Restaurant Supplies		1,454	549	
Supplies		382	1,239	
Uniforms			73	
Utilities			255	
Total Operating Expense	15,000	7,849	14,766	2014 Operating Expense not itemized
Net Ordinary Income		(2,185)	25,074	
Other Income/Expense				
Ask My Accountant		33	1,604	
Total Other Expense		33	1,604	
Net Operating Income	(3,000)	(2,218)	23,470	John paid himself a salary from Net Income after reinvesting back in business (2016)

Source: John Christ – Owner, Wil's Grill (July 2017)

Exhibit 3 – Estimated Investment Levels and Future Revenue Projections (rounded)

2016 Actual Revenue	Est. Investment	2017 Total/ YOY Rev.	2018 Total/ YOY Rev.	2019 Total/ YOY Rev.
(A) Expand Street Food: \$87,000	\$9,000	\$122,000/\$35,000	\$162,000/\$40,000	\$212,000/\$50,000
(B) Add Catering and Maintain Street Food: \$87,000	\$25,000	\$147,000/\$60,000	\$217,000/\$70,000	\$307,000/\$90,000
<p>John research assumed:</p> <ul style="list-style-type: none">▪ 20%-25% (A) & 40%-45% (B) profit before taxes▪ discount rate range 5%-18%▪ 20% YOY “normal” growth rate for street food revenue (2016-2019)▪ +2% YOY inflation rate; +3% YOY contingency expense▪ \$3,500 revenue per catering event (2017)▪ 5% YOY higher operating expenses for (B) vs. (A)▪ 2017 COGS 50% (A) and 52% (B) of Total Income bef. inflation/contingency▪ “Est. Investment” primarily kitchen equipment <p>Source: John Christ – Owner, Wil’s Grill (July 2017)</p>				



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