MIT Sloan School of Management

Comparison study of two Italian restaurants: Vapiano & Trattoria Il Panino

15.768 Operations Management of Services: Concepts, Design, and Delivery

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1. Introduction

Our report compared the operations of Vapiano and Trattoria, two upscale Italian restaurants in Boston, and analyzed the differences in their operations and system designs. Through onsite visits (and actually tried their food and services), interview with store managers, and public information research, we were able to explore the operation strategies and assessed the strengths and weaknesses of the two operation models. While not necessarily one was better than the other, we analyzed the role of operations in complementing the strategy and the relative competitive strengths and weaknesses of each company. Our paper focus on the following areas in our comparison analysis:

- Service offering

- Employee management

- Customer management

- Funding mechanism

- Variability management

As much as our team truly enjoyed the food for both restaurants, we also hope that you will enjoy the analysis of our report.

2. Operations

2.1 Vapiano

VAPIANO

"Va Piano, va sano, e va lontavno" (Go slowly, go healthily, and go far)

Vapiano provides Italian fast casual dining experience with a nice and hip European setting. Originally based out of Germany, Vapiano has already expanded into more than 70 countries worldwide with a franchise concept and targeting another 100 expansion in United States, Europe and Middle East. Unlike normal operations of a traditional restaurant, Vapiano has a unique interface for customer orders and food preparing process. In fact, the operation of Vapiano is more similar to an upscale fast food restaurant. All stores have various modern architect styles but shared a common theme of having a tree as part of their décor to symbolize fresh food and natural beauty. Vapiano is highly selective in their store locations and only select high density downtown location with a nearby attraction (e.g. theater) to catch the high customer flow. Word-of-mouth is the predominant means of marketing whilst they publicize their expansion plans with flyers on the food trays.

Operations

The restaurant has a particular layout that is optimal for their operations and the floor plan is mainly divided between the food section and the beverage bar area. The food section is primarily composed of three separate counters, each individually serving either made-to-order pasta, pizza or salad. The customer flow process can be described with the following flow diagram:

Arrival	Register		Bar		Food Section		Register

Upon entry at the register, each customer was given a RFID chip card that will be used to process their own orders. Customers are first greeted at the beverage bar area to enjoy drinks before the meals[1]. The restaurant adopts a free seating policy and customers can choose to skip the bar area and go straight to the food sections. Other than the actual cooking process, most of the customer's experiences in Vapiano are driven by customer's self-service. For example, if a customer wants to order pasta, the customers will wait at the pasta counter for ordering and enjoy the process of how their food is being cooked in front of them. From Vapiano's perspective, this structure reduces the labor and time required to bring food and drinks to the table. All food and beverage payments are made at the counters through the smart card and you only need to clear the bills before you leave Vapiano at the register. There are limited staffs around the dining area and mostly for clearing the trays when customers are finished with their meals. The major customer facing interactions are done through the cooks. The cooks control the bottleneck of the customer flow diagram and manage the flow turnover of the customers.

The number of RFID chip card available is the same as the capacity of the store. Because of the free seating policy, it is common to share tables among customers and this allows Vapiano to maximize the use of their seating area.

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[1] Not all Vapiano restaurants have their beverage bars before the food section. Due to the store's floor plan and entrance, the Boston store has the beverage bar on the side.

2.2 Trattoria Il Panino

Trattoria Il Panino

"Trattoria Il Panino" (The bread roll of a small restaurant)

Started in 1987, Trattoria Il Panino ("Trattoria") is the first original trattoria in Boston (which means small and traditional restaurant in Italian) that serves authentic Mediterranean and South Italian cuisine. In a sharp comparison with Vapiano, Trattoria is a traditional restaurant with a small cozy family-run atmosphere. Located at the North End of Boston where there is no shortage of other Italian competitors, Trattoria consistently ranked top five out of more than 100 Italian restaurants in the area. Such success allowed Trattoria to expand to 10 stores worldwide. To ensure the authenticity of their food, the menu is designed by their Italian chef with house specials on weekends and 50% of their ingredients are supplied from Italy. In fact, 90% of the employees are Italian and most have been with Trattoria over 8 years. As a relatively small restaurant, the customer flow can increase to as many as 500 customers per day during summer times. The owner can simply count on word-of-mouth marketing without any other means of marketing as the customer flow is already much higher than the maximum capacity of the restaurant.

Operations

Trattoria accepts both reservation and customer walk-ins. Upon arrival, customers are guided to their table by the staff and greeted by the assigned waiter for the table. All the customer interface are done through the assigned waiter. The waiter plays an important role of the medium between the supply from the kitchen and the demand of the customer. The waiter is the

bottleneck of the entire operation and control the information and service flowing in both directions. For example, Trattoria relied on the waiter to recommend the weekly specials while the kitchen depended on the waiter to deliver the food and to feedback the needs of the customer. The assigned seating setup of Trattoria does not allow share seating among different parties of customers. Such rigidity almost guarantees an under-utilization of the maximum seating capacity despite the high traffic customer flow.

3. The four things a service business must get right

In this section we compare both restaurants through the perspectives of the paper "*The four things a service business must get right*".

3.1 Service Offering

The service offering of the two restaurants we studied is quite different between them, yet both are successful and coherent on the experiences they offer to their customers. Vapiano offers a modern, stylish environment target at young people on a go. Everything in Vapiano is made to be fast, even the music ambience is at a fast pace, yet this restaurant differs from a traditional fast-food restaurant since it's environment looks much more modern and luxurious, we classify Vapiano as a fast-food restaurant with a socially high end clientele. Trattoria Il Panino on the other hand is a typical traditional Italian restaurant, the entire environment is made to feel like customers are in Italy, there are pictures of famous Italian people, like Sophia Lauren, bottles of wine as part of decoration, a tv screen that shows images of Italy and even the ambience music is Italian music. This restaurant is targeting customers that want a cozy, traditional environment where they can take their time to enjoy the whole experience, and don't want to feel pressured to eat and leave.

The quality of food is another factor that differentiates these two restaurants, while at Trattoria Il Panino a lot of attention is given to the food, where experienced Chefs try to excel each time a new meal is prepared, at Vapiano the goal is to prepare the meal quickly, cooks are not very experienced and food is easy to make. As a matter of fact, most of the food at Vapianno is pre-made and frozen, whereas at Trattoria Il Panino food is fresh and high-quality, for example, the

bread is home-made and several products are from Italy. The diversity of the menu and elaboration of meals also varies from a low end at Vapiano to a high-end at Trattoria, this goes together with the fact that at the latter customers can change their requests in more diversified ways than at the former.

One particularity of Vapiano in terms of customer experience is the fact that customers have to do a lot of the work by themselves, like going to get the food and drinks, this has a consequence for the service offering that less waiters are needed and there will be little interaction between customers and waiters. On the other hand, at Trattoria Il Panino customers don't do almost nothing and just ask what they want to one of several waiters that exists at the restaurant.

The different service offerings described above results in different price settings for the two restaurants, the higher quality service at Trattoria Il Panino where customer is served by a waiter, is offered more elaborate meals and is "allowed" to stay and enjoy his dinner for how long he wants comes with a premium that customers have to pay at the end, whereas at Vapiano prices are lower since it doesn't offer such premium service as the focus is on time management by serving fast meals and "rushsing" customers to eat and go, this time focus management efficiency together with the fact that customers do a lot of the work by themselves, i.e., without the need for waiters, also contributes for a lower cost structure and allows Vapiano to accommodate lower prices. Nevertheless, Vapiano offers and additional service to its customers that allows them to stay longer at the restaurant, this service is the bar that customer can enjoy either before or after the meal. With the bar customers are able to spend more time and spend more money, this is a service that's not provided at Trattoria Il Panino.

Given the fast pace and high turnover rate at Vapiano there are no need for tables' reservations, customers come and 90% of the time they will find a table, if that doesn't happen they are invited to have a drink at the bar until a table is free. Vapiano controls capacity of the restaurant by the number of chip cards that are remaining free, when employees at reception see that there are very few chip cards left or none, they know the dining room reached its capacity. Trattoria Il Panino has a much lower turnover rate and therefore they rely on reservations to manage capacity and customers' expectations. Trattoria Il Panino adjusts to capacity variability by having extendable tables to accommodate more customers. Vapiano doesn't have this flexibility but offers different types of tables and seats for different customers' moods, although all are modern and stylish.

One thing that both these restaurants have in common is the attitude of their waiters, who are, in both places, very friendly, happy and collaborative. This good attitude of the staff is another value proposition of both restaurants that want to offer their customers the most pleasant experience.

A last difference in the value proposition of these two restaurants is regarding discounting mechanisms, whereas Vapiano is considering to have personalized chip cards for their customers where they can accumulate points for future discounts, Trattoria Il Panino doesn't consider any discount mechanism and even say they are unnecessary.

Vapiano	*Trattoria Il Panino*
Low Price	High Price
Modern and Stylish Decoration	Traditional Italian Decoration
Although it's Italian food, the environment doesn't feel Italy	All environment evokes Italy
Fast Food (Quick Meal Preparation)	Meal takes time to prepare
Simple Italian Meals	Elaborated Meals
Pre-made meals	Fresh and authentic Italian meals
Normal Quality Meals	High Quality Meals
Low flexibility in changing Orders	High flexibility in changing Orders
Fast music playing in the restaurant	Slow, Italian music playing in the restaurant
Few waiters, customers do most of the "work"	Several waiters that register and bring orders to customers
Have a Bar	Don't have a Bar
No reservations (capacity is controlled by number of chip cards)	Reservations
High Turnover	Low Turnover
Personalized chip Cards for future discounts	No discounts
Very good attitude of the staff	Very good attitude of the staff

Service Offerings of both restaurants

3.2 Funding Mechanism

Funding mechanism is related to the mechanism used for paying the increased cost of the excellence a business provides its customers. The easiest way is to charge the customer proportional to the service offered to her. One other approach could be having a proactive point of view; for example making an investment for the future or considering some expenses to be marketing costs. The other could be letting the customer do part of the job and in this way

decreasing overhead costs. The two studied restaurants have two completely different approaches. Vapiano has taken some tailored strategies for its funding mechanism and Trattoria is a typical restaurant in this regard.

Vapiano is a fast food restaurant and so is cost sensitive. There were some obvious ways, which this restaurant is using in order to reduce cost and of course at the same time increase efficiency. The most considerable fact in this regard is that customers do a lot of work. Customers are waiting directly in front of the chef and order their food to the chef; this not only decreases the number of people working in Vapiano, but also massively reduces the serve order time. Chefs use pre-packed servings and ingredients and in this way can serve a larger number of people in less time. Like any typical fast food restaurant, fast music is played in the restaurant and this will have psychological impact on the customers to eat faster. Vapiano tried to take the most advantage of its space; tables are shared and in this way the number of seats in the restaurant is maximized. However, not all the tools Vapiano uses in order to increase efficiency act as solutions. For example, they are too fast at cleaning the table, somehow before swallowing all the food.

The payment system in Vapiano is with chip card. Each person is handed a chip card after stepping the restaurant. The number of chip cards is almost the same as the number of seats in the restaurant. There is a bar on one side of Vapiano which could serve people together with food or by itself and is a source of revenue by itself. At the times when the chip cards are finished, people are directed to the bar and are served drinks until there are enough seats available for them. The chip card is worth $50 and gets lost often. But cases are typically not serious, the

routine is to trust the customer, and just ask her how much she has spent with the card. The future plan is to have tailor-made chip cards for customers, with their name, favorite food, and other information on it. Vapiano believes this will help them have a more efficient interaction with their customers and tempt them to eat more often at Vapiano.

Trattoria is a typical traditional restaurant. It is not cost sensitive; rather it offers expensive food. Customers are served at their tables after their putting order. A typical menu is used for presenting different food choices to people, with market prices for certain dishes. Many of the servings and ingredients are brought from Italy and special Italian bread prepared specifically for Trattoria by a supplier. All of these Italian supplies both increase the quality and the cost of this restaurant. In other words, customers pay a premium for the service, quality, and environment Trattoria provides for them. There is no discount mechanism, since it is not considered to be necessary. The restaurant already has 50% customer retention and word-of-mouth have great impact in Trattoria's marketing. Trattoria does have extendable chairs, in case of need for serving large number of people. As was mentioned in the employee management section, customers pay tip and the average 20% of paid tip is high enough to prove customer satisfaction.

Vapiano	*Trattoria Il Panino*
Cost sensitive as a fast food restaurant	Expensive food
A lot of work handled by customers based on direct contact with the chef	Customers served by a servant, with no interaction with the chef
Usage of pre-packed servings and ingredients	Usage of rather Italian servings, some broght directly from Italy
Using different fast food restaurant tools for increasing efficiency	Providing the relaxing environment for customers to stay as long as they want

Sharing tables	No sharing for tables
Fast in cleaning the table	Providing enough time for the cutomers to take their time
Payment through chip card	Cash or credit card payment
No tip paid by customers	Tip paid by customers
Income based on bi-weekly salary	Income based on tips
Steady income of the employees	Variable income of the employees
Word of mouth as the most important marketing tool	Word of mouth as the most important marketing tool
Not calculated customer retention rate	50% customer retention
Cost-competitive considering the quality of service, food, and environment	Premium for the excellent service, high quality food, and Italian environment paid by customers

Comparing Funding Mechanism in Vapiano and Trattoria

3.3 Employee Management

Like many service businesses, restaurants are people intensive and people play a strategic role in them. Employee management includes activities such as recruiting, selection, training, motivation, job design and in one sentence, all activities that empower employees to do excellent job. This concept is studied in terms of what ends up to achieving excellence from two points of view – the capability needed for this purpose and the incentive and motivation in this regard. Regarding capability, selection and training issues are studied and regarding motivation, working environment and payment is studied.

Vapiano is a chain Italian fast food restaurant with franchise system of expansion all around the world. It is a self service restaurant and chefs provide direct service to the customers. You can't say the atmosphere of this restaurant is Italian and you don't see people talking Italian to each

other. In Vapiano, recruitment is more based on personality and attitudes, rather than skill. Skill can be taken care of by training programs. Vapiano can hire for attitude and train for profession. Chefs are usually known to be unfriendly people; but because of the high level of direct interaction between Vapiano chefs and customers, this restaurant requires friendly chefs with good knowledge of English. For example, since customers encounter many options in Vapiano, one thing that is most probable to happen is their having so many questions. It is obvious that Vapiano chefs must have very good attitude and be willing to respond to the customers (with smile). Training is a strategic issue in Vapiano; each franchise has an orientation period before opening and each person goes through an orientation before completely joining the restaurant. For example, before opening the Boston restaurant, trainers had a three day training period for the Boston employees and stayed in Boston for another two weeks. But the number one issue that makes Vapiano's employees reasonably capable of achieving excellence is attitude and even the main focus of the training is on how they should treat customers.

Trattoria is a typical traditional Italian restaurant. The atmosphere of this restaurant is completely Italian. 90% of employees are Italian. Recruitment of the chef is a critical issue, since like any other Italian restaurant, the chef is the food. Recruitment is based on skill and there is no direct interaction between the chef and customers. Training is a strategic issue. All the chefs are trained by Italian chefs and other employees have 3-7 day orientation and are trained by the one and only chef of Trattoria. The family like working environment of Trattoria is very friendly and the crew has been the same for almost 8 years. This friendly environment does imply the good working attitude of employees towards customers as well.

The number of employees in Vapiano is almost fixed and is proportional to the capacity of each branch. Time management is a matter of concern and people are self-controlled and multi-task at the same time. For example when there is no customer around, employees make salad dressing. There is also job rotation and flexibility in responsibilities and the same person could help the chefs, clean the tables, or work in the kitchen at different times. Routine jobs are usually exhausting and such nature of work could help bring energy to the working environment. Financial incentives in Vapiano are different from typical restaurants in the US. There is no tipping system – not even on the receipt desk– instead employees get the benefit of receiving their salary checks every 2 week according to wage state law about $ 9-10 per hour. So Vapiano could be a good target for people who want to work in a restaurant and are looking for a steady income. Note that most of the people who work in Vapiano are part time workers and are either students or have another full time job.

There are at least 20 people working in Trattoria. The number of employees in Trattoria is flexible and increases during summer and peak time. There are times when the Boston branch of Trattoria, by itself, serves 500 customers daily, while it has a capacity of serving about 60 people at the same time. Like typical restaurants the base of income for people who work in this restaurant is on tip system. The hourly payment in MA for those tipped workers working in restaurants is $2.63 and 6 out of 20 receive 20% tip. Tips are not only the major incentive for Trattoria employees, but also are a major factor of customer satisfaction. However, there is a lot of variability in employee's income, since there is seasonality in number of customers. Not having stable income does have negative impact on employees and people seem to be happier in summer, compared to winter.

Vapiano	*Trattoria Il Panino*
Self service	Served by servants
Direct interaction with the chefs	No interaction with the chef
Friendly chefs with good knowledge of English	Preferrably Italian or trained by Italian chefs, no matter if they are friendly or know English
Recruitment based on personality and attitudes	Recruitment based on skill
Attitude as the excellence point	Capability of the chef
Orientation both for the opening of each franchise and for joining of each person	Orientation for the chef and empolyees before the opening of a brach
Training as an strategic issue	Training as an strategic issue
Helpful working environment (people are multi task and help each other)	Family like working environment
Self-controlled and multi-task employees, having time management as a matter of concern	Function assigned employees in a teamwork working environment
High employee turnover rate, mainly parttime	Low employee turnover rate, mainly fulltime
Fixed number of employees	Flexible number of employees
Income based on bi-weekly salary	Income based on tips
Steady income	Variable income
Multi-taste atmosphere with American personnel	Italian atmosphere with 90% Italian personnel

Comparing Employee Management in Vapiano and Trattoria

3.4 Customer Management

Being both restaurants a service business, customer's play an active and important role in the operational processes, affecting cost and quality of service provided. However the level of involvement of customers in the operations and skills demanded from customers in one restaurant is quite different from the other. Therefore, the customer management system at Vapiano differs greatly from Trattoria Il Panino. At Vapiano customers are very involved in the operational processes and they need to have some skills to be able to "operate" in the restaurants, customers are the ones that talk with the cook to ask for the food, customers have to go and get their drinks, customers should choose the table to seat and also need to know how to operate with the chip card when moving around and need to be careful not to lose the card with the risk of a penalty. At Trattoria Il Panino we see a more classic system, where customers are much less involved with the operational processes, customers are taken to a table, then remain seated while the food and drinks come to them, they also don't need to worry about any chip card and can rely on waiters for everything they need.

Good customer management is vital for Vapiano as the very efficiency oriented processes depends largely on customer's interaction, one example is how Vapiano manages to reduce the serve order time by having customers waiting directly in front of the cook, who follows a very standardized and fast process to have the meal ready. At Trattoria Il Panino the waiters need to serve more than one table making customers sometime frustrated by the time they have to wait, the trade off here is that at Trattoria Il Panino waiters will be able to do a more vast service, answering more questions or having more flexibility on customers' orders, than the cooks at Vapiano.

Vapiano is different from the classical and traditional restaurant and customers need to adapt to a new restaurant's service reality where a lot of interaction is different. Vapiano also relies on the customer behavior to its value proposition of fast service to other customers. One thing Vapiano tries to manage and accomplish from their customers is the high turnover rate. Some techniques used go from the fast music playing that makes customers feel the fast pace and eater faster to the point where waiters clean the table as soon as customers finish their meals putting some pressure on customers to leave. At Vapiano, contrary to majority of other restaurants, customers are not expected to pay tips and no tip is included in the bill. Trattoria Il Panino is a much more conventional restaurants as its operations are very similar to other restaurants and customers here don't need to change their behavior from what they are used to.

Vapiano	*Trattoria Il Panino*
High involvement with operational processes	Low involvement with operational processes
Customers make order directly to cook	Customers make order to waiter
Customers choose the table to seat	Waiters take customers to their table
Customers need to carry a chip card	No Chip card
Customers are "rushed" to eat and leave	Customers remain longer times
Customers are not expected to pay tips	Customers are expected to pay tips

Table x.x: Customer Management of both restaurants

4. Diagnosing Customer Variability

Since the catering business always has to face a range of customer variability, both restaurants took specific steps (summarized below) in order to be as effective as possible in managing the arrival, request, capability, effort, and preference variability introduced by its customers.

	VAPIANO	**TRATTORIA IL PANINO**
Arrival	- Self-Service Options - No Reservations - Table sharing - Lower cost labor - Personnel cross functions training and rotation - Pre-packed food - Separate bar area (queue)	- Employees on hand - Reservations - Extendable Tables - Outsourced Valet Parking
Request	- Fixed Menu - Limited service breadth - Low-cost specialized labor - Cooking areas targeted on customers requests	- Flexible Menu - Employees handle many types of request
Capability	- No special knowledge on Italian meals - Require knowledge on their service interface - Customer direct interaction with the cook and the cooking process	- Require knowledge on Italian meals - No knowledge on their service interface
Effort	Self-service options with extensive automated processes	Waiters do the work for customers
Preference	Fast and efficient dining experience	Quality on food and service

Traditionally, managers in service businesses have to either accommodate customer variability and increase the operational costs, or refuse to do so and risk customer defection. However, both restaurants introduced low-cost accommodation and uncompromised reduction strategies for managing customer variability that enabled them overcome some of this trade-off. By extended self-service options, lower-cost labor, and limited service breath, Vapiano well managed to position itself above the classic trade-off diagonal, which lets the restaurant offer a high level of accommodation at low costs without damaging customer service experience. Even though Trattoria's customer variability management system resembles more the classic model, it also uses some low-cost and uncompromised reduction strategies. Outsourcing the valet parking function and having extendable tables options positions Trattoria's customer variability management slightly above the classic trade-off diagonal.
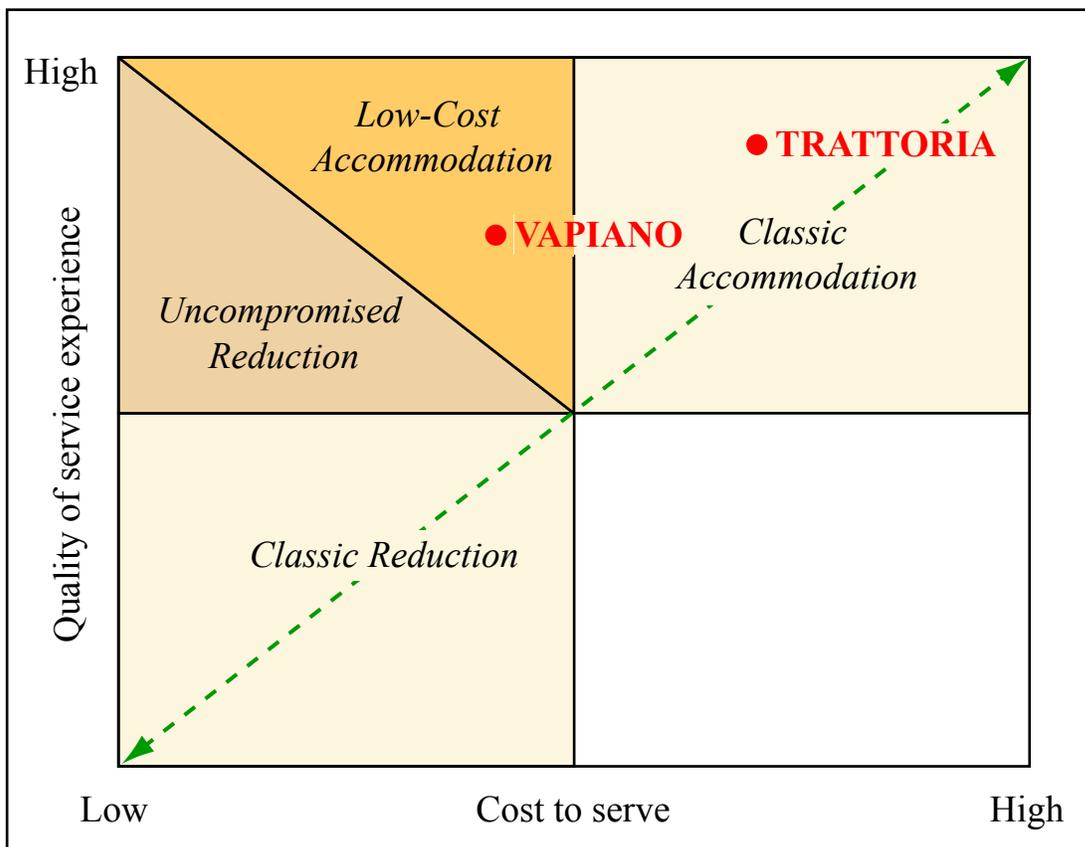

Image by MIT OpenCourseWare.

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