

EL SOMBRERO LTD

PRACTICE ASSESSMENT

SET TASK INFORMATION

Company and industry background information

EL SOMBRERO LTD

RESTAURANT CHAIN

El Sombrero Ltd is a mexican restaurant chain based in North of England, owned by the Garcia family. They have 34 mexican themed outlets. Customers wait to be seated on arrival and are shown to their seats by a member of staff, being offered a seat at the bar if there are no seats available. Orders are taken from the table and are delivered to the table by a member of staff who will then organise the bill for the meal and take payment. On average, customers visit to the restaurant is 57 minutes from seating at the table to payment being made.

El Sombrero Ltd offer traditional mexican cuisine, including enchiladas, quesadillas, fajitas and tacos served with salads, tortilla and rice dishes etc. It offers a limited vegetarian menu and a mexican themed childrens meals, which offers smaller, less spicy versions of the the adult menu.



El Sombrero Ltd employs approximately 350 members of staff, ranging from Area Managers, Restaurant Managers, Chefs and Waiting Staff. They pay the majority of its staff on the minimum wage and its waiting staff are on zero hour contracts. Each restaurant has one manager, with an assistant manager and there a few opportunities for promotion. Each of the restaurant managers are responsible for organising the staff rota and head office have received an number of complaints from waiting staff, that they are regularly not allocated any hours to work. Due to high labour turnover, El Sombrero Ltd have an ongoing recruitment process, regularly holding recruitment days. If applicants are successful at these days, they are offer an unpaid trial shift at the end of which their performance is reviewed and a decision is made as to whether to appoint them. On average, only 22% of those trialled are offered a position.

During each shift, one manager works, managing the whole team, both front of house and in the kitchen. Due to raising costs caused by an increase in the minimum wage and food costs, restaurant managers have been told to only use the minimum number of staff possible. This has resulted in at busy times in most of the outlets, shifts being understaffed, with staff being unable to keep up with orders and clear tables ready for new diners. This has meant an increase in the number of customers being turned away for the restaurants and an increase in customer complaints. Staff are also unhappy, as planned shift rotas are being changed at very late notice.

Table 1: El Sombrero staffing and customer data 2012 - 2018

	2012	2014	2016	2018
Number of outlets	23	27	34	34
Staff turnover of waiting staff	54%	59%	63%	67%
Number of employees	296	322	383	350
Average visit time per customer	47 minutes	49 minutes	52 minutes	57 minutes
Average table spend per customer	£52.45	£47.65	£45.21	£43.78

In recent years, the company have seen profits fall and the new managing director, Gabriella Garcia is concerned that El Sombrero Ltd is failing to adapt to changes in the hospitality industry in recent year. Many of their competitors have introduced online booking and ordering, including the use of external online food order and delivery services. They also use a self-service approach to ordering, with customers ordering their own food at a till and then collecting them when they are ready, with some even offering drive throughs. Gabriella also feels that the traditional mexican menu is too limited and needs expanding to broaden their appeal. A number of their restaurants are not profitable and market research has shown that customers are not as satisfied with the El Sombrero brand as they once was.



Table 2: Financial performance date 2012/3 - 2017/8

	2012/3	2017/8
Gross profit margin(%)	76%	62%
Profit margin (%)	37%	32%
Return on capital employed (ROCE) (%)	39%	27%
Gearing (%)	22%	31%

Gabriella has therefore proposed the following changes to the board of directors:

- The closing of 11 restaurants and the opening of drive throughs at 5 of their out of town outlets
- The change the ordering systems to self service, where customers order at the till and customer collection of meals
- The introduction of online booking and online ordering through online food order and delivery services.
- The expansion of the range of food offered to include pizza and burgers etc.
- The introduction of job rotation where staff rotate through different roles such as till operations, clearing tables, processing and monitoring online and drive through orders, putting orders together etc.
- A change to fixed hour contracts, paid 10% above the minimum wage, with rewards points and monthly bonus payments for the best members of the team.

SET TASK

You must complete both activities.

Activity 1

With reference to the information and date in the Part A Set Task information, you are to prepare a report for the Managing Director of El Sombrero Ltd.

Your report should:

- Show the understanding of what motivation involves and its importance to El Sombrero Ltd
- Make recommendations about the key issues to be consider by El Sombrero Ltd to improve the motivation of its staff and ensure the achievement of their objectives

(Total for Activity = 44 marks)

Activity 2

With reference to the information and data in the Part A Set Task Information, you are to prepare a presentation to be given to Board of Directors of El Sombrero Ltd. The presentation must be accompanied by speaker's notes/ script.

The presentation should:

- Show your understanding of the need to manage the planned changes and the factors and stakeholders that will influence the changes at El Sombrero Ltd
- Recommend the actions by El Sombrero Ltd to be taken to manage the planned changes

(Total for Activity = 44 marks)

Total for Paper = 88 marks

