the food service restaurant. In the case of Qdoba Mexican Grill and Virginia Tech Dining Services(VTDS), it involved a learning process for both sides. The case describes the differences between a traditional Qdoba franchise and the one opened at Turner Place, a new dining facility at Virginia Tech, a university in Southwest Virginia, with an award winning dining program. It illustrates the challenges faced by Lance Mailem, (the Operations manager at VTDS Qdoba) and his team from pre-opening stage through the first few weeks of operation and beyond. Lessons learned with regard to equipment design, food storage, safety, and handling, to recruiting, training, and retaining staff will help future business ventures at other Universities whether they are self-operated or managed by a food service management company. This strategic alliance demonstrates the challenges of the restaurant industry as well as the success that comes with the understanding that the ultimate goal is to provide the best dining experience for its guests. The ideas and concepts learned from this case study will help students understand operational challenges when setting up a new fast casual restaurant on campus, and how the alliance between Qdoba Mexican Grill and Virginia Tech Dining Services serves as a foundation for future collaboration that either organization may develop.

Learning Objectives

After studying this case, students will have an understanding of the following concepts:

- Franchising: Traditional and Non-Traditional – advantages and disadvantages
- Operational Management involving two brands
- Being in a food service management position
- This case may help to gain a better understanding of the following concepts
- The process of restaurant franchising
- Operational challenges: large volume food processing, storage, handling, safety
- Vision and Mission of companies
- Stakeholders
- Strategic Alliances

Target Audience

The case is intended for students or individuals interested in food service management or those who have worked in the food service industry. Undergraduate and graduate students interested in opening a restaurant whether franchised or non-franchised, and students taking courses in the hospitality industry will find the case useful in understanding the challenges of setting up a new restaurant. The case can also be helpful to university administrators in understanding the challenges of bringing a new food concept to campus.

Teaching Approach

For this study it is recommend that the students receive a copy of the case before beginning a discussion in a class setting. The students should be familiar with some of the terms associated with this case including food management, food safety, and franchising.

The case study could be approached as a group discussion where the students are involved in the overall set up of the operation from the beginning to the flow of the restaurant. This would allow students to work together as a team with the perspective of the manager in the restaurant. The students could also be assigned to research franchising with the different arrangements between companies. After the discussion and case analysis, students may be assigned a report to find or develop a franchise that would be suitable in a university setting.

Teaching Plan

The Instructor can begin with an introduction to the concept of franchising and the roles that the two main parties play in the arrangement. The introduction would include the overall structure of franchising for both in the traditional and non-traditional agreements. Following the discussion on franchising, the instructor can cover concepts of food service management like specialized equipment, food storage, safety, and handling and the importance of human resources in the service scape of a university campus setting.

Class Introduction

- Franchising is one option for an individual or organization to enter into a business
- Fast casual restaurants offer quick service with better quality food and dining experience
- Qdoba Mexican Grill is the second largest Mexican fast casual with over 600 locations, just behind Chipotle with over 1,000 locations
- Virginia Tech Dining Services is a unique franchisee because it is a self-operated and managed by a department at a state university
- Assignment Questions
- Why would creating a strategic alliance with a university be a viable option for a franchise to grow into?
- How do the vision and mission of the companies become an important part in creating a strategic partnership?
- What are the advantages and disadvantages of the franchising

system?

- Who are the stakeholders in this case study and how do they affect one another?
- Being in food service management means understanding the overall restaurant operation from the flow of food to food safety and customer service. What other aspects of food service management would the food service manager have to be familiar with?

Strategic Alliances with Universities

Franchising within a university setting is a viable option for franchisors because there is a captive audience with the students, faculty, and staff that will be dining at the location. For the students, most universities have meal plans that are accepted at various dining halls that have both in house concepts and franchises. In this case study, Virginia Tech has over 9000 on-campus meal plan holders who have the opportunity to eat at any dining facility as many times as they want each day that they are in school.

For Qdoba Mexican Grill the advantages and disadvantages of creating a strategic alliance with a university or college include brand recognition, and managing the logistics of the organizational structure of the franchisee. In this case study, Qdoba Mexican Grill had the opportunity to work with an award winning self-operated dining program, Virginia Tech Dining Services. With other national franchises in its portfolio such as Chick-Fil-A, Pizza Hut, and Au Bon Pain, Virginia Tech Dining Services was very familiar with operating popular and high grossing concepts. Qdoba Mexican Grill could build upon the success of Virginia Tech Dining Service multi-franchise experience as well as its accomplishments as one of the leading university and college institutions in the country. This alliance accorded students of the university an opportunity to avail of food products that Qdoba Mexican Grill could offer, and allow Qdoba to build brand awareness and loyalty to Qdoba throughout locations in Virginia, and especially in the Northern Virginia region where many of the students come from and where there are many Qdoba locations. Although, Qdoba was restricted to operating during two semesters only (the academic year) because the majority of the students are generally away for summer, overall brand exposure on a college campus is good for marketing to a young demographic, especially to thousands of students with meal plans.

Virginia Tech Dining Services, also benefitted from the partnership with Qdoba Mexican Grill.

In considering any franchise as part of the dining programs' portfolio, student advisory committees are formed to collect feedback on what type of food concepts the students would like to see on campus. Qdoba's national brand recognition set the ground work for a franchise agreement to be established due to its familiarity. Hence Virginia Tech Dining Services could add to the diversity of its franchise offerings on campus without going through heavy investment in concept research and development, instead relying on a popular national brand.

Yet the process of developing the Qdoba franchise was a challenge as described in the case study. Integrating the policies and procedures of two separate organizations was the biggest challenge for the management team. The challenge arose from the start because of the uncertainty of performance projections. The amount of training provided by Qdoba was insufficient to deal with Virginia Tech location's ultimate capabilities. The corporate store that the management team trained at had $3,000 gross sales in one day compared to an average of $17,000 of gross sales (realized after the first few months of operation) at the Virginia Tech location. Mass production systems had to be installed as an essential part of the daily operations, as well as systems had to be developed for ordering and storing huge amounts of perishable food inventory.

In sum, while Virginia Tech Dining Services and Qdoba Mexican Grill were viable partners for the franchising operations, both entities had to uphold their brands while ensuring that the policies and procedures of each institution were followed.

Strategic Partnerships through Vision and Mission

This case study illustrates how important the vision and mission of an organization in building a strategic partnership. For Qdoba Mexican Grill and Virginia Tech Dining Services the most important value that both organizations shared was providing a good experience for their guests as well as the employees. The focus on service through established policies and procedures is grounded in food safety and quality of the food product. Without these common values, the two organizations would not be successful.

Franchising Systems

Franchising systems are an important part in establishing a retail business whether it be in services or food. It gives an entrepreneur and/or organization an opportunity to build a business that has already established a business format by the franchisor. One of the main advantages of franchising is having a concept that has already been tested and has brand recognition. For many entrepreneurs, starting from a new concept and developing the brand is one of the most difficult parts of owning a business. On the other hand, one of the disadvantages of franchising is not having the creativity and freedom to innovate. With the strict guidelines, procedures, and policies from the franchisor, the franchisee has limited flexibility in the way the business is operated. There can also be a strained relationship between the two organizations that results in the franchise having a bad reputation.

In this case study, the approach to this strategic partnership was one that began with a non-traditional franchise. In Dr. Mahmood Khan's book, Restaurant Franchising: Second Edition, he describes the advantages and disadvantages of a non-traditional franchise. He first defines a non-traditional franchise as "instead of building a freestanding restaurant where consumers come in, the food is taken to where the consumers are in large numbers or visit frequently" (Khan, 1999). In this case, the Qdoba Mexican Grill at Virginia Tech is located in a dining facility near the university academic center along with other dining concepts. Khan (1999) describes some of the advantages of non-traditional franchises including;

- Because there is always a host institution, nontraditional franchises piggyback on many fundamentals such as space, utilities, insurance, and infrastructure. The limited space requirement leads to considerable savings.
- There can be shared labor in some places where host employees can help in simultaneously working for the restaurant.
- Nontraditional franchises are cost-effective. Because their equipment and space needs are limited, costs required to purchase, utilize, and maintain them are reasonable. In the case of dual concepts, this increases considerably because the facilities and equipment can be shared.

Similarly, the disadvantages include the following:

- Due to the lack of proprietary storage facilities, the likelihood of running out of supplies and food is high.
- There are chances of increased competition where more than one branded or non-branded restaurant is present at the same location. This can result in thin distribution of the customer base, as seen in food courts and student centers.
- Franchisors may be judged by the company they keep. The decision pertaining to the selection of a location has to be taken very carefully. A store with poor image or performance may have direct impact on the restaurant business. (Khan, 1999)

For Qdoba and Virginia Tech, these considerations were addressed carefully. The fact that Virginia Tech Dining Services is an award winning facility may have been a consideration for Qdoba to consider VTDS as a place to locate among the first few campus sites. The operational challenges of setting up within the college campus environment are an example of both the advantages and disadvantages of developing a non-traditional franchise that is managed by the university.

For Qdoba Mexican Grill, the strategic partnership with Virginia Tech is an example of the company's franchising and corporate owned strategy to expand its business into other markets particularly in an institutional setting. In contrast, its competitor Chipotle has a different strategy for expansion by only developing corporate owned and managed restaurant locations. In a study by Hsu and Jang (IJHM, 2009), the authors state that

> "Inferred from the findings, neither a purely company owned nor a purely franchised chain can maximize financial performance in terms of profitability and intangible value. If an organization uses both company-owned and franchise units, it can obtain synergic effects, and its performance can be enhanced." (Hsu and Jang, 2009)

Students can also discuss the strategic results of the franchise system while answering the question regarding how the Virginia Tech Qdoba can sustain its revenues for years to come and sustain the value of its brand concept. In a study by Koh, Lee, and Boo (IJHM, 2009), the authors write "Stakeholders of the restaurant companies may want to consider the findings when they make financial decisions; in the early years of franchising (i.e., different from pure degree of franchising), a restaurant company may enjoy benefits in accounting performance, but that does not necessarily mean that firm value increases as well. The expansion strategy through franchising may induce the market to perceive the firm as unproven and lead to stay in the firm's value during early years of franchising. (Koh, et. al., 2009)

Stakeholders

The stakeholders in this case study consist of on the one hand Qdoba Mexican Grill, its investors, customers, franchisees, and on the other hand, Virginia Tech Dining Services, Commonwealth of Virginia, and the students, parents (who not only may be paying for the meal plan but are interested in seeing their children eat well), campus community, and town business community, and other guests of the restaurant.

Qdoba's role in this strategic alliance is to ensure that the overall operation is successful. This means collaborating on the policies and procedures and setting agreements on both sides that the reputation of the brand is not compromised and consistency is maintained. In franchising this is important because it is at the core of the brand; the recipes, procedures, and policies. It is Qdoba Mexican Grill's responsibility to set the expectations for Virginia Tech Dining Services to follow. For Virginia Tech Dining Services this also means providing the best quality service to the students and guests that enter the restaurant while ensuring that the policies and procedures are also met by the Commonwealth of Virginia who ultimately owns the franchise and provides the funds to run the operation (since VT is a state university).

Each stakeholder has a different interest in the success and operation of the Qdoba-VTDS partnership. While some of these objectives are suggested below, students may be asked to come up with more of their own.

Food Service Management

Food service management involves many aspects of the operation

Jack in the box (owner of Qdoba)	Revenue generation Brand protection
Qdoba Mexican Grill (brand concept and franchisor)	Revenue generation Brand protection Equity with other franchisees Growth and success of brand concept in new setting Customer loyalty Introduce a new type of captive guest- student with meal plans
Virginia Polytechnic Institute and State University (Virginia Tech)	Provide students with choices for healthy food Use Dining Services a s recruitment tool for new students
Students and parents of students at university as well as faculty and staff	Eat healthy food Reasonable cost Have choices in dining and cuisines Convenient location and access (Use of meal plan, and availability on campus)
Virginia Tech Dining Services	Maintain food safety on campus Provide menu and dining options to students- especially diverse students Generate revenue for university Evaluate each dining concept in terms of profits earned
Town business community	Competition increased for local food establishments Tax revenue may decrease for town

from the details in food safety to staffing to customer service. This case study helps us understand the pressures and stresses of the life of a food service manager. One of the key elements of being a food service manager is being a liaison between upper management and the staff. It is the responsibility of the middle management to appease the higher management by ensuring that the staff is performing to the expectations of the business. The food service manager is the person in charge of the daily operation regardless of the situation. It is his/her job to deliver results such that brand reputation is maintained through actions and behavior of the staff. Hence training and mentoring the staff is an essential part of the manager's daily routine. Ultimately, the food service manager has to have the expertise on running the operation in its entirety, while ensuring that the staff is professional and motivated.

Strategic Alliances

Franchising is a method of building a strategic alliance. Building strategic alliances has its advantages and disadvantages. Qdoba Mexican Grill has a different approach to expanding its brand through franchised and corporate developed locations compared with its competitor, Chipotle Mexican Grill which does not franchise. This allows Qdoba to expand into different markets without having corporate funds to develop store locations. Virginia Tech Dining Services is familiar with the franchising system as along with Qdoba Mexican Grill, the department also manages a Pizza Hut, Chick Fil-A, Au Bon Pan, Brueger's Bagels, Jamba Juice, and Dunkin Donuts. All these brands have been successful in generating large sales on college campuses.

Having an organization that is successful in franchising is an advantage for strategic alliance, yet there is the potential for the franchisee or even the franchisor to lose its identity as well as create some confusion in operations management. In this case study, compromising on some procedures such as HACCP and equipment made it possible for the operation to be successful despite the difficult process of compromise. The lesson thus learned in this alliance is that each side had to compromise and find a middle ground that ultimately benefited the overall operation.

The success of the strategic alliance between Qdoba Mexican Grill and Virginia Tech Dining Services can be reflected in the gross sales of the operation. With average daily gross sales of $17,000, it is a testament to the collaboration that the organizations have built to ensure that the operation was a success.

> The definition of a strategic alliance as described in the textbook *Strategic Management: Competitiveness and Globalization, 9th Edition*:
>
> "A strategic alliance is a cooperative strategy in which firms combine some of their resources and capabilities to create a competitive advantage. Thus, strategic alliances involve firms with some degree of exchange and sharing of resources and capabilities to co-develop, sell, and service goods or services… To be certain, the reality today is that "strategic alliances have become a cornerstone of many firms' competitive strategy." (Hitt et al., 2011)

Building on the trust that Qdoba and Virginia Tech would follow their vision and mission as a food service establishment helped to set the foundation for the alliance. Both organizations had the vision to create a concept that would be satisfying to its customers and be successful for its stakeholders. It was critical for the management team to ensure that the resources and capabilities of the organizations were utilized while keeping the integrity of the brands intact. As the case provided, the challenges that were faced meant that each side needed to realize and understand what was salient to each organization. To some extent, this case study highlighted an agency relationship in which the Qdoba Mexican Grill brand was managed by Virginia Tech Dining Services. This alliance as described had many obstacles to be overcome and the decisions had to be made but with consideration from both parties. Once the decisions were made, it was responsibility of the operations manager and the staff to execute the strategy (keeping all stakeholders in mind), including Virginia Tech administrators and Qdoba corporate representatives to make the alliance a reality. Establishing the strategic alliance meant capitalizing on the synergies of both organizations to complement each other, ultimately creating a competitive advantage for both Qdoba Mexican Grill and Virginia Tech Dining Services.

This alliance set the foundation for future Qdoba Mexican Grill locations on college and university campuses. Would Qdoba Mexican Grill franchise more non-traditional locations similar to Virginia Tech's location? This case study highlights the important aspects to consider beyond the franchise agreement. It illustrates the lessons learned from each organization in the process including design and layout, food safety and HACCP standards as well as estimating the staffing and sales volume of the location. The strategic alliance between Qdoba and Virginia Tech illustrates that understanding the vision and mission of the organizations builds a collaborative relationship where sharing of resources and capabilities are essential.

With the strategic alliance established what challenges and opportunities do Qdoba Mexican Grill and Virginia Tech Dining Services have in the future?

For Virginia Tech Dining Services, the challenges ahead include sustaining the gross sales that it has generated. One of the biggest challenges ahead is maintaining the staffing levels to ensure the mass production as well as ensuring that the quality of the food and service is not compromised. As with any food service organization, employee turnover is a huge problem. With over 50 percent of the staff being students the staff turnover is high and recruitment is difficult because the pool of potential employees is shared throughout the 11 dining services facilities. A second challenge is ensuring that the food service standards are met throughout the length of the franchise agreement which means that the location must pass its Qdoba corporate QFC (Quality, Food, Cleanliness) inspections which are conducted 4 times a year. The opportunities for Virginia Tech Dining Services include being a model for future college and university locations, and for Qdoba Mexican Grill, being recognized as one of the first dining programs to have a successful operation. Ultimately, creating this strategic alliance will benefit the students and guests by offering diverse cuisine and building consumer loyalty.

The future challenges and opportunities for Qdoba Mexican Grill include how it can maintain the captive audience available at a college / university. One way is to ensure that the menu offers items that are innovative and ones the students savor. A recent addition to the menu comprised a spicy brown rice option that was both flavorful and healthy. Qdoba's continued success with Virginia Tech will help build the company's competitive advantage especially considering that Chipotle Mexican Grill has over 1200 locations compared to 600 Qdoba locations. Qdoba's franchise system enables expansion of locations with less capital investment than company owned locations. A strategic partnership with Virginia Tech helps support this expansion via brand recognition.

Case Analysis

SWOT Analysis for Qdoba Mexican Grill and Virginia Tech Dining Services

Business organizations often use the SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis to determine the internal and external environment in which the organization operates.

Strengths

- Brand recognition and reputation for quality food service at a university
- Established businesses with a history of successful expansion and concepts
- A captive audience of students with over 20,000 meal plan holders
- Fast casual concept that is quickly created and served to guests
- Being located on the academic side of the university where large classes are taught

Weaknesses

- This is the first alliance for the Qdoba Mexican Grill brand in a university setting
- Not knowing the volume of the operation in terms of gross sales
- The layout and storage of the restaurant for the expect sales volume
- Having less control than in a tradition franchise as university rules have to be followed
- Operate only on weekdays and for 9 months in the year

Opportunities

- If the alliance is successful this would open the opportunities for other alliances with other universities in the United States for Qdoba Mexican Grill
- The volume of gross sales has the opportunity to being one of the highest in the country

- A consistent nationally branded concept offered to the students as an option

Threats

- Non-traditional franchises have more open options in policies which may result in inconsistency with the overall brand of the company.
- Similar external (off campus) concepts in the community of Blacksburg
- Being in a university setting, the hours of operations are different from a traditional restaurant
- Food trends in the future that may change what the students would like to consume

Competitor Analysis

The Qdoba Mexican Grill on the Virginia Tech campus is only part of the overall dining experience that Dining Services offers. Along with the restaurant in Turner Place, there are five in house concepts including a pizzeria, southern fare, soup and salad, as well as two national franchises, Bruegger's Bagels and Jamba Juice. Although these concepts are not similar they compete for the same guests. Besides the other restaurants in Turner Place there are 10 other dining facilities across the Virginia Tech campus that students with meal plans have the opportunity to dine at. There are two similar Mexican concepts located in Owens Food Court at Owens Hall named La Cantina and the other concept is located in an all you care to eat facility named Salsas. These two similar concepts are small compared to the Qdoba Mexican Grill but both offer an assembly line operation for making burritos to order.

The external or off campus competition for Qdoba Mexican Grill includes two national Mexican Grill fast casual restaurants, Chipotle and Moe's. These two restaurants are both located in downtown Blacksburg and have hours of operations similar to Qdoba Mexican Grill. The differences between Qdoba and these restaurants are a) Qdoba is closed on the weekends and in summer while the others are open all days year round, and b) Qdoba accepts meal plans, which they do not. Chipotle also offers a simpler offering while Moe's offers similar menu items as Qdoba does including quesadilla and queso.

(Students can be asked to compare the menus for Qdoba's competitors by using online resources and websites).

Teaching Summary

Instructors can begin the case discussion by reviewing the importance of franchising and how it can be a tool for engaging in a strategic alliance. (Question for student research: what are other forms of strategic alliances in the restaurant industry?) Franchising is a way for any individual or organization to establish their own business whether it is in food or other services. This case study has illustrated the challenges and successes of a franchise in a university setting. Virginia Tech Dining Services has been nationally recognized for the dining services that it provides to its students. Many successful franchises have been developed and continue to be part of the variety of food that students choose from. From the discussion in this case, students can be asked to develop some other franchises or food concepts that would be successful in a university setting. Some suggestions would be burger franchises such as Five Guys Burgers and Fries or Smash Burger. Other food concepts that would be popular would be more ethic foods such as Korean, Japanese, Indian, and Chinese. Similarly, questions like what could be some of the operational challenges with respect to some of these cuisines could be appropriate for a food service management class, or a discussion of different equipment, food safety, and other considerations for various cuisines could also be included.

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