

# The Structured Approach to Product Innovation Process: A Case Analysis of Cafe/Bars and Full-Service Restaurant Chains



Mazalan Miffi and Mat Salleh Ayub

**Abstract** It has been more than 20 years since the inception of Cunha and Gomez's (2003) anthology of product innovation models and little is known empirically as to what extent their synthesising works carry such validation. Hence, we extend further this phenomenon of interest by engaging two opposite chained restaurants, namely, a renowned and well-established international Cafes/Bar restaurant and a local full-service restaurant (FSR) in Malaysia. The aim of our study is to ascertain how these two restaurant chains conduct their product innovation with a research objective is to study the process-based of their new product development (NPD). We believe that the findings of this study will shed some lights as to whether those characteristics of Cunha and Gomez's (2003) product innovation models, namely flexible, integrative, and improvisational, have discreetly evolved in reality.

**Keywords** Product innovation process · Restaurants · New product development · Malaysia

## 1 Introduction

Study of product innovation process in the foodservice industry is virtually nonexistence not until the mid-80 s. Since the introduction of Feltenstein's (1986) methodical approach of product innovation process, the floodgate to the research of product innovation in hospitality services begun to flourish (Mooney et al. 1994; Jones and Wan 1992; Jones 1996; Jones and Miffi 2001; Miffi 2004; Ottenbacher and Harrington 2007, 2008; Miffi et al. 2017). Yet, such studies were by far still in its infancy if it is to

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be compared to other industries that were mature back then, such as in manufacturing and engineering, which begun more than half a century ago (Booz 1968; Schumpeter 1934). Since then, studies of innovation management in various industries have grown tremendously to the creation of knowledge in the theory of product innovation (Cooper 2001; Utterback 1975). It appears that the process-based product innovation is the most intensively studied dating back in the late 1960s when model of product innovation process was first coined by Booz, Allen and Hamilton's Consulting Firm. Since then, several refined conceptual developments of product innovation models were developed in various marketing and innovation literature (Utterback 1975; Abernathy and Clark 1985), advocating the importance of new product innovation in shaping sustainability, prosperity and being competitive advantage in a business landscape that is increasingly less predictable.

Indeed, most of the models of product innovation process in the literature are conceptualized and designed in an orderly manner, staging a step-by-step process from the stages of idea generations to product launching and end at the evaluation stages. While each of these models advocates different level of stages from one to another, it shed some lights the engagement in managing product innovation across different organizational platforms. However, despite of its conceptualization is widely presumed to fit every case in any context, research work of Cunha and Gomez (2003) suggests otherwise, arguing that the evolution of product innovation model has moved from being traditional, sequential approach to a more flexible approach. Iansiti (1995) argues that the unpredictability of today's marketplace what makes the traditional model less effective due to its rigidity as new information is generally being abandoned due to the closure of the 'window of opportunity' as the next activities along the development phases move to the implementation stages. Cunha and Gomez (2003) advocate that as the external environmental forces become unpredictable and complex for the organization to maneuver, approaches to product innovation should be flexible and integrative. The rationale of such proposition lies on the ground that it allows some flexibilities: extending further the closure of the 'window of opportunity' cut-off point and allow the activities within stages to run concurrently or parallel. The objective is multiple facets, which allow for organizations, depending on organizational structures and goal strategy, to have contingent models rather than universal one, to incorporate flexible practices rather than invariant, to capitalize opportunities rather than avoiding risks, to foster learning while planning, to integrate networks rather than relying on exclusive teams and finally, to move from structure to structured disorder.

The notion of Cunha and Gomez's (2003) new product innovation approaches is derived base on the two major theoretical foundations of an operating system in organization science that is either being operationalized through an orderly or disorderly manner. Theoretically, traditional organizations that are based on engineering or manufacturing perspectives are by large viewed as order, and therefore their product innovation is highly regarded as technical (Brown and Eisenhardt 1995). On the other side of the theory, some organizational operating systems are reported as partly chaotic (Abrahamson 2002), as Cunha and Gomez (2003) described, tended to be 'inter-related', 'complex' and behaviorally, not fully predictable. Hence, with

this notion, Cunha and Gomez (2003) propose a logical sound knowledge of new conceptual development of product innovation approaches based on the two opposite ways of organizing: order and disorder in product innovation models.

Yet, it has been more than 20 years since the inception of Cunha and Gomez's (2003) anthology of product innovation models and little is known empirically as to what extent their synthesizing works carry such validation. Hence, we extend further this phenomenon of interest by engaging two opposite chained restaurants, namely, a renowned and well-established international Cafes/Bar restaurant and a local full-service restaurant (FSR) in Malaysia. The aim of our study is to ascertain how these two restaurant chains conduct their product innovation with a research objective is to study the process-based of their new product development (NPD). We believe that the findings of this study will shed some lights as to whether those characteristics of Cunha and Gomez's (2003) product innovation models, namely flexible, integrative, and improvisational, have discreetly evolved in reality.

## 2 Managing Product Innovation in the Foodservice Industry

Relative to engineering/manufacturing industry, the development of product innovation process model in the foodservice industry is still novel despite some evidence for innovative gastronomic appeal since the mid-sixteenth (Fuller and Waller 1991). Feltenstein's (1986) conceptual product innovation model was the first one documented in the literature, proposing a methodical approach. To date, there is a reasonable documentation of product innovation models (Mooney et al. 1994; Jones 1996; Jones and Mifli 2001; Mifli 2004; Ottenbacher and Harrington 2007, 2008; Mifli et al. 2017), portraying a structured approach, which resemble to those models in other industries (Booz 1968).

Both Feltenstein (1986) and Mooney's et al. (1994) models of product innovation process are conceptual in nature whereas following Jones (1996), Jones and Mifli. (2001), Mifli (2004) Ottenbacher and Harrington (2007, 2008) and Mifli et al. (2017) are derived from their respective research-based studies. As mentioned earlier, the structured approach to product innovation is the most documented studied in the literature and appeared to be alike in the foodservice industry. According to Mooney (46), 'this type of disciplined approach is being utilized more frequently by foodservice management in many sectors of the industry. In a similar connotation, both Feltenstein (1986) and Jones and Wan (1992) argue that an orderly approach to managing new menu development is the key to product success. Similarly, Ottenbacher and Harrington's (2008) product innovation process of quick-service restaurant chains is also seen as 'structured' and 'iterative in nature' but appeared to show some signs of flexibility as evident of repetitive screening activities in some stages along the development process. However, sign of concurrent or parallel activities remains inconclusive as the framework of the above discussed models clearly demonstrated

its processes in an orderly manner. However, earlier work of Harrington (2007), although he too advocated a structured four-stage of culinary innovation process, appears to suggest 'the need for a more organic model integrating strategic action planning, marketing considerations, food science and culinary knowledge perspective'. This is quite interesting proposition as this indirectly analogize to Cunha and Gomez's (2003) improvisational model that emphasizes 'cooperative learning-based on real-time information [along the development process] rather than making early decision choice that may lead to deceptive convergence point'.

In Mifli's (2004) cross comparison study of four different restaurant subsectors on steps of innovation undertaken when engaging in new product development, established organization, such as food and beverage management in recreational sport club, undertakes more steps than small, self-own/cum chef, firm. He found that, although independent, self-own/cum chef, restaurants manage their product innovation largely based on intuition and personal experiences, intangible elements, such as human-relation services and ambience, are equally essential in managing quality menu innovation as stressed in other studies (Jones 1996; Jones and Mifli 2001; Mifli 2004; Ottenbacher and Harrington 2007, 2008; Mifli et al. 2017).

Without doubt, menu innovation has been, if not always, the pillar in differentiating one restaurant to another. It is quite clear that each foodservice establishment has a distinctive way of executing its menu innovation process. Such a distinctive way, however, is contingent to the directional way of organizing that is being influenced by its own managerial orientations and the state of market conditions (Cunha and Gomes 2003; Mifli et al. 2017; Iansiti 1995; Wood and Robertson 1997). By large, all those existing models of product innovation process being reviewed are structured and iterative in nature even though some of the abovementioned previous studies did acknowledge the informal ways of doing product innovation. Hence, because there is paucity of theoretical support whether the theory of cause-effect relations between organization science and product innovation process enhances the emergence of new paradigms in managing product innovation process that go beyond the conventional norm, this research question remains essential with important contributions to theoretical understanding and implications for both academics and practitioners of similar interests.

### 3 Methodology

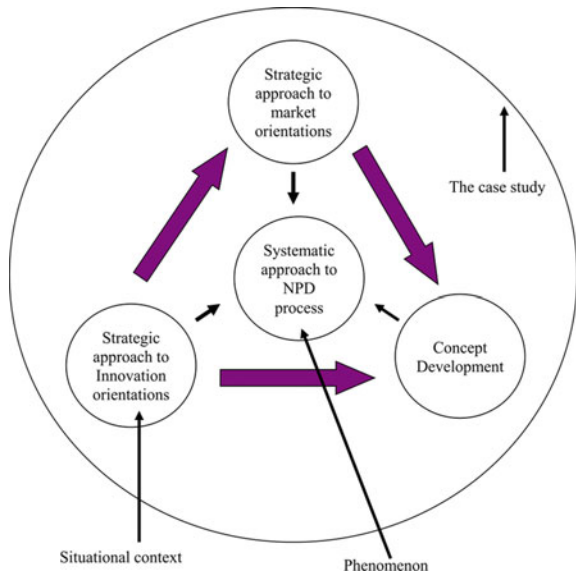
The aim of this study is to investigate whether actual practices of managing menu innovation have indeed go beyond the traditional structured approach. Specifically, Cunha and Gomez (2003) have remarkably established their conceptual propositions by linking it to the theory of order and disorder organization science. Yet, while such an assertion is greatly contributed to theoretical knowledge, it is still in its infancy because, as far as it is known, no further research has been carried out to substantiate this claim. Therefore, with great interest, a case-study qualitative research was used as this method deemed appropriated to meet this study research

objective: to better understand the complex issues and processes that are not explicit in the surface response (Yin 1994). The term ‘particularism’ has been used by Yin (1994) to describe a case study research which suits best when the purpose is to research a particular phenomenon within a particular situation. Brotherton (1999) states that ‘it is this particularism, arising from the inseparability of phenomenon and context, which Yin (1994) suggests is key issue in deciding whether the case study be the preferred method’.

At this point, the three situational contexts presented in Fig. 1 are basically already understood of its influence on the phenomenon, theoretically, which is presented in Chapter Four. Nevertheless, this section of this research method followed recommended guidelines for theory development from a case study research methodology (Eisenhardt 1989). Eisenhardt (1989) describes the process of inducing theory using case studies. She introduces a “roadmap” for building theories based on previous work on qualitative methods, the design of case study research (21), and grounded theory building (Glaser and Strauss 1967; Strauss and Corbin 1990) and extend that work in areas such as a priori specification of construct, triangulation of multiple investigators, within-case and cross-case analysis, and the role of existing literature.

Accordingly, this justifies of its application in this study as the phenomenon is to understand deeper the product innovation process within the context of two opposing organizations: organizing as order or disorder. As Sekaran (2003) suggested this type of investigation (correlational study) provides an opportunity to identify the relevant criteria associated with the focus of inquiry. Furthermore, the research instrument

Fig. 1 Case-study approach



used in the personal in-depth interviews was mostly with *how* and *why* type open-ended questions. Thus, with such type of questionnaires in seeking answers in meaningful levels of depth, it is difficult to see how this research objective can be effectively achieved using either experimental design or a large-scale survey (Brotherton 1999).

In this study, existing literature of product innovation process models from the foodservice perspectives were synthesized as a basis for constructing the research instrument. Specifically, each of the corresponding stage-process was thoroughly analyzed where every possible variable representing the respective stages was identified. This method of construction deemed advantages as increased reliability could be built up through multiple highly relevant references and viewpoints (Jones and Mifli 2001; Ottenbacher and Harrington 2008). Prior to final data collection, a pre-test was conducted from a panel of experts to review its content validity. Subsequently, a total of forty-two questions in the formed of open-ended questionnaires were successfully developed. This newly designed questionnaire was then used in the in-depth case study interviews with two highly respected chained companies' executives, namely the director of operations and the product development manager. Although higher number of case studies is desirable for better substantiation, limited numbers of in-depth interviews have been undertaken in previous similar studies (e.g. (Jones 1996; Mifli 2004; Ottenbacher and Harrington 2008). Both of these executives formed a purpose-based sampling as the sample's selection justified to ensure the right person with superior knowledge in recent NPD engagement involved in this case-study interviews.

By commissioning of these case studies interviews, supplementary questions were the key benefits to attain deeper probing of the complex NPD activities. Following these interviews, which took place at the firms' head office in Kuala Lumpur and about more than two hours was spent for each interview, a case study was written about each firm. As to enhance the cases validity and reliability, prior to analysis, each interviewee was sent a copy of the case about their firm and asked to correct any errors of fact and/or to comment on the content. This process took nearly five months, longer than anticipated, as verifications through telephone conversations were made several times to ensure highest possible accuracies and satisfactory acceptance of the written report.

## 4 Findings

### 4.1 *The Café/Bar Chain*

This brand is one of the renowned café/bar establishments in the world. Originally from the United States of America, this Seattle based company is primarily dealing with beverage menus, offering mostly assorted coffees imported from the tropical nations. In the early days, this chain was very much a typical traditional style of cafe & bar operations with a concept of 'grab and go'. But, nowadays, apart from

still heavily dependent on its beverage menus, food products, such as sandwiches and cakes, have been recognized as the up and coming match making for its beverage products.

Here in Malaysia, this brand was brought into Malaysia via a joint venture between a Seattle based international brand ownership called International Starbucks Coffee and a local Malaysian company called Berjaya Corporation. Thus, the name of this brand in Malaysia is called Berjaya Coffee Sdn. Bhd. During its early inception, all the Berjaya Starbucks's outlets were owned by Berjaya Corporation until only recently all the newly opened outlets are joint ventured with local owners.

Presently, there are more than 100 outlets scattered across Malaysia and half of them are in Klang Valley region, employing over a thousand employees. A growth rate of between 10 to 20 outlets is targeted for every year, focusing to city centers across the 13-state of Malaysia. According to the Product Development Manager of Berjaya Starbucks Company, unlike in the US, Starbucks outlets in Asia are designed more to a dining concept but the core business of 'grab and go' is very much alive as he explained:

*Basically, we have recently revamped our food menus [taking] into account that most of our customers have our food in the store itself. We want to make it to a concept that it can also be taken out too.*

At the conception, the new menu development was largely dictated through consumers' demands and in-house customers' feedbacks. Various ways were used to assess customers' demands and most notably was to assess it directly from the customers. Internally from colleagues, managers, and district managers. The front-line staffs, according to the manager, are the crucial ones because, 'they are the ones that interacts with the customers [and] who actually see the needs over there'. He continues,

*Customers' trends in food preferences and acceptances are equally critical. What are people eating nowadays? I mean [that] at one stage Japanese food was very popular [and] before that was the Italian. After Japanese, I think, came right now is the age of Hong Kong restaurant. A lot of Hong Kong restaurant is coming up. Now the Kopitiam are also coming up soon [and] also recently the Mamak seems to be coming soon.*

*The increasing numbers of Asian restaurants, such as Japanese, Hong Kong as well as the growing popularity of local Indian Mamak restaurants have created awareness of the acceptability of these foods.*

Apparently, with the growing trends in Asian flavors, the strategy of Starbucks's new menu development seems to be heading to this way. Nevertheless, the manager commented that some of the trendy food preferences may not be incorporated into their new menu development because of Starbucks brand image identity. Simply put, the brand image of Starbucks's menu is always be their own special brew of coffee recipes and the secondary products, which are the food items, that on the menu only be changed or improved in line with these food trends.

Therefore, the strategy is to develop or introduce trendy food items based on Starbucks's product development strength without compromising the core product that is the coffee.

*So, we are looking at the trend itself. We try to place ourselves in the way but sometimes we could follow the trend. We just see what the opportunity for us to improve. We also look at what we currently sell. We just use our strength and capitalize on our strength. Our strength is mostly will be cheesecakes. So, we tend to go more on cheesecakes.*

Apart from up lifting Starbucks' own product development strength, opportunity on another area, such as peak hours during luncheon period, was also being capitalized. However, such a strategy to lure customers during this limited lunch hours encountered some constraints due to their limited food menus. The manager explained that the selection and development of new food menus were also critical. This is because, according to him, new food menus that intended to be introduced and brought in onto the menu needed to be carefully scrutinized to ensure they were not overpowering the core coffee brand products.

*We used to be very weak during lunch period. But we have some considerations [because] we are intolerant to any foods product which can actually overpower the aroma of our coffee in our store. Take for example pasta. If you heat up pasta inside our store the whole store will smell pasta itself. So, when someone walks into Starbuck, they don't smell coffee anymore. [Thus] we are not allowed to go into that area. [Nonetheless], one area which we can offer is sandwiches.*

Presently, Starbuck is adopting two mechanisms regarding menu changes. According to the manager, every time a promotional campaign of beverages was launched, there would be a promotional food campaign that goes with it. The turnover of this promotional campaign is quite high, averaging of one to two months before the new one is being introduced. These new food menus were then be assessed in term of its popularity within that promotional campaign period. The mechanism of assessment was to look how popular these newly introduced food menus are based on the sales count. Those food menus that were found low in sales count and fall below the prescribed standard expectations, would be removed from the menu, and the development process continues again with introduction of new food menus in the subsequence beverage promotional campaign.

Nonetheless, such an introduction of new food menus during the beverage promotional campaign is conducted in a progressive manner and served as a testing ground to ascertain customers' acceptability. Accordingly, this constant changes in food trends have made Berjaya Starbuck in Malaysia to adapt accordingly by developing higher numbers of foods repertoire. Consequently, those food menus that performed well would be retained and those that were at the bottom five in term of its sale counts would be taken out. Another reason of menu change was due to the following consideration:

*If the new product is actually quite similar to it, we will consider taking it off first for the new product. For example, cinnamon roll, if we have a chocolate chip cinnamon roll, we cannot actually put two cinnamon roll side by side. Basically, we will consider taking out the normal cinnamon roll and put in the chocolate chip cinnamon roll and see what happen. If it does not work, then we will roll back to the normal cinnamon roll...that is one of consideration that we are taking into account.*



### External Considerations

Apart from the internal policies that were used to fine tuning the new menu development, external factors were also played a part to menu changes. Issues of the availability of certain goods, particularly to the reliability of the delivery services were also taken into considerations. This is because, according to the manager, some of the main ingredients that were imported from oversea markets, such as halal turkey from the U.S., have known to arrive behind schedule. Consequently, food menus, such as sandwiches and pastry products that relied on turkey meats needed to be changed.

Apart from this issue, the manager explained that some of the poultry-based menu products that were related to global epidemic outbreak, such as the bird flu, had forced Starbucks to change these menus to the ones that were perceived safe for human consumptions. Because of this, together with the inconsistency of turkey supply, the meat-based products' menus were revamped to non-meat-based products.

*In the event of bird flu...bird flu actually...causes a problem in Malaysia. There are consumers who actually afraid to eat poultry-based product. We may actually look as changing our product into non-meat based. [This is because] most of our meat-based products are chicken, followed by Tuna. We used to have turkey. But now...we have a supply problem [for turkey].*

According to the manager, in reference to the current state of consumer food-service market in Klang Valley region, 'the customers [have] keen sense of differentiation for what they want'. He elaborates the following notation:

*Customer who actually demand but not demanding, [referring] to this sort of market. These sorts of customers are customers that we have right now. We actually have to sense to their needs of what they are actually looking for. We have received actually direct feedback from the customer who actually gave us a call or send us emails and asking us to include certain products here and there.*

Corresponding to this, he says that certain times customers do demand for foods that has to do with health issues. Nowadays, increasing awareness to healthy foods using organic food has made consumers demand for it. However, the cost of using organic food, according to the manager, is 300 times more expansive than the regular ones and this, consequently, affects the profit margin for these sorts of menus. Thus, even though the growing demand for organic food is growing, associated higher costs making it not viable.

Another external factor that was brought to the attention is the increasing numbers of restaurant outlets in Klang Valley's market, which accumulated stiffer competitions. Berjaya Starbucks main rival competitor always been Coffee Bean & Tea Leaf (CBTL) and lately, according to the manager, Kopitiam restaurants popularity is started to gain momentum. Few years back, Starbucks' outlets were the only coffee player available in shopping complexes, and thus, been able to monopolise the coffee business back then. However, soon after the emergence of these rival competitors, shrinking in market share gains began to show up, indicating there is wider choices to choose from various coffee players in the market. As a resultant to this 'competitive pressure', Berjaya Starbucks revenue suffered, but to what extents their market shares lost remained confidential and unclosed for the purpose of company's policies.

*We welcome competition actually. Kopitiam offers something else. They offer nasi lemak, kaya in toasts, curry [noodle], otak-otak...we offer cheesecakes, pastries, sandwiches. They have their thoughts [and] we have our thoughts. In fact, there are some situations when our stores opened in a complex and we are the only coffee player and we were suffering. But we actually welcome when competitors opened in the same complex. We actually welcome them. They also help us because there is a differentiation factor. The closet we would say will be CBTL, but the thing is, [they] have their own crowd [and] we have our own crowd. What differentiate us from CBTL is the customer. It's the customer choice. Now they actually differentiate us.*

Such a creation of product differentiation has revolutionized the complexion of the cafe business. This is because, according to the manager, even though almost all of the cafe business establishments offer coffee as their 'signature product', differentiation of menu products is quite obvious: Each of these coffee chains' menus have their own uniqueness in differentiating to each other.

Nevertheless, the manager also highlights that the strategy of product differentiation alone is not enough. Due to low barriers to entry into this business, rampant of numbers of cafe's establishments have actually escalated further competitions amongst the coffee players, leading to widespread of developing/introducing similar products, which can easily deceive in the eyes of the consumers. Hence, one way to distinguish us from the rest of the coffee players, according to manager, is through product features. Berjaya Starbucks has successfully incorporated three blends product features: unique recipe, presentation and packages. The manager continues that together with these product features, indulging experience inside the restaurant is also essential in order to further distinguish Berjaya Starbucks with the other competitors.

*Anyone can do a marble cheesecake [or] black forest cheesecake. Anyone can do whatever I have inside [here]. But the thing is how do they do it...package it, sell it and what is the environment. We don't only sell our products here. We sell our experience and the experience must go well together with the products.*

With regards to the issue of drastic change in customer's food preferences, the manager explains that this factor is very minimal and does not affect Starbuck's performances. Starbuck's policy and practice in new menu development strategy serve as a good platform to analysis their menu performances. Factor, such as changes in customer's price acceptances, is also not affected. Berjaya Starbucks' pricing policy is always slightly more than the other coffee players. Nowadays, the cost of doing business is always increasing. As such, a change in customer's price acceptance or simply lower the selling price as a strategy to lure customers does not fit to our new product development plans, rather a predetermined formula developed in Seattle, U. S, called *Latte Index*, is used in setting up the menus selling price.

*The latte index is what you call the controlled subject where we compare our latte. Let say a competitor is selling their latte for RM6.00. We have to look at whether it is advisable to sell it on par or we raise it by, count of maybe perhaps [at] 50 cents. Once you [raised] it at 50 cents the rest of our drinks actually have got their index comparison to the latte index. For example, Caramel Macchiato, a hand-crafted drink, which is very indulgent and even a small cup, will make you feel so nice and satisfied at the end of your drink. [Thus] we did a particular index of 2.5 and if latte is RM6.50 its times 2.5.*

Talking about technology advances, the manager comments that a readily available technology that can prolong the preservation process of the dairy product have help them tremendously. Part of this is because Berjaya Starbucks emphasizes more towards food safety in their new product development strategy. Together with this top priority, the new product also must be delicious and able to last long in shelf.

*Personally, I love home-cooked food. But the [question] is whether it is still safe enough [to consume] after 2 days. A big question mark unless if you send it for third party laboratory verification. [Therefore] consideration for customers first of all, it must be safe. Second of all, it must be delicious. Is it last long enough? If it's last long enough then it is safe. Right now, first and foremost, its food safety.*

Nonetheless, not all of Berjaya Starbucks' new products development is successful despite 'millions of dollars spent in [research and development (R & D) to get] the right profile'. The manager argues,

*there is no guarantee success when it comes to product development whether it is for food or beverages. Sometimes accidents happen and when accidents happen, it is either good, which is very good to us or... bad [, and] there is when we go to the next project.*

For example, chocolate, blueberry, and cheese were the top favorites taste profiles found based on their R & D. Yet, the sales of these new products found to be mediocre despite they were made based on the consumers favorite taste profile.

## **4.2 Full-Service Restaurant (FSR) Chain**

The Ship, a well-known full-service restaurant (FSR), was established during the late 60 s by the Koo's family originally from Hainan, China. Back then, before the existence of this restaurant, Koo's families worked in a shipping business and the original idea of the name of restaurant, the Ship, was eventually named after this experienced. It began by introducing Hainan's food cuisines but eventually was abandoned to Western food concepts due to the much influenced of British colonial during that time.

*It only came to them the idea in the early 60's [where] you got a lot of colonial influence. Then the British you have a little bit all these going on and you do not see anything other than colonial. I think they pick this up, the [Western] concept from the people that were visiting, and they were working with where you could find good basic western food.*

Since then, the flagship of this restaurant, called the Ship, sailed comfortably carrying Western menu concept to this present day. To date, there are six chain restaurants carrying the flagship of this brand name. Two are in Penang and four in Klang valley and another one is soon to be opened in China. Each restaurant has a minimum of 40 employees inclusive of front-liners and back of the house staffs. Developing cities, such as Ipoh and Johor Bahru, will be targeted for future outlet expansion. Despite the fact of the Ship long existence, its growth rate is relatively very low in comparison to other chain rival competitors. Brand expansion through

franchise agreement gives huge advantages for many chain restaurants to increase their numbers of brand outlets. Yet, in spite of this, the Ship remains adamant to the traditional way of operating their restaurant business. According to the Director of Operation of the Ship Holdings (M) Sdn Bhd,

*Franchising is an issue to the Company at this point of time because we are worried that qualities will be compromised if we franchise it out". He continued that they prefer running their own without denying "franchising is a very good business platform...but not at this point of time.*

### **Menu Development**

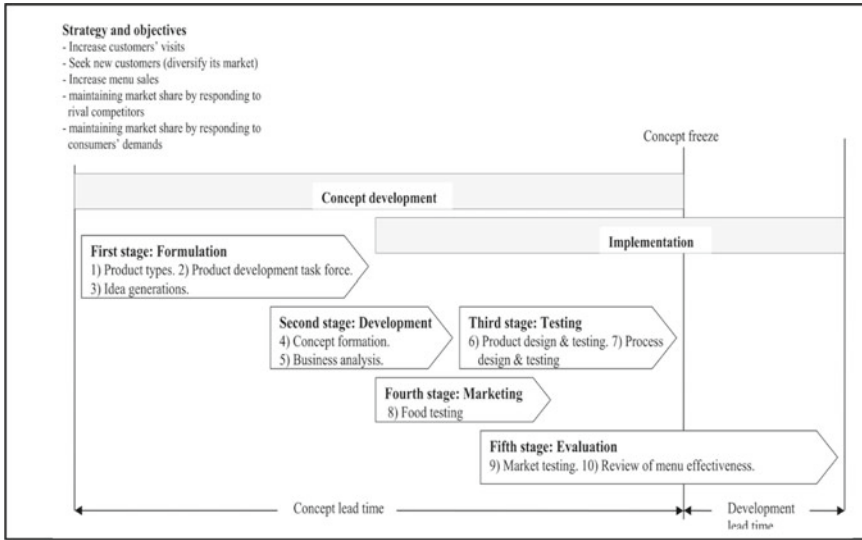
Since Nick took over the operation seven years ago, the menu was revamped twice. Back then, it was basically done in a conventional design, listing the menu items onto one folded menu display and no categorizations of kid and senior citizen meals on the menu. The early development of the menu was lacked innovation in term of display presentation, pricing strategy and some issues of trendy food acceptances.

*Initially, the menu that came in the Ship was pictureless, without picture. They did not have categories which cater to senior citizen and children. They did not have kid menu. They did not have area where senior citizen could purchase with lower price...and another thing, they did not focus at health-conscious food. My latest innovative in engineering the menu was to look at all these. I actually look at health dietary program, quality of food, amount of cholesterol. We look into pricing, portioning, acceptance of price increase. We also look at qualities that go into instead of just bean sprout or mix vegetable. We look into quality other vegetables like broccoli and stuff like this. So, the menu became better in my own ways like I said with dietary, the health, the picture [and] the outlook.*

In a nutshell, according to Nick, apart from those factors mentioned earlier, the concept of the new menu development was also done based on the restaurant's concept.

## **5 Model of Menu Innovation Process**

The qualitative in-depth interviewed method was carried out using the forty-two open-ended questionnaires where two highly respected restaurant chains' executives participated in the semi-structure in-depth interviews. Both interviews took more than an hour and their responses were audio recorded, which were subsequently verbatim transcribed. This verbatim transcribed written data was then uploaded to N6 QSR1995 software, a sophisticated word search to locate and analyze contextual specific text. Based on this analysis along with the conventional mind-mapping content analysis technique, forty-nine variables were extracted representing the contemporary settings of chain restaurants' NPD process. Subsequently, using the forty-nine variables as the base framework, a new model of NPD process is proposed consisting of five stages that include formulation, development, testing, marketing and evaluation, along with their respective activities at each stage, which is presented in Fig. 2.



**Fig. 2** The five-stage of menu innovation model

As can be seen in Fig. 2, the five-stage of new menu development derived from the qualitative in-depth interviewed method appears similar to the earlier models in terms of its sequencing steps. This is not surprising since the foundation of the research instrument during the interviews was based on the earlier models. Nevertheless, this newly developed of new menu development model provides new findings, which have never been reported in the hospitality literature. In the hospitality literature, all of those earlier NPD process models are in sequential stages approach. However, the findings in this qualitative data show that some of the steps within the stages are found to be overlapping between the stages, which appears to be resembled to the characteristics of the flexible, compression and integrative NPD process models highlighted by Cunha and Gomes (2003). Therefore, with this empirical evidence, managing menu innovation process is not wholly confined to a methodical approach as proclaimed in the literature.

In the literature, little is known about the explicit details of product innovation objectives. Earlier NPD process models in literature highlight the objectives of product innovation are streamlining based and guided by a well-defined strategy in order to achieve the desired innovation level (Feltenstein 1986; Mooney et al. 1994; Jones and Wan 1992; Ottenbacher and Harrington 2008). In this qualitative data analysis and results, the objectives of a new menu development appeared to be mundane and driven by product marketability in line to what have been advocated by Khan (1991), which basically covered both customers' express or latent needs approach strategy being proposed in Narver et al. (2004) and Berthon et al. (2004) studies.

## 5.1 Formulation

Once the objectives of the new menu development are determined, the next step is to establish the types of product categories. This early step appears to be similar to Ottenbacher and Harrington's (2008) product innovation process of quick-service restaurant chains (QSR), which they labelled it 'decision of which food category to focus on' and their categories appeared to be similar of the objectives found in this case-study. In this qualitative case-study data, both companies underlined their new product development based on adaptation of either internally or externally made, or from the competitors. In regard to product development task force, both formal and informal practices are used in which the formal task force refers to head quarter that includes individuals from marketing, accounting and finance departments, whilst informal is mainly derived from intuition and experiences of the interviewees as a director of operations and business development manager. At the idea generation stage, there are several sources being sought to generate new ideas that include culinary magazines, cooking books, competitors' products, the restaurant's chefs, personal experiences, frontline staffs, customers' comments and suggestions, in-house market research and interdepartmental meetings to discuss market trends. These findings are mostly identical to what have been highlighted in the literature.

## 5.2 Development

The first step in this stage involves with concept formation where all the ideas generated previously are subjected to concept formation. For example, old menu item that had been omitted from the menu is re-introduced because of customers' suggestions. The interviewee's statement is summarized and put forward:

*Our customers are hard to predict in term of their food preferences. Items that are dropped from the menu because of no longer popular and low in sales are sometime re-introduced simply because of the customers demanded for it. This item used to do well in the past but wane down of its popularity because of changes in customer preferences. Every menu item is based on core ingredient, such as cheese, pumpkin, etc. Re-introduce of old items will be subjected to some modification but the core ingredient remained as it is.*

At this point the re-introduced item is then undergone some testing that include either in customers survey, through focus group or put on informal trial in selected markets. Such testing is necessary because of the modification made in the concept and reaction from the customers.

In this development stage, business analysis is also being conducted that includes only two factors: analyzing rival competitors' top selling products and consumers food trends. Both interviewees agreed that it is not difficult from them to find their competitor's top selling products since both of them have been in the industry for many years. Word of mouths spread rapidly, and instinct experiences help them to notice their rival competitors' business performances. Alternatively, to find out what

is currently ‘hot’ product in the market is by simply patronizing rival competitor’s restaurant, according to one of the interviewees. On the other hand, consumers’ food trends are assessed either from local or overseas based markets or a combination of these markets. The cafes and bars, being a Seattle based chained company, use the US market trends and select products that are likely to be attracted in Malaysia that include mainly on beverages-based products. In comparison to the Full-service restaurant (FSR), their products based are remained intact with the original menus but constantly on the look-out for trendy food concepts that mainly associates to freshness and maintaining quality standard.

### 5.3 Testing

In this stage, two steps are identified that include product design and testing and process and system testing. Both of these steps are basically resembled to Jones’ (Mooney et al. 1994) 15-step model of new-product and new-service development process. In the third stage of Jones’ model, three steps of testing are proposed. Under the product design and testing step, new products are mostly tested by in-house personals. An interesting point to note that occasionally, cafes and bars outsource their pastries new product development from established food manufacturers, such as Nestles. According to the company’s product development manager, outsourcing helps them in term of cost-benefits in terms of new equipment and product expert’s requirements.

*It is a win-win situation. They have the technologies capability and I have the ideas of what products I wanted. All I have to do is to inform them how I wanted my product to be- the portion size and weight. A strategy that is never allowed your customers get bigger portions of the pastry products. By hunch, I know the ideal portion size of a standard piece of a cake. Once I get the sample of the new product that I requested from the supplier, that new product is straightaway put onto our pastry counter and sees how saleable it is. If the customers like it, it will be one of our permanent menu items.*

In the contrary, product testing and design is not much of a priority since changes in menu items are rare for FSR. According to the director of operations, the menu has been only revamped twice and most of the original menu items are basically the same to the present menus except with some upgrading in terms of dish presentations and quality, such as changes in thickness of the supps.

### 5.4 Marketing

In this stage, the marketing activities used by both companies are less prevalent in comparison to what have been advocated in the literature where most of the earlier models indicated at least two steps of marketing activities that include pre-marketing and market trials. In these case-studies, both companies engage only on

food testing where predetermined in-house panels are invited for testing the newly developed dishes. Activities related to marketing appear to be performed during concept formation at the first step of the development stage. Basically, those potential new dishes generated during the idea generation step and approved to proceed to development stage, the second stage of the NPD process, are concurrently tested of their marketability, indicating some evidences of the integrative, compression and flexible NPD models' characteristics (Cunha and Gomes 2003; Iansiti 1995).

Sequential NPD modals proposed in literature suggest most newly developed products are subjected to premarketing or market trials before officially being launched in the market. Nevertheless, the traditional sequential NPD models are not fully embraced by these two companies in this case-study research. Apparently, some of the activities at the NPD steps are found to be over-lapping within the stages approach, which resembles to the characteristics of a flexible NPD model highlighted by Iansiti (1995) and Cunha and Gomes (2003). In addition, characteristics of integrative and compression NPD models are also noticeable in these case studies where ad-hoc marketing activities are performed within the stages approach.

For example, in-house food testing is the only marketing activity found to be being conducted at the marketing stage. A closer analysis of the case studies result suggests that elements of marketing activities are also found to be performed at other stages that include development and evaluation. Therefore, the NPD approach used by both companies is found to be structurally informal, muddled and unsystematic as opposed to the methodical approaches of NPD process that are commonly cited in literature.

## 5.5 *Evaluation*

In this final NPD stage, review of new menu items effectiveness involves into two steps. The first step involves market testing, which is in a form of customers' feedbacks. In this customer's feedbacks, four assessment factors are used to test the menu items quality, price, value perception and intention to repurchase. The second step is about reviewing the menu performances where each of the menu items are analyzed based on their sales history. Customer counts are also used to denote the popularity of the restaurant as a whole in which the menu itself plays a key role. Average bill and profit and loss (P&L) assessments, which commonly practice in reviewing business performances, are also applied.

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