



RYAN W. BUELL

Breakfast at the Paramount

Michael Conlon watched from the curb as a particularly dedicated high school crew coach carefully shepherded several large bags, containing 14 breakfasts that were packed in to-go boxes, out of the Paramount and into an idling van on Charles Street. The van and the rowers inside it were departing for a meet at Dartmouth College, 126 miles up the road in Hanover, New Hampshire, and the Western omelets, Belgian waffles with fruit, home fries, and sausage would provide much-needed sustenance for their journey. “Eat the eggs first,” advised Conlon. “The waffles will hold up well, but the eggs will get cold quickly because they’re porous. Nobody wants to eat cold eggs.”

For Conlon, who had owned the Paramount, a popular 44-seat diner in the Beacon Hill neighborhood of Boston, Massachusetts, since 1997, this exchange threw into sharp relief a growing challenge facing his restaurant. Carryout orders now represented approximately 10% of sales, and that trend was on the rise. “If we get a carryout order for three pancakes and two omelets, the guy who’s on the omelet station has to cook those things before he can take the next order,” described Conlon, “and that slows down the line.”

It was not yet 9:00 am, and already the line of hungry customers snaked through Conlon’s restaurant and stretched out the door. The line was attributable to the Paramount’s popularity and to an unorthodox seating policy that dated back to the restaurant’s original owners (see **Exhibit 1**). As described on a sign in the dining room, customers were not allowed to sit before they got their food. Due to the high volume of customers and limited number of seats (see **Exhibit 2** for a floor plan), allowing customers to sit first would constrain the number of meals the Paramount could serve. Because of this policy and the restaurant’s popularity, it was not uncommon for a customer to wait in line for more than an hour before ordering breakfast on a busy weekend morning.

“It used to be just dine-in customers,” explained Conlon, “but carryout is becoming much more popular.” What started as regulars occasionally placing take-out orders when the line was long had more recently given way to a throng of delivery services. Conlon continued: “There are all these people who have delivery services, and we’re not even on them. They’ll call us up and do a to-go order, then some guy with a backpack will come and pick it up. We just think he’s a regular customer, but he’s part of a company.”

Since the Paramount had a limited number of seats, Conlon recognized carryout orders as a valuable opportunity to grow his business, but that growth might come at the expense of longer waits for his dine-in clientele. Would the crowds continue to come if the line got even longer?

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A Beacon Hill Institution

The Paramount had been in continuous operation at its Charles Street location since 1937, earning multiple “Best of Boston” awards as the top neighborhood restaurant in Beacon Hill. Known for its casual atmosphere and its simple menu of high-quality food (see **Exhibit 3** for a menu), the Paramount earned favorable reviews from locals and tourists alike (see **Exhibit 4** for customer reviews).

Locals, many of whom knew Conlon and his staff on a first-name basis, tended to frequent the Paramount during the week, and first thing in the morning on the weekends. Some had made the Paramount part of their daily routine for decades. Tourists, on the other hand, often discovered the Paramount online or were referred by the concierges of their hotels.

The Paramount operated two meal services each day. From 7:00 am–4:30 pm (8:00 am–4:30 pm on weekends), it served breakfast and lunch using its unique, cafeteria-style format. The average breakfast/lunch ticket was approximately \$15.00 per person for dine-in customers and about 20% higher for carryout customers. At 4:30 pm, it closed for 30 minutes, reopening as a full-service, seated dinner establishment until 10:00 pm each night. Bolstered by higher-priced entrees and a wine menu, the average ticket was roughly twice as high during the seated dinner shift. However, demand for carryout orders was modest during the evening. In 2015, the Paramount earned \$3.1 million in sales (see **Exhibit 5** for an income statement).

The Process

When customers arrived at the Paramount, they decided whether they wanted to join the line. On a typical weekend, 30 customers were queuing outside the restaurant before the doors opened. Once open, a steady stream of customers ebbed and flowed, with peak arrival times between 9:00 and 11:00 am, and arrivals trailing off after 1:30 pm. At these times, the line would typically stretch outside the restaurant, under its awning, and down the block (see **Exhibit 6** for customer arrival data during peak times). During especially busy periods, the servers would offer customers near the end of the line something to drink while they waited: small glasses of orange juice in the summertime and hot chocolate in the winter.

Once customers reached the front door of the Paramount, they were still approximately 45 minutes away from their breakfasts. Since customers were typically hungry when they joined the line, it was not uncommon for over-hungry customers to faint inside the restaurant while waiting to order. “Our team has learned to care for them like EMTs,” noted Conlon. “Assuming they’re not diabetic, we revive them first with fresh-squeezed orange juice, followed by a hearty breakfast on the house.”

From the door, the line extended through the dining area, entering a bottleneck as it passed between the open kitchen (on the left) and a bank of tables (on the right). Customers routinely had to turn sideways to allow a mop bucket or cart of dirty dishes to be wheeled from the dining area. “It’s not the most comfortable experience,” acknowledged Conlon. As they waited, customers peered at the menu boards that hung above the kitchen, deliberating about what they would order, and craning their necks to see the food that chefs were preparing.

Finally, the line made a hairpin, 180-degree turn to the left, depositing customers alongside the kitchen where they placed orders directly with the chefs. Then, customers watched eagerly as their meals were prepared. Conlon underscored the importance of this phase of the process: “If people wait, we have to be nice. If they have a complaint? Recook it. Comp it. Because they just invested an hour, with their kids, standing in line.”

Each chef at the Paramount had been working there for more than a dozen years, and the team worked together with rapid precision. The kitchen featured four cooking stations: a waffle station, a griddle station (where omelets, pancakes, French toast, and home fries were cooked), a grill station (for sausage and bacon), and a station in the back where bowls of oatmeal and fresh fruit were prepared. The combined average cycle time for the team of four chefs was approximately 40 seconds per customer.

As their final items were prepared, customers would proceed to the cash register, where a team of two employees would take payment and fulfill drink requests, preparing fresh-squeezed juices, coffee, and tea, to order. Fulfilling a drink order took a single employee approximately 45 seconds per customer, and processing payment took 1 minute per party. Although the dining room was nearly always full, hosts would guide customers to an open table awaiting their party in the dining room. The Paramount's 44 seats were configured around a mixture of "2-top" and "4-top" tables, which could be combined to accommodate parties of up to seven customers. Moreover, an oversized booth near the restaurant's front window could accommodate up to eight guests. The average party had 2.6 customers.

"When you're preparing to sit down," explained Conlon, "this primal instinct, fear, takes hold in the pit of your stomach, that you're not going to have a table. It gives way to relief when the host quickly seats you." Conlon explained that customers tended to pay forward that feeling of good fortune by eating quickly. "Customers will look around, and the minute every table is filled, they'll say, hey, we've got to get up!" The average table turned over every 19 minutes, but with variance. Larger parties tended to linger longer, as did all customers in general when it was raining.

The Pickle

As the crew team pulled away, Conlon considered his options. One possibility was to double-down on carryout orders. He had just signed an agreement with the delivery service Door Dash, and if he chose to, he could begin actively promoting the service to expand the carryout business. "I can't go beyond 44 seats in the restaurant," he reasoned, "but with carryout, the customers could sit anywhere, and they wouldn't have to wait in the line." Conlon wondered how increasing carryout orders would affect the dine-in business among regulars and tourists and whether any operational adjustments might support such a change. He noticed that when the line was especially long, customers tended to balk (decide not to join the line) and renege (leave the line after joining). (See **Exhibit 7** for data on balking and reneging and **Exhibit 8** for notes on queuing analysis.)

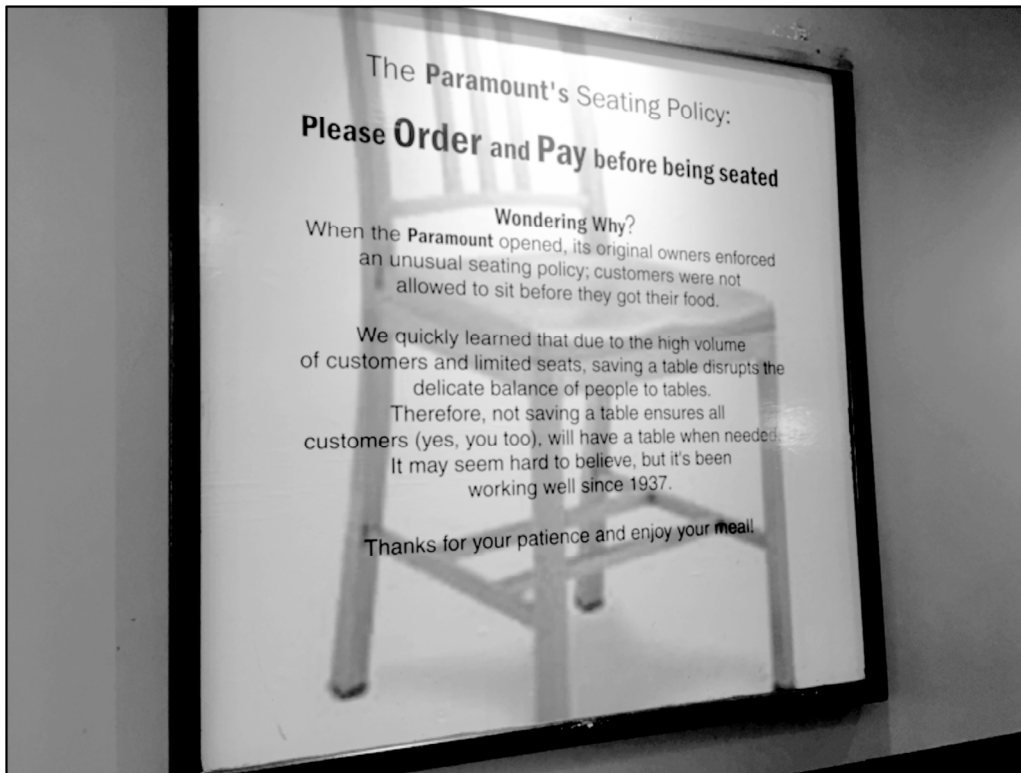
A second possibility was to continue allowing carryout orders, but without actively promoting the option. After all, Conlon wanted to deliver the best experience for his dine-in guests, while also honoring the desires of his longstanding local clientele who had initiated the demand for carryout in the first place.

A third option was to throttle back on carryout orders, perhaps during peak times. An open question was the extent to which this could be practically accomplished, given that the Paramount's most loyal clientele tended to use the service during peak times.

A final possibility was to eliminate carryout orders altogether. Although this would alienate some customers and close off an important revenue stream, it would make the line faster and result in the best experiences in his restaurant.

All of this thinking was making Conlon hungry. He took out his cell phone and dialed (617) 720-1152. He wanted to order a grilled chorizo omelet . . . To go.

Exhibit 1 The Paramount's Seating Policy



Please order and pay before being seated.

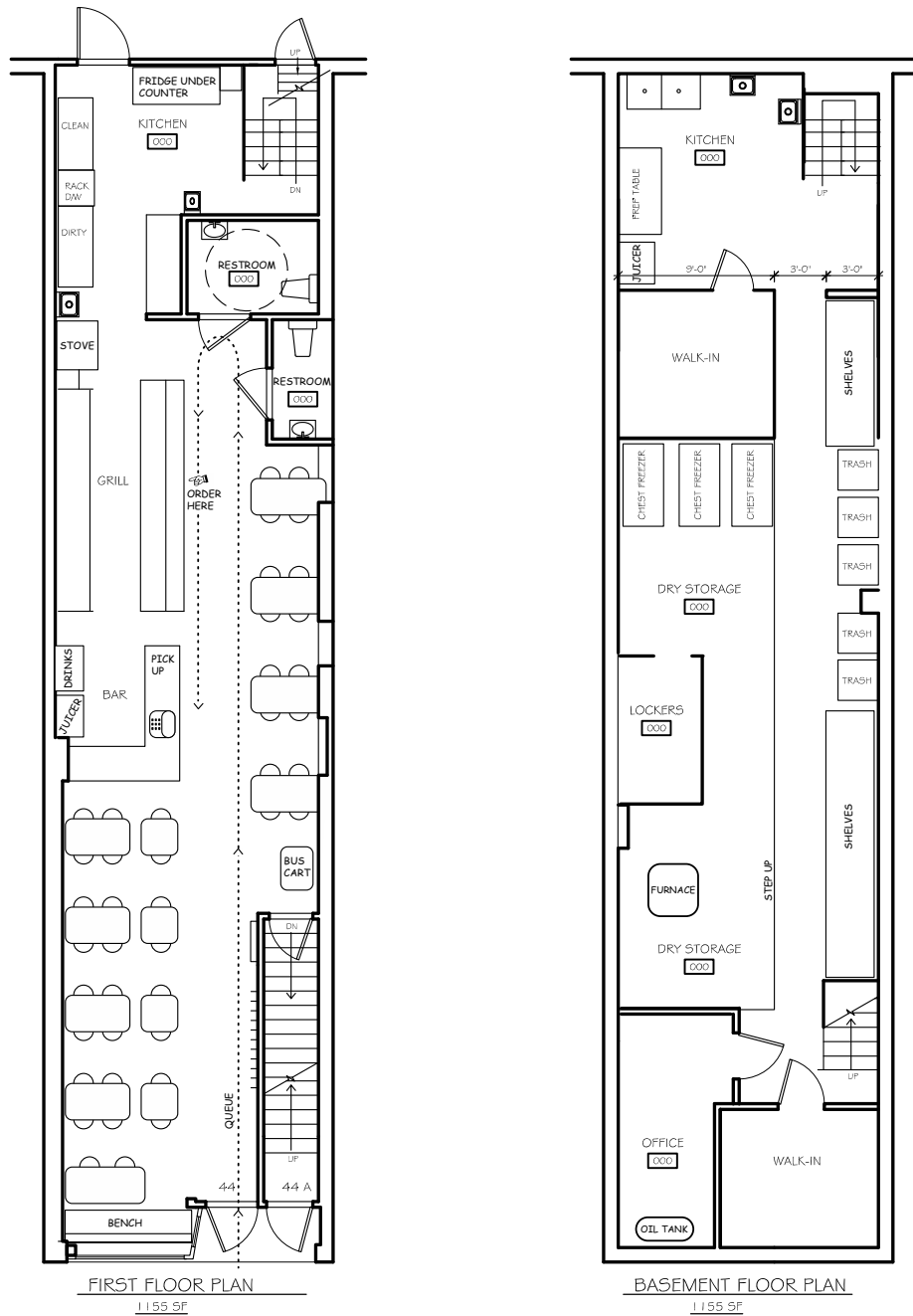
Wondering why? When the Paramount opened, its original owners enforced an unusual seating policy; customers were not allowed to sit before they got their food.

We quickly learned that due to the high volume of customers and limited seats, saving a table disrupts the delicate balance of people to tables. Therefore, not saving a table ensures all customers (yes, you too), will have a table when needed. It may seem hard to believe, but it's been working well since 1937.

Thanks for your patience, and enjoy your meal!

Source: Casewriter.

Exhibit 2 The Paramount Floor Plan



Source: Company documents.

617-011

Breakfast at the Paramount

Exhibit 3 The Paramount's Breakfast Menu**PANCAKES AND WAFFLES**

served with powdered sugar and whipped butter

buttermilk pancakes(3)	8
add fruit on top	2
pure vermont maple syrup, 2oz	
chocolate chip, banana, or apple pancakes	9
blueberry or strawberry pancakes	11
texas style french toast	8
fresh caramel & banana french toast	11
malted belgian waffle	8

OATMEAL AND YOGURT

honey and brown sugar oatmeal	6
add berries	1
fresh berry parfait	6
low fat yogurt, blueberries, strawberries, bananas, homemade granola	

EGG SANDWICHES*

on a choice of white, wheat, rye, english muffin, or bagel served with cajun home fries and topped with american cheese

two eggs & cheese	8
avocado, egg & cheese	10
sausage, egg, & cheese	10
ham, egg, & cheese	10
bacon, egg, & cheese	10

EGGS & OMELETS*

served with cajun home fries and toast or grilled corn tortillas

two eggs	8
breakfast special	9
two eggs, cajun home fries, toast and coffee	
just american cheese omelet	9
ham, mushroom & american cheese omelet	11
western omelet	11
ham, onion, pepper, american cheese	
spanish omelet	10
pico de gallo, pepper, onions, pepper jack cheese	
feta, spinach & tomato omelet	10
tomato, basil & fresh mozzarella omelet	10
guacamole & pepperjack omelet	10
grilled chorizo omelet	12
black bean salsa, corn, pepper jack cheese, pico de gallo, fresh guacamole	
huevos rancheros	12
classic mexican breakfast: two fried eggs, black bean salsa, avocado, tomato chili salsa, grilled corn tortillas, cajun home fries	

SIDES

bacon, pork sausage, turkey sausage or maple ham	4
fresh cut fruit cup	4
cajun home fries	4

Source: Company documents.

Exhibit 4 Customer Reviews for the Paramount

★★★★★

Hayley, Beacon Hill, Boston, MA

I have been coming to the Paramount for 8 years now and it holds a pretty special place in my heart.

I started coming here with my Dad when I was younger and first moved to Boston. Shortly after moving to Boston I met my boyfriend and we made it somewhat of a tradition to get breakfast here every Tuesday morning.

The breakfast is really standard, typical, American breakfast. There is nothing on the menu I haven't seen before. But it's a neighborhood place and if you go for long enough they are really very sweet and I think that makes the food extra special.

With that said, I would recommend the banana chocolate chip pancakes. They are delicious. I would also recommend coming here early (like, right when they open) because their policy is unique in that you are not seated until your food is ready. The system actually works fantastically and there is always a table available, but that might mean waiting in line for 45+ minutes.

★★★

Chris, Boston, MA

A long wait on Sundays for an OK brunch.

We waited over an hour to get the seats. My friends and I were starving as the line looked innocuous when we entered the queue, but we were actually inching along at such a slow pace.

I ordered the huevos rancheros and it didn't really stand out to me. I heard such good things about this place and was disappointed in what I got.

Does not live up to the hype.

In summary: long wait, ok food, decent value

★★★★★

Leila, Boston, MA

If you've ever been walking down Charles street in Beacon Hill and had to divert your course around a crowd of hungover brunch-seekers, then you have witnessed the phenomenon that is the Paramount brunch. While the classic diner-style menu may seem ordinary, the food is anything but. Hence, the line.

Once you've finally placed your order (~1 hour later, in peak times), it's only a few short minutes before your brunch is ready. You can't order wrong here, but I fell in love with the banana caramel stuffed french toast. Get one for the table to accompany your egg sandwich. (And if you're really too hungry to handle the line on an empty stomach, I recommend grabbing a slice at Upper Crust to eat in line...

★★★★★

Tiffanie, Temple City, CA

Love this place!! The Paramount is cafeteria style, meaning you get your food first before you're seated. Which thinking about that is weird, but there is always seating for you by the time you get your food, so don't worry! My first time here, I waited about an hour since I came here during its peak hours during brunch on a weekday. I thought it wasn't going to worth the wait, but boy was I wrong! I got a breakfast sandwich, and everything about that was cooked to perfection. The eggs, the meat, and even the English muffin was nice and soft! I also had home fries, and those were probably the best I've ever had.

I came here a second time and the wait wasn't as long, even though it was a Sunday. This time around, I ordered chocolate chip pancakes with berries and that was super yummy! The pancakes were fluffy and the berries were ripe and combined well with my pancakes.

I love the service there and everyone does everything with a smile and they never hesitate or question you on anything.

I would totally recommend the Paramount to anyone, and even though it gets packed and there is not much space, it's a nice, cozy feeling.

★★★★★

Alex, London, United Kingdom

The Paramount is one of those classic Boston establishments that everyone needs to try at least once in their life. If for no other reason than to watch yourself grab a table.

We were told here that although the lines are ridiculous and it's not that big a spot, everyone gets a table. This is because they don't allow you to save seats. You line up, you pay, you get your food, you sit and eat. No delays. No hogging space. You are there to line up, pay and eat. And by golly, it worked just like that.

We got a nice mix of breakfast sandwich, huevos rancheros and a few sides and everything was hot, cheap, and delicious. We did queue forever to get it but dammit, it was worth it, and true to their word, we were seated as soon as we had our food.

The staff is on their game. They get people in and out quickly but don't mind if you have a question or want to make substitution (like sweet potato fries for home fries.) Win.

I'd be back. I will be back.

Source: Compiled from <http://www.yelp.com/biz/the-paramount-boston>, accessed August 2016.

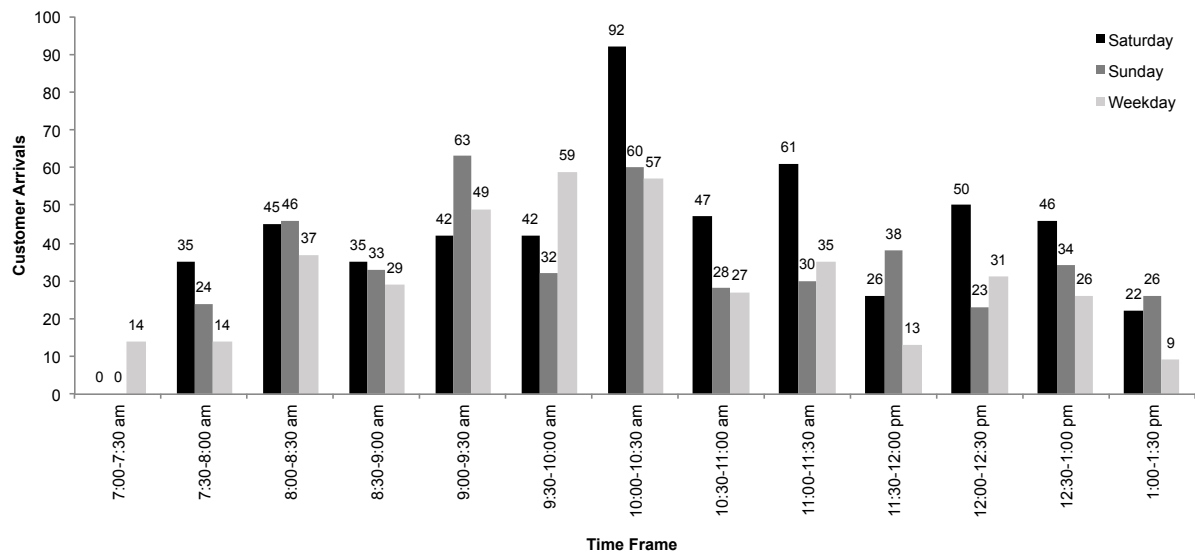
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Breakfast at the Paramount

Exhibit 5 Annual Income Statement (2015)

Income	
Food sales	2,584,148
Beverage sales	563,936
Total income	3,148,085
Cost of goods sold	
Food costs	709,294
Beverage costs	152,060
Rebates	- 7,624
Total COGS	853,730
Gross profit	2,294,354
Expenses	
Payroll	745,612
Employee costs	100,681
Restaurant expenses	91,498
Facility expenses	70,493
Repairs and maintenance	58,781
General and administrative	102,893
Total expenses	1,169,958
Net ordinary income	<u><u>\$1,124,397</u></u>

Source: Company documents.

Exhibit 6 Customer Arrivals

Source: Casewriter.

Note: Customer arrivals depicted above represent dine-in customers only. Any customer who joined the line was counted as an arrival regardless of whether they later reneged from the line.

Exhibit 7 Customer Balking and Reneging

	Saturday			Sunday			Weekday		
	Balking	Reneging	Total	Balking	Reneging	Total	Balking	Reneging	Total
8:00 - 8:30 am	10	5	15	7	5	12	0	0	0
8:30 - 9:00 am	4	0	4	0	1	1	3	0	3
9:00 - 9:30 am	10	2	12	3	6	9	18	3	21
9:30 - 10:00 am	7	14	21	5	11	16	4	3	7
10:00 - 10:30 am	11	19	30	10	10	20	3	15	18
10:30 - 11:00 am	19	8	27	12	4	16	0	0	0
11:00 - 11:30 am	7	11	18	4	2	6	5	2	7
11:30 - 12:00 pm	0	5	5	11	10	21	2	4	6
12:00 - 12:30 pm	9	12	21	3	8	11	6	9	15
12:30 - 1:00 pm	0	11	11	31	6	37	9	6	15
1:00 - 1:30 pm	7	0	7	12	2	14	0	0	0

Source: Casewriter.

Note: Balking data includes customers who considered joining the line, but decided not to do so. Reneging data includes any customer who joined the line, but later decided to leave the line. Customers who reneged are included in the customer arrivals data above.

Exhibit 8 Fundamentals for Analyzing an M/M/1 Queue

Queues (lines or sequences of people or vehicles awaiting their turn to be served) are typically described using *Kendall's notation*, a three-factor classification scheme, written as A/S/c, that describes the time between arrivals to the queue (A), the size of the jobs (S), and the number of servers (c).

The most common type of queue is called the M/M/1 queue, which has a Markovian (random) arrival process (M), a Markovian (random) service time (M), and a single server (1). An M/M/1 queue can be analyzed using a known set of equations. It has an **arrival rate** (number of customers arriving/ unit time) of λ and a **service rate** (number of customers served/ unit time) of μ .



The **utilization factor** for the server (the percentage of time servers are busy) is given by ρ :

$$\rho = \frac{\lambda}{\mu} < 1$$

Note that if the arrival rate was greater than the service rate, the line would grow to be infinitely long, and the servers would need to work more than 100% of the time to keep up with demand.

The **queuing time**, W_q , the average amount of time a customer waits in line before being served, and the **system time**, W , the average amount of time a customer spends in the system (queuing and being served), are given by:

$$W_q = \frac{\rho}{\mu(1-\rho)} \quad \text{and} \quad W = \frac{1}{\mu(1-\rho)}$$

The average number of customers waiting for service, L_q , and the average number of customers in the system, L , are given by:

$$L_q = \frac{\rho^2}{(1-\rho)} \quad \text{and} \quad L = \frac{\lambda}{(\mu-\lambda)}$$

Source: Casewriter.