

SUBJECT:	UNIT:	DURATION:
FOOD & BEVERAGE OPERATIONS 2	TOPIC 7	1.5 hours
UNIT TITLE:	RESTAURANT BUSINESS AND MARKETING PLAN	
OBJECTIVES		
Student will be able: <ol style="list-style-type: none"> 1. Identify the major elements of a business plan 2. Know what is feasibility study 3. Develop a restaurant business plan 4. Conduct a market assessment 		
PRE-REQUISITES		
➤ BH 1314 – Food and Beverage Operations -1		
LESSON PLAN		
CONTENTS	METHODOLOGY	
1. INTRODUCTION	LECTURE	
2. THE BUSINESS PLAN	LECTURE/DISCUSSION	
3. THE FEASIBILITY STUDY		
4. THE MARKETING PLAN		
LEARNING OUTCOME		
Student will be able to know the restaurant business and marketing plan		
REFERENCE		
Cooper, B., Floody, B., & McNeill, G. (2000). <i>Start and Run a Profitable Restaurant</i> . British Columbia: Self-Counsel Press. Walker, J. a. (2005). <i>The Restaurant: From Concept to Operation</i> . New Jersey: John Wiley & Sons, Inc.		

1. INTRODUCTION

Before embarking on the complex task of setting up any business, especially a restaurant, it is essential to do a business plan. This will help determine the probable degree of success of the restaurant. As with any plan, the more work that goes into it, the better informed the owner/operator is as to the feasibility and viability of the proposed restaurant. Some operators find that after preparing a detailed business plan, the numbers do not add up – in other words, it is unlikely that the restaurant would be successful. That's OK! All they have lost is the time and effort put into the plan – they have not lost their shirt!

2. THE BUSINESS PLAN

The business plan is a formal written presentation of your restaurant concept. It is used to introduce your business to potential lenders and should contain enough information for the reader (the investor) to judge the venture's potential profitability. A business plan is requirement if you are seeking a loan from financial institutions or trying to get "F&F" (family and friends) funds. It is also the blueprint of your business dream and will serve as a guide during your business's lifetime. Business plans begin with an executive summary, which outlines the elements of the plan.

The cover sheet should have

- ❖ Business name
- ❖ Logo or trademark (if any),
- ❖ Current or proposed address of the restaurant
- ❖ Restaurant telephone number
- ❖ Owner and associates' names and their qualification
- ❖ Name of the Company
- ❖ Company address
- ❖ Company executives telephone number
- ❖ Introductory statement

Each of elements needs to be fully written up, and that takes research and critical thinking. Logically, the plan expects the operator to assess where the business is now and where it should be in 5 to 10 years – and of course, how it is going to get there.

People do not purchase features, they purchase benefits, and each person purchases only those that specifically satisfy his or her personal or professional needs, wants, desires, hopes, aspirations, and dreams. We are really in the business of motivating people to purchase those benefits that satisfy their specific, and often chaining, needs and wants.

3. THE FEASIBILITY STUDY

The feasibility study is an examination of your proposed restaurant in relation to the existing marketplace. It focuses on defining your competition as well as your potential customers in your selected location. The feasibility study is comprised of an evaluation of both the supply of and the demand for your specific operation. There are firms that specialize in doing the research, compiling data, and analyzing the results for you, but contracting out your feasibility study can be expensive. Below are the key components of the feasibility study:

- a. Target area analysis
- b. Population profile
- c. Economic profile
- d. Competition analysis
- e. Industry and tourism profile
- f. Cultural and recreation attractions
- g. Real estate marketplace

a. Target area analysis

The goal of your feasibility study is to assess the local competition and begin to understand your marketplace in terms of its demographics by first establish the boundaries of the area in which you wish to locate your restaurant. The information to gather here are:

- ❖ Accessibility of the area by private and public transports via major highways and routes.
- ❖ Major communities located within the target area – to know the demand for your service
- ❖ History of economic development in your targeted area.

All the above information is useful if you are not native to the area as it helps you to understand your marketplace. Future development in the target area should be considered here: try to imagine how any new developments will affect your restaurant.

b. Population profile

Understanding “who” your customers are and “where” they will be coming from is one of the challenges faces by a new operation. The population of your target area should be reviewed in terms of its historical growth as well as its projected growth through the next ten-year period. The populations by age group should be evaluated with respect to the community to retain its younger segment to further the economic growth and development of the area. This information will also provide you with sense of where your marketplace is headed and will help you determine whether your restaurant concept fits with the target area’s population base.

Some other information that can be derived from the census data that will be valuable in establishing a community profile includes:

- ❖ Number of dwelling units by structure type
- ❖ Number of people that own versus rent their restaurant
- ❖ Average level of education of people in your target area, as well as their employment classifications
- ❖ Marital status/families by type
- ❖ Average household income
- ❖ Ethnic origin and percentage of population by languages spoken
- ❖ Percentage of population by age group

This information can assist you in putting together an accurate profile of your target customer and can be used to determine the fit or level of acceptance with which your concept will be met.

c. Economic profile

The economic profile should look at the growth or potential for growth within your target area. Determining the economic profile for the community can help you gauge the appropriateness of your type of restaurant for the area. This information

can be gathered from economic development officers and city planners. A description of the mix of commercial, industrial, and retail businesses in the target area should be included in this part of the study. This information, along with the competition analysis, will help determine the positioning of your type of operation within the community

d. Competition analysis

Any feasibility study must include an analysis of the competition in your target area. This may help you determine if there is a niche in the area that your restaurant can fill. Some restaurants in the target area may be designed on concepts that are similar to yours, and others maybe quite different. Spend some time in the target area and visit your competition. Information to be gathered is:

- ❖ Restaurant name
- ❖ Location
- ❖ Type
- ❖ Number of seats
- ❖ No of staff
- ❖ Meals served (breakfast, lunch and dinner)
- ❖ Average check
- ❖ Ownership
- ❖ Customer age
- ❖ Promotions or events
- ❖ Significant Features

If you discover that there are other restaurants already in the area similar to the one you plan to operate, you must consider modifying your concept to better suit a vacant niche or think about opening in another location altogether. However, you may actually benefits from your competition generating a restaurant district (or “restaurant row” as it is known in the industry). People will often travel to a restaurant row knowing that they will have a greater selection of restaurants from which to choose. All the people and activity in a destination such as this generate a “buzz,’ which enhances the total entertainment/dining experience.

However, the population base must be able to support the number and variety of restaurants, and there must be other demand generators nearby such as live-theater or near the waterfront. Many towns and cities have cultivated a tourist hub centering around a significant feature of that area, and restaurants are part of the draw. If you are thinking of locating your restaurants in a restaurant row, visit your potential competition to find out how busy they are.

e. Industry and tourism profile

Research and then summarize the local industries in your target marketplace and emphasize their potential to generate business in your area. You can learn about them from the local chamber of commerce, Lions Club, Rotary Club, or other service clubs in the community. Once you have opened your restaurant, you may want to join one of these organizations; with luck, you will be hosting some of their luncheon meetings. Forging good relations and networking with the local business community is a prudent thing to do. Your restaurant may be able to provide lunches for management meetings, as well as dinners and special events sponsored by these companies.

The positive effects of tourism in your area and how it can benefit your operation should also be summarized in your study. Talking with other operators will give you a handle on how and when the tourist season influences their business. Information can also be gathered from your tourist and convention bureau or local business association. If you are going to focus on attracting the tourists, you should formulate a plan and make contacts with the bus companies or tour companies that do business in your area. Highlight the tourist segment in your marketing strategies, and include this potential revenue in your financial projections

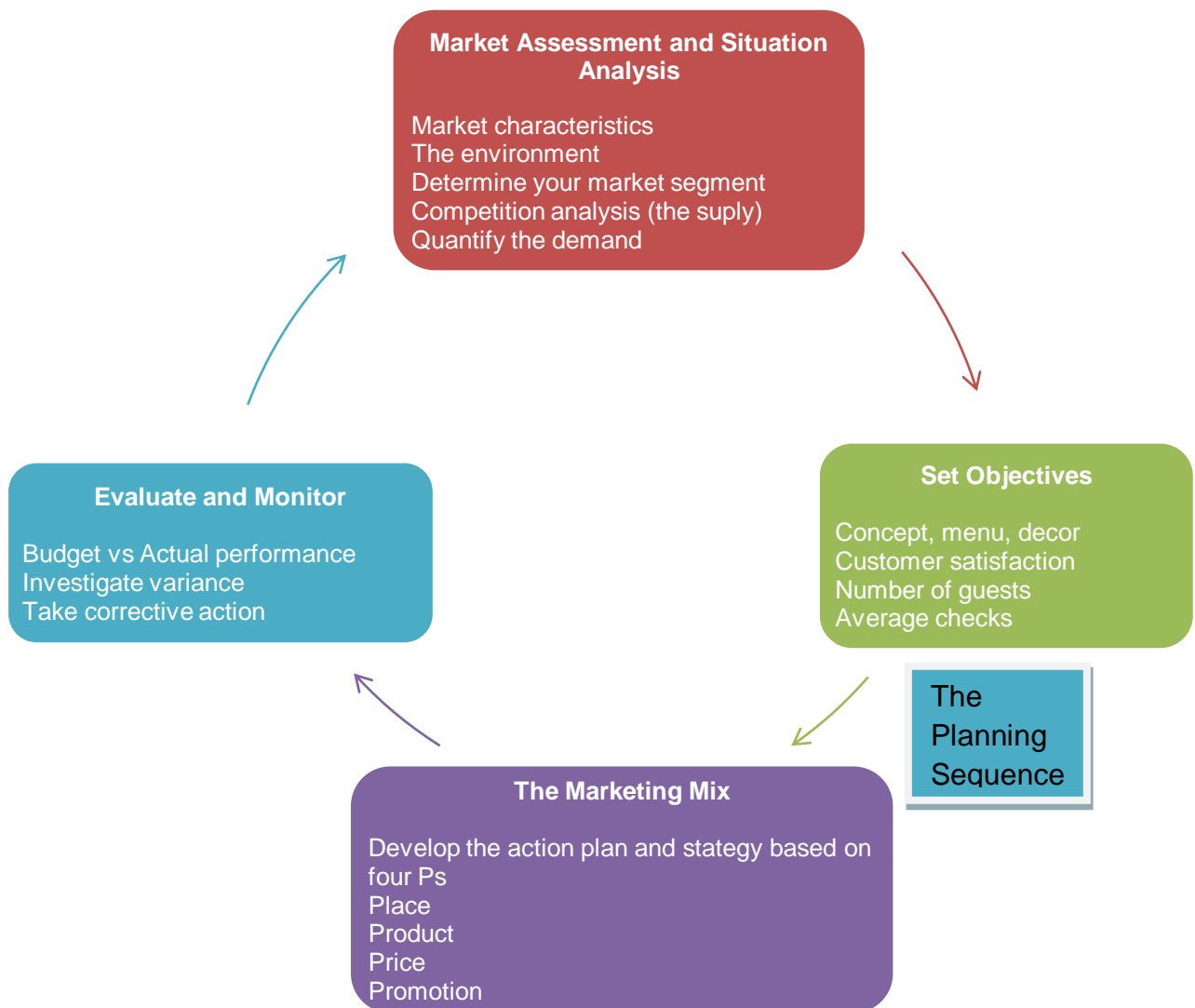
f. Cultural, recreational and sporting events

Cultural, recreational and sporting events can attract potential customers for your restaurant and should be researched when you prepare your feasibility study. Such events are known as demand generators, as they help increase the demand for food and beverages in the marketplace during specific times.

g. The real estate marketplace

Important information can be learned from the local real estate office. They will be able to inform you of property values, home-building starts, and significant changes in the housing prices, and can give you an idea of what may be driving the marketplace. Again your goal is to get a clearer picture of your target area and begin to understand your potential customers. Commercial brokers will be able to provide information about recent business opportunities and sales in the area as well.

4. MARKETING PLAN AND STRATEGY



Restaurant marketing is based on a marketing philosophy that patterns the way management and ownership have decided to relate to customers, employees, purveyors, and the general public in terms of fairness, honesty, and moral conduct, needed in part because of greater importance being placed on the ethical and moral conduct of business. Building on the marketing philosophy, the techniques and practices of marketing include the efforts by managements to match what a particular group of people (the target market) wants in terms of restaurant food, service, price, and atmosphere.

Every marketing plan must have realistic objectives for sales and costs while leaving a reasonable profit margin. In addition, innovations – the development of new and better products, services and processes – require objectives for direction. Objectives for market share, sales volume, cleanliness, product quality, service, guest satisfaction, key ratios, and price also need to be set.

Before investing in a restaurant, it is critical to conduct a competition analysis, as an assessment of the strengths and weaknesses of the competition, to determine if there is an open niche in the market for the type of restaurant being considered.

Competition analysis includes reviewing the competition within the market. Generally, this is done by analyzing the restaurants within the segment that the proposed restaurants will fit – for example, seafood restaurants or Asian family restaurants. In recent years, this has become more difficult to do because the public has become less predictable and restaurants are offering a wider range of products.

Marketing strategy will also position the restaurant in relation to competition regarding price, the food and service offered, atmosphere, and convenience. The marketing strategy needs to conform to the circumstances of the restaurant. For example, a specific market entry strategy is appropriate for a new restaurant concept entering an existing market. We would need to find a competitive advantage based on four *Ps*: product, price, place and promotion.

In taking over an existing restaurant, the goal could be market share. Any one or a combination of tactics could do this. For example, price reduction and heavy local advertising might achieve the strategy's goal.

Marketing strategy is the way the restaurateur accomplishes the goals set for the restaurant. One of the goals could be to increase the number of guests by means of targeted flyers of the restaurant menu featuring certain dishes. The flyer could be distributed in selected postal ZIP codes. Another goal might be to increase the average check by suggestive sales training. The strategy is the game plan for attaining determined goals.

The key ingredient in any marketing initiative is the marketing plan, which helps focus the marketing and direct it toward the target market. It analyzes the marketplace, the competition, and the existing or proposed restaurant's strength and weakness.

Market Assessment

By examining the characteristics of the marketplace, we gain perspective on an operation being planned. The assessment provides initial information that is helpful in planning the success of the restaurant and hopefully avoids the loss of one's shirt! By scanning the horizon and anticipating changes, the odds against failure are raised. A market assessment analyzes the community, the customers, and the competition:

- ❖ Is there a need for a restaurant?
- ❖ Potential customers:
 - How old are they?
 - What are their incomes?
 - What is their sex?
 - What is their ethnic origin or religion?
- ❖ What are customers' wants and needs?
- ❖ Why would people become customers?
- ❖ What will they like or dislike about the proposed restaurant?
- ❖ What do they like or dislike about existing restaurants?

Market Demand

The demand for a restaurant is not easy to quantify. At best, one arrives at a guesstimate – a calculated guess. The calculated part is derived from two factors:

The populations in the catchment area (the area around the restaurant from which people would normally be drawn to the restaurant)

The demographic split of this population by nationality, race, age, sex, religion, employment, education, and income

These data indicate the total number of people who might be customers. In recent years, demographic information has lost some of its relevance. One reason is the increasingly multicultural nature of our society. Another is the changing characteristics of lifestyle. The blurring of demographic lines is evident when top executives eat at McDonald's. So how does this related to sound of marketing prices? In the early 1960's, Ray Kroc realized that as families moved into suburbs and adopted a more mobile lifestyle, they had less time to prepare meals thus the fast food hamburger was the answer for the problem.

Market Potential

- ❖ How many people in the market area are potential customers?
- ❖ What is the potential for breakfast, for lunch, for dinner?
- ❖ Will my restaurant attract customers from outside the immediate market area?
- ❖ Is my market the tourist, the businessperson, the highway traveler, the person in the neighborhood, or some combination of these?

Breakfast and luncheon markets need convenient locations. Rapid service is prized, except in luxury restaurants. Dinner customers are something else. Customers will drive mile to a restaurant they like or one that had developed a reputation for food quality, atmosphere, service, or price.

Market segmentation, Target Market, and Position

The market – that is, the total of all actual and potential guests – is generally segmented into groups of buyers with similar characteristics. Within these groups are target markets, which are groups identified as the best ones for the restaurant

to serve. The reason for segmenting the market and establishing target markets is to focus limited marketing resources for maximum effectiveness.

Typical segmentation

- ❖ **Geographic:** country, state/province, county, city, neighborhood
- ❖ **Demographic:** age, sex, family life cycle, income, and occupation, education, religion, race
- ❖ **Behavior:** occasions, benefits sought, user status, usage rates, loyalty status, buyer readiness stage

Once the target market is identified, it is important to position the restaurant to stand out from the competition and to focus on advertising and promotional messages to guests. The key to positioning is how guests perceive the restaurant. For example, Wendy's promotes never-frozen meat, hot off the grill; El cerdo famous for its pig meals and Burger King is known for its flame-broiled foods.

Next chapter, we will explore the marketing mix for a restaurant to promote its food and beverage.