The use of Market Feasibility Studies in the Restaurant Industry for Small and Medium-sized Restaurants

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The goals of this thesis are to provide the reader with new information about market feasibility studies in the restaurant industry and to design a market feasibility template for the international restaurant industry which can be used for small and medium-sized restaurants before entering the market. The objectives are to define the ideal factors of a market feasibility study for the international restaurant industry, to learn and become an expert in feasibility studies for the restaurant industry and to develop an entrepreneurial mindset.

The scope of the thesis is first focused on the general restaurant industry worldwide but afterwards narrowed down to Helsinki, metropolitan area small and medium-sized independent restaurants.

The implementation is done by desk research on the restaurant industry in general and in Helsinki and market feasibility study development in the restaurant industry. Additionally, interviews with restaurant managers are used as a method to clarify and go in debt on those findings.

The thesis process has started in December with defining the topic and field of interest and is finished in the beginning of May.

The key issue of this thesis is feasibility study development in the restaurant industry for small and medium sized restaurant. Starting with a research on the different segments of the restaurant industry, future trends and failure causes of restaurants. Research on the use of market feasibility development in the restaurant industry is done by defining the structure of a market feasibility study and the, in the authors point of view, most profitable factors of a market feasibility study for small and medium sized restaurants. This resulted in a tool for small and medium-sized restaurants. This tool is a product type thesis in form of a market feasibility template for small and medium sized restaurants.

The conclusion of this thesis is that in real life, small and medium sized restaurants do not have the knowledge and capital to conduct a full market feasibility study. However, conducting this study is of high importance because doing research on the size of the market in the area where the restaurant will be located and taking into account the competition, will help to start up a restaurant. Conducting a market feasibility study before opening a restaurant helps an entrepreneur to make justified decisions on the restaurants chance of success.

Keywords
Market Feasibility Study, Restaurant Industry, Failure Causes Restaurants, Future Trends
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1 Introduction

“The restaurant industry hit a rough patch in 2016, but things could be looking up in 2017” (CNBC 2016).

A combination of economic uncertainty, an increase of at-home food costs and the increase of quick-service locations has negatively influenced the full-service restaurant industry. However, the expectations are that the restaurant industry will grow this year, with new restaurants popping up. (CNBC 2016.)

The full-service restaurants are the ones experiencing a change in concept to keep-up with customer needs. It is presumed that this sector will offer new trendier concepts and interiors, which will be matching the demand of the targeted customers.

To illustrate, the expected trend will be full-service restaurants offering exclusive meals with fair prices in a breezy atmosphere. Moreover, an increase of chain restaurants and the expand of restaurants into chains is expected. (Euromonitor 2016.)

It is studied that a lot of full-service restaurants fail in the first three years (Egerton-Thomas, 2006). Cornell University studied the main reasons for restaurant failure which as result; the limited resources in the beginning of the restaurant life cycle, the adaptation to the changing environment, the location in the market and the ability to adapt to market trends and the research into these data, and the management of the restaurant including its capabilities (Parsa, Self & Njite & King 2005, 306). Both, the trend and previous research, triggered the author to explore this topic further.

Therefore, this research will focus on the restaurant industry, with feasibility studies in particular. For large restaurant chains it is easy to conduct a feasibility study because they have the resources but for small and medium sized restaurants it is harder. This thesis will focus on the small and medium sized restaurants, how to enter the market by using a feasibility study template.

The definition used for feasibility studies in this thesis will be market feasibility study. A market feasibility study looks at the viability of an idea with emphasis on identifying potential problems looking at how thing works and if they will work. Market feasibility studies are done on ideas, campaigns, products, processes, concepts and entire businesses, for this thesis it will focus on a restaurant business. (Singh Uppal, 2010.)
The increase of restaurants entering the market took the authors interest because of her enthusiasm about entrepreneurship. A significant gap between restaurants entering the market and restaurants conducting a market feasibility study before market entry, has been detected. Besides that, the correlation between the failure of restaurants and restaurants conducting a market feasibility study will be considered. Accordingly, this bachelor thesis will dig into this gap and aims to clarify the reader or potential entrepreneur in doing a market feasibility study for the restaurant industry.

Since the author of this thesis is interested in a master program in entrepreneurship and innovation, this research might be a first step in becoming an entrepreneur. My passion for the hospitality industry resulted in a presented market feasibility study template for small and medium-sized restaurants, which is the product part of the thesis. Considering the major in International Hotel Management, a subject connected to the hospitality industry was chosen.

1.1 Goals and Objectives

This product type thesis is a market feasibility study which can be used for many purposes but in this case, will undertake a proposed business idea. It will determine whether or not this business idea will work. The idea includes in this case the creation of a template which can be used for small and medium sized restaurants before entering the market. The approach of this study will focus on different cases. Different feasibility studies will be compared and a variety of methods will be used to gain the needed information. Before comparing different examples of market feasibility studies a theoretical background in the current, international and future restaurant industry will be obtained.

- Provide the reader with new information about feasibility studies in the restaurant industry
- Design a feasibility model for the international restaurant industry which can be used for small and medium-sized restaurants before entering the market

- Present a theoretical demonstration for a small and medium-sized restaurant by the application of the market feasibility template

- Define the ideal factors of a market feasibility study for the international restaurant industry
- Learn and become an expert in feasibility studies for the restaurant industry
- Develop an entrepreneurial mindset
1.2 Structure

Starting the research, the author focusses on a few chapters because of necessary background analysis before conducting research for the market feasibility template for small and medium sized restaurants.

There is chosen to start off with a chapter on the restaurant industry because general knowledge about the restaurant industry must be contained before it is possible to judge and/or make assumptions. The chapter about the restaurant industry contains the explanation about the segmentation of the restaurant industry to describe what is included when mentioning the term ‘restaurant industry’. It focusses in a subchapter on the restaurant industry in Helsinki metropolitan area because that is the area the research is based on and conducted in. It includes future trends and failure causes to found on the reasons why market feasibility studies should be done for small and medium-sized restaurants.

Followed up with a chapter about market feasibility study development in the restaurant industry. The reasons for placing this chapter as the second chapter are the correlation between failure causes of restaurants and the use of market feasibility studies and the logic order to first give a general overview of the restaurant industry before going in debt on market feasibility studies. The chapter includes a discussion on different definitions, to first explain what a feasibility study is. The structure and the users of a market feasibility study are explained after to show the reader more insights on how a market feasibility study is set up and what it contains. Ending with the profitable factors of a market feasibility study to give an analysis on, in the authors point of view, the most important factors a restaurant should apply when conducting a market feasibility study before entering the market. This is chosen at the end because only after research done on the previous topic’s, assumptions can be made.

After combining the theoretical research with practical examples & information out of interviews from the restaurant industry, a proposed market feasibility template for small and medium sized restaurants is created in the last chapter. It includes the explanation of the template and the reasons behind it.

The order is chosen because first research has to be done on the current, national and international and future restaurant industry before conclusions can be made about doing feasibility studies in this industry. After conducting research about market feasibility study development, the author made own recommendations and the design of the template.
1.3 Limitations

This thesis includes a part of a market feasibility study. Only the relevant parts for this research will be mentioned, it does not include a financial feasibility analysis because this does not seem relevant for this research since it is focused on the market position and entering a market instead of financing a restaurant. Therefore, this thesis emphasis on market demand, supply and competition.

It does not include a guide on how to write the best market feasibility study for the restaurant industry, instead it explains what important factors of a market feasibility study are helpful for entering the restaurant market and their corresponding grounds. Since no financial based theory is researched, this will not reflect in the market feasibility template. The outcome, in form of a template, will reflect the, in the authors point of view, important factors of a market feasibility study for small and medium sized restaurants.

Since the author doesn’t have Finnish background and doesn’t master the language, it was hard to do research on the Finnish restaurant industry, with the metropolitan area in particular. Additionally, when doing qualitative research in the form of interviews with restaurant managers, it was harder than the author thought to approach and get information out of the restaurant managers. Additionally, because of privacy reasons interviewees are not mentioned by name in this thesis, only the name of the restaurant will be visible.

Table 1. Definitions

<table>
<thead>
<tr>
<th>DEFINITIONS</th>
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<tbody>
<tr>
<td>FUNCTIONAL VIABILITY</td>
<td>The business concept (idea) and its functionality (use of space, departmental concepts and everything else about the way to conduct the business).</td>
</tr>
<tr>
<td>RESTAURANT SITE</td>
<td>The location where the restaurant will be situated.</td>
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</table>
2 The Restaurant Industry

This chapter shortly describes the different segments of the international restaurant industry and their objectives. It focusses on the restaurant industry in Finland, metropolitan area in particular because of further research on restaurants in this range. Plus, it informs the reader about future trends which are convenient for this industry and might have their effects on the way restaurants enter the market.

2.1 The segmentation of the international restaurant industry

The hospitality industry is depending on customer service, a concept shared by all segments of the industry (Reynolds 2017). Yet, the food and beverage segment is the largest element of the hospitality industry which takes the form of high-end restaurants, fast-food restaurants, catering establishments and many other compartments. (Reynolds 2017; Jagels 2007, 527; Feinberg 2016.) Therefore, this chapter focusses on the food and beverage industry, with the restaurant industry in particular. Other segments of the food and beverage industry are excluded because they are of no relevance to this thesis subject.

The restaurant industry includes many different types of facilities and markets. Therefore, the industry is divided into the following segments: eating and drinking, lodging, transportation, recreation and sports, business and industry, educational, health care, retail, corrections food service, military food service and contractors. (Angelo & Vladimir 2011, 85.) Of all the segments, the eating and drinking places are measured as the biggest segment of the restaurant industry with almost 70 percent of total industry sales. Within this segment there are different types of restaurants where over 88 percent of this segment’s sales are made by full-service and quick-service restaurants. Angelo & Vladimir (2011, 85) argue that, full service restaurants are restaurants that feature a dozen or more main-course items on the menu and cook to order. They are usually categorized by price, menu or atmosphere (Akers 2017). To visualize the segmentation according to Angelo & Vladimir (2011), the pie chart on the next page illustrates the different segmentations and their percentage market share in the restaurant industry.
This figure, based on restaurant sales, gives a better overview on the different restaurant segments. Since Angelo & Vladimir (2011) are explaining those segments in 2011, the chart might be a bit outdated. Therefore, a projection of the future segmentation of the restaurant industry in 2020 will be given later in this chapter, taken into consideration future trends.
Of course, this is not the only way to segment the restaurant industry. Most studies agree on the segmentation of the F&B including full service, quick service, eating and drinking places (e.g. on site catering) and retail host (gas stations, grocery stores & fast food chains) (Akers, 2017; Angelo & Vladimir 2011; Lowery 24 October 2012). However, other sources argue that the restaurant industry should be segmented by price, service, cuisine or customer type (Ashe-Edmunds 2017). Since Angelo & Vladimir (2011) describes the segments most detailed with, according to the author, all needed information included this division is described in this thesis.

![Figure 2. Restaurant traffic growth by segment 2016 in the U.S.](image)

The figure visualizes the different segmentations according to Akers (2017), the four segments shown are also widely used in the restaurant industry. Even though, this thesis will hold on to the segmentation of Angelo & Vladimir (2011), the different form of segmentation of the F&B in the restaurant industry is shown because this chart clearly notifies the growth per segment. The growth per segment is visualized in percentages of traffic change for the year 2016. To point out, it is seen in the restaurant industry that there is a major growth in the quick service restaurants, also known as fast casual segment. (Akers 2017; Euromonitor 2016.) This segment will be discussed more into detail later in this subchapter.
Eating & drinking

Full-service restaurants
Looking at *prices*, restaurants can be divided into luxury, high-priced, mid-priced, or low-priced. Luxury restaurants are mostly smaller than the others and operated independently. They have ingenious chefs and offer table-side cooking. The high level of service given in these restaurants makes them employ the most kitchen and dining room employees per guest of the types of restaurants. (Angelo & Vladimir 2011, 85.) Fine dining restaurants used to have French cuisine but in the restaurant industry of today this is no longer a must. “Nowadays, top restaurants often feature regional specialties and fusion cuisine, which blend ingredients and flavours from all over the globe” (Angelo & Vladimir 2011, 85). Moreover, the international restaurant industry is guided by innovative young chefs who experiment with all kinds of food (Lowery 24 October 2012). High-priced restaurants are usually larger than luxury restaurants but are also operated and owned independently.

Restaurants like Chinese Wok restaurants or pancake restaurants are full-service restaurants defined in terms of *menu*. To illustrate, Howdy’s Pancake restaurant specializes in all kinds of pancakes on their menu. The only thing they sell is pancakes and they are very well known for this in The Netherlands (Howdys 2016). Ethnic restaurants, as the Chinese Wok, which can be find anywhere in Europe, focus on their specific cuisine per country. Examples of ethnic restaurants are Greek, Japanese, Italian, Indian etc. (Angelo & Vladimir 2011, 86; Egerton-Thomas 2006, 237; NRA 2014.)
Besides price and menu, some restaurants stand out because of their *atmosphere*. Exclusive interior, architecture, venue or setting gives a restaurant a particular atmosphere. For example, the Hard Rock Café chain, situated all over the world, offers a rock-and-roll music atmosphere (Hard Rock Café International, Inc 2017).

Such themed bars are getting more popular nowadays. The wish for personalization continues as customers look to themed bars and night clubs where they can socialize, eat and drink in an atmosphere that resonates with their unique interests (Trendhunter 2017). Bars are also themed around one specific type of alcohol. As so the Shinagawa Highball Bar in Tokyo is an example of a bar centralized around a specific type of alcohol. The bar is decorated in all whiskey-themed elements. There are bottles covering the walls and the front door of the bar resembles a whiskey barrel. (Trendhunter 2017.)

![Image 1. Shinagawa Highball Bar (Ahmadi 2017)](image1.jpg)

Besides themed bars, a lot of themed cafés are also popping up more often. Mostly in the form of quick-service restaurants. Most of those concepts are copied from concepts of the United States. A good example is the cookie dough café in which you can buy all different kinds of cookie dough in a horn. It is the same concept as an ice cream shop but then with cookie dough as main product. (AD 01.03.2017.)

Some studies categories full-service restaurants in other ways, which is interesting, namely; casual restaurants and family restaurants which can be added to the segments (Egerton-Thomas 2006, 233; Allan 2006, 177). In the authors point of view, these should be added to the segmentation used by Angelo & Vladimir (2011) because otherwise it will be seen as incomplete.
Eating & drinking

Quick-service restaurants

Quick-service restaurants are restaurants which offer a narrow selection of food, limited service and focus on speed of delivery and preparation of food. Quick service restaurants are also known under the name fast casual or fast food restaurants. In this thesis, the term quick service will be used because in this case it is easier to make a distinction between quick service and full service restaurants.

An example of a quick-service restaurant is McDonalds, serving almost 50 million customers each day in more than 118 countries (McDonald’s 2017). Most of the quick-service restaurants, same as McDonald’s, are open almost 24/7 because of their aim for convenience. Besides that, McDonald’s is a leading in quick-service marketing campaigns. It follows the current trends in the restaurant industry and adapts its products on those trends. Furthermore, it adapts the restaurant to the location. To illustrate McDonald's Rovaniemi, Finland has a drive-through unit designed for snowmobiles. (Angelo & Vladimir 2011, 89.)

However, Mr. Allen, a third-generation restaurateur and one of the most quoted experts in the global restaurant industry, argues that McDonalds might be became a chain too big to change. Because what McDonalds needs to do, he thinks, is impossible, just because of their size. 'If the brand wanted to switch to responsibly raised proteins and introduce for fresh and organic, they can’t get enough suppliers.' (Allen 2015, 179.) In the author point of view, the size of the chain needs to be taken into consideration before restaurants can tell that they are changing their concepts or adapting their products.

Especially since a survey around customers by the National Restaurant Association found out that customers have become more focussed on health and sustainability considering their choice of food. Therefore, a lot of chefs considered nutrition and health when panning the menu (Lynn 2012, 98; DiPietro, Gregory & Jackson 2013). Going green is the trend which is effecting the quick-service restaurants nowadays. Studies show that although people want restaurants to use green practices, they don’t want to pay a higher price for those practises. Moreover, it shows that people who already use green practises at home, think of recycling, local products, separation of waste etc. tend to go to green restaurants more often. Quick-service restaurants should therefore gain more knowledge about how to market their green restaurant to increase awareness of the mainstream population. (DiPietro & al. 2013.)

On the other hand, the quick-service restaurants are coming up with a new kind of segment. Quick-services are also seen as a fresh and rapidly growing concept, which position
themselves between fast food restaurants and casual dining restaurants. Nowadays they are the hybrid of the two concepts, providing counter service and offer more freshly prepared, customized and high quality food in an upscale and inviting ambiance. (Forbes 2016.) Thus, they have a minimum table service but this is reflected in the cost per meal which is from 8 to 15 euros. An example of this kind of restaurant is Vapiano where the focus is on preparing fresh pasta’s or pizzas for a reasonable price in a modern atmosphere, with only counter service (Vapiano. 8.3.2017).

Even though this fast-casual segment it is the smallest segment of the eating & drinking places, with only 7,5% of market share, the growth outlines the rest of the industry (National Restaurant Association 2016).

Figure 3. Table market share figures of the restaurant industry in the U.S. 2016 (National Restaurant Association 2016)

<table>
<thead>
<tr>
<th>Restaurant Type</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full service</td>
<td>48,5%</td>
</tr>
<tr>
<td>Quick service</td>
<td>43,8%</td>
</tr>
<tr>
<td>Fast casual</td>
<td>7,7%</td>
</tr>
</tbody>
</table>

The table shows that the market share is the smallest of all restaurant types however, sales for the fast casual restaurants were in 2015 13.5% over 2014. Revenue rise another 10,4% from 2015 to 2016. While the industry as a whole grew only 5,7% in 2016 and 5,3% in 2015. (National Restaurant Association 2016.) Even though, the information is based on the U.S. it might be assumed that those trends will come to Finland in the near future.

**Lodging operations**

Lodging operations, operations where people stay away for house and accommodate, are other venues where food and service outlets can be situated. Those restaurants differentiate from gourmet restaurants to coffee shops and are often situated in hotels and motels (Rushmore 2001, 155). Hotels are marketing their restaurants better as ten years ago and can use their restaurant as an advantage against the competition (Angelo & Vladimir 2011, 90).
The transportation market
Besides the lodging and full- and quick-service market, there is a huge amount of restaurants in the transportation market. Many people are travelling nowadays and eat during their trip. All kinds of facilities are popping up, think of highway stops, airplanes, trains, airports and (cruise) ships. (Angelo & Vladimir 2011, 90.) Food service outlets in transportation areas are often limited in menu choice and are connected to food companies that can sell their products in terminals. Other sources sometimes include the transportation market in the quick-service segment, however in the authors opinion it is important to briefly separate it from the quick-service segment because transportation does not only include quick-service restaurants. There are a lot of transportation location where for example full service or gourmet restaurants are situated. (Ashe-Edmunds 2017, 194; Akers 2017.)

Recreation & sports
Food service outlets in recreation and sports include facilities at arenas, stadiums, movie theatres, amusement parks and other attractions. Most of these food service outlets are often run by contract food companies. The food served differs per outlet. For example, attraction parks as Walt Disney World offer all kinds of food services from candies in kiosks to tenderloin beef in gourmet restaurants.

Business & industry
Also, run by contract food companies is the business industry market which can be defined as non-food service businesses that offer on-site food service to their employees. This market, same as recreation and sports, makes use of contract food companies as Sodexo and the Compass Group. Contract food companies like Sodexo have to deal with increasing competition in the business and industry market amongst quick-service and limited-menu restaurants which are more commonly located close to business districts. (Angelo & Vladimir 2011, 92; Egerton-Thomas 2006, 235.)
Retail
Nevertheless, the growth of take-out and delivery is one of the trends that segments the market. People start to cook less, especially in America. Over the past five years it was popular to buy food prepared outside and bring it home to consume it. This is similar to the marketing trends, where research has shown that, people increasingly use their homes for recreational purposes (Bakas 2006, 156). Since retail business take-out sales are increasing this reflects negatively on the sales of full-service and quick-service restaurants. This is due to increased marketing campaigns of supermarkets of their take-out meals. A lot of supermarkets are increasing their prepared food service operations. This results in supermarkets offering salad bars and fresh baked breads. Supermarket research has shown that the food sold in supermarkets is much fresher than the food sold in restaurants and they take advantage of that. There are even supermarkets which offer space to have dinner for reasonable prices and dishes cooked with fresh (not frozen) ingredients (Jumbo 2016). Those so called, food courts are another upcoming trend in the supermarket food service industry and a challenge for the restaurant industry. (Angelo & Vladimir 2011, 94; DiPietro & al. 2013.)

Educational, health care and correctional institutions
Furthermore, there are the last three segments will be briefly discussed because they are not of high importance of this thesis subject but still need to be mentioned. 
First, the educational market, which includes schools that operate their own cafeteria or restaurant and schools that outsource and contract food service companies to manage their food service (Angelo & Vladimir 2011, 92).
Second, the health care market which can be divided into three segments: hospitals and other medical centres, nursing homes and retirement communities. This market is believed as high potential market for food service management companies by experts (Bakas 2009, 161). Both of those segments use food contract management companies to provide food service however, in many cases health care facilities have their own food service departments. Besides that, hospitals operate vending machines, coffee shops, employee cafeterias, day-care food programs etc. themselves.
Third, there are state and federal prisons which belong to correctional institutions, which contain another segment of the food service industry. Those institutions often have limited budgets for food service and therefore economy of scale can make a difference in the type and variety of food that will be offered to inmates. Contract food companies are therefore very interested in this segment. (Angelo & Vladimir 2011, 94.)
Food contractors

Those contract food management companies are operating in non-commercial food services like mentioned above. One of the largest contract food companies is, as already mentioned, Compass Group and Sodexo, they are serving sport areas, tourist attractions, schools, office buildings and health care facilities. Contractors are hired by those companies who want to outsource their food service operations. In addition to food service, some of those contractors provide other services as well as for example housekeeping or laundry. (Angelo & Vladimir 2011, 95; Compass Group PLC, 2014.)

Nevertheless, some sources argue that the large food contractors have difficulties because a lot of other food delivery companies are coming up. Foodora is one of them, this company has a site and application on which customers can order from around 7000 restaurants worldwide. They cooperate with chefs from the participating restaurants to design menus that will arrive fresh and fast. In this way, you don’t have to go out for dinner anymore but customers can order food to your door. It is also recognized by Apple as one of the best apps in 2015. (Foodora 2017.) Not only sites like Foodora are highly popular among the 2017 consumer, sites where you can buy almost everything in one time are also stimulating the demand for delivery. More about these trends will be explained in subchapter 2.3.
In conclusion, after explaining all segments of the restaurant industry, the pie chart above shows the prospected restaurant segments based on sales for 2017.

The commercial restaurant services include:
- Eating places (full service, quick service; fast food & fast casual)
- Bars and taverns
- Managed services (industry & business, health care, educational, recreation & sport)
- Lodging places
- Retail, Vending, Recreation & Sports, Mobile

The non-commercial restaurant services include the following segments:
- Educational
- Transportation
- Health care
- Recreation & sports

To point out the highlights of the projected restaurant industry sales compared by segment; in the commercial restaurant services the most significant fact was that for eating
places cafeteria’s, grill buffet’s and buffets are declining with a percentage of 6,1% but fast casual services are increasing a lot as explained above. For managed services the hospitals and nursing homes are increasing sales with 4,2%. The most interesting for the lodging places was that the recreation and sport is increasing with 3,6%. The most significant number of the non-commercial restaurant services was the rise in transportation sales with 2,8%. Note those are all projected industry sales percentages. (National Restaurant Association 2017.) To refer to the numbers see Appendix II.

There are many ways to segment the restaurant industry. Since not all segments are important for this thesis subject the segmentation of Angelo & Vladimir (2011) is chosen as the most detailed one. It has formed a basis of information with other sources added to criticize and reflect on this way of segmenting the market. However, since this report focuses on the feasibility studies for restaurants, the segments educational, health care, correctional institutions and military food service are just briefly described in this subchapter and excluded from the next subchapter. The focus for the next subchapter is on eating and drinking places in Finland with in particular quick- and full-service restaurants.

2.2 The restaurant industry in Helsinki

For this subchapter, the restaurant industry in Finland will be narrowed down to Helsinki, Metropolitan Area because only further research will also be done in this field.

Currently, full service restaurants are experiencing a change in concept to maintain customer demand, new trends and increase sales (Euromonitor 2016). To illustrate, S Group opened two new restaurants, which are set to become chain restaurants, both created to be managed in shopping centres. Tsiken in 2015, an ethnic restaurant servicing African, Asian and Mediterranean dishes with an on-site spice bar and Qualitano, a pizza restaurant (Tsiken 2016). Both are focussed on offering higher quality food by reasonable prices. Shopping centres are becoming more and more important in the city centre of Helsinki. A lot of people like to shop and eat in the same place (Lehto 2016). Moreover, a trend which many restaurants in Helsinki experience is transparency. A lot of restaurants popped up in the shopping centres, for example in Kamppi Shopping Centre with open kitchens where customers can see their dishes prepared and cooked.
Besides that, ethnic flavours are upcoming and restaurants as African Pots, serving Nigerian, Ethiopian dishes as well as food courses are wanted. The customers are searching for authentic tastes, open kitchens and customized ordering. (Euromonitor 2016; Lehto 2016.) As Lehto (2016) agrees; “The Helsinki food trends will strongly relate to: getting the food easier, more versatile catering services, vegetarian food, easy-going service and increasing offerings of ethnic food.” However, Kesko’s Plussa Database (2016) argues that those food trends are mostly based around experiences and feelings. They did research in supermarkets, which resulted in some similar trends as Lehto (2016) but also some new ones popping up.

To illustrate, Kesko noticed that consumers followed the informed consumption trend. This is a trend towards favouring ethical food, which is on the rise in Helsinki and Uusimaa, while food waste and smart consumption are for example more popular in the east and northern parts of the country. This trends also results in the demand for Finnish and locally produced food. As shown in the picture below, it results in different products in the shopping baskets of Finnish customers. (Kesko’s Plussa Database 2016.)

![Image 2. Informed Consumption Trend Result (Kesko Plussa Database 2016)](image)

There is a steady demand throughout Finland for solutions that make your everyday life easier and quicker. That is the reason why the demand for take away and other take-out foods will grow. This is an important food trend but it is a bit conflicting as well. People are searching for ways to make everyday life easier but they do not always want to admit this. The demand for food that can be prepared quickly and semi-finished food products is still very high. However, the reasons for the demand for those products are mostly based on experiences.

“Consumers are keen to experiment, particularly at the weekend. At the start of the week, customers are busy, so they need to be offered quick and easy food.” (Timonen, M 2016 K-citymarket Itäkeskus) That is why this trend might grow faster than people would be willing to admit. (Kesko Plussa Database 2016.)
One of the biggest trends in Finland is the “every day well-being” trend which includes better choices for people’s well-being. The fruits and vegetables are becoming even more popular than they are today. It also results in better everyday food including not only healthier food but also more variety in food choice and enjoyment. Consumers want to eat more fruits and vegetables and use less sugar in their daily life. Diversity is seen as important and results in using seasonal foods for their everyday meals. This relates in for example the preference for more white meat over red meat sold in supermarkets. The products below are another result of the everyday well-being trend. (Kesko Plussa Database 2016.)

![Image 3. Everyday well-being trend result (Kesko Plussa Database 2016)](image3)

Since trends are always followed up by other trends, it can be stated that vegetarianism is one of the trends which is a result of the everyday well-being trend. The mainstream now chooses vegetables above meat as well. The increase in the amount of vegetables consumed, experimenting with different kind of (locally produced) food and the aim to reduce the impact on the environment, has all led to a popularity in vegetarianism. (Kesko Plussa Database 2016.)

Especially around the capital area, the veganism and vegetarianism plays a big role. Helsinki goes vegan, including all their restaurants. If restaurants are not able to offer a vegan or at least vegetarian option people will be disappointed (Woolshed 2016).

An example of veganism is the Finnish start-up Gold&Green Foods offering pulled oats.

![Image 4. Pulled Oats Plain Flavour (Gold&Green Foods 2016)](image4)
Those pulled oats are a patent-protected, plant-based protein which can be replaced for meat. They are made from oats, broad beans and peas by a patent-protected sheared technology, containing one third protein. The ingredients are local since they grow in the Nordic region. The product comes in different kind of flavours like for example pulled oats flavoured like kefir lime, sesame and ginger. "The company brings this product to the international market following a 51% acquisition by Paulig Group" (Michali 2016). Gold&Green Foods had already two million sales per year but the demand for it was much more than in Finland only. Therefore, they are starting to expand to the other Nordic countries. (Michali 2016; Gold&Green Foods 2016.)

Taking a look at the industry, S Group is one of the biggest leaders in the Finnish restaurant industry. They have a value share of 4% (Euromonitor 2016). It has a lot of full-service restaurants chains, which are popular to Finnish restaurant customers. All of them are following current trend in menu updates and concepts and have good marketing strategies. (Euromonitor 2016.) To illustrate, S Group makes use of a loyalty program which already has over 2 million members, this helps them in their sales and customer retention. Besides the information available on Euromonitor International, S Group (2016) also has non-chained restaurants which numbers are not available in this online database.

The quick-service restaurants, concerning mostly fast food outlets, are highly popular in Helsinki. This segment is as well dominated by restaurant chains. Kotipizza is the largest public restaurant chain in Finland, Helsinki, with as his competitors Hesburger, Rolls, McDonalds and Subway (Alternative Finland 2013). Furthermore, the fast food restaurants in Helsinki are shaped, same as the full-service restaurants, and influenced by the Nordic climate. This means that a lot of the street food is situated in indoor venues. Similar to the full-service restaurants, the transparency trend also has his influence in the quick-service restaurant industry. To illustrate, open kitchens are also feasible in this segment. The demand for fresher and higher quality fast food and gourmet street food (pizza and hamburgers) has his influence as well. For example, Hesburger now uses domestic meat instead of German pork and Kotipizza replaced its Brazilian chicken with domestic chicken. (Euromonitor 2016.) The chain leader in this segment is Burger-In Oy, which has many franchises. Hesburger is one of the most popular restaurant chains and is situated largely on a national level (Euromonitor 2016; Alternative Finland 2013). Aaron Allen (2015) agrees in his blog that the fast-casual restaurant market is booming.
However, food delivery companies like Foodora and Wolt are upcoming as described in the previous subchapter. Quick-service restaurants are already starting to offer this as well and not only fast food restaurants. It is already possible to order a portion of Meze from Restaurant Levant or a pulled pork sandwich from Street Gastro. (Lehto 2016.) Nonetheless, not all customers are happy with the food delivery, some say it is affecting the quality of the food but others argue that they focus only on the functionality and easiness of ordering food online not specifically on the quality of the food (Lehto 2016; Feinberg 2016). This is still a bit tricky, some customers are highly motivated to order food online and others are still searching for the real ‘going out for dinner’ experience. Even though there are different opinions, there is no doubt that the food delivery sector is growing and many more food options are available to order online. (Euromonitor 2016; Kesko Plussa Database 2016.)

Furthermore, a lot of people live in the suburbs instead of the city centre of Helsinki. That is why restaurants are now moving to those areas as well. They become more important as well because of the large population living in this area. (Globe Media Ltd 2017; Euromonitor 2016.)

Expectations for the Helsinki (metropolitan area) restaurant industry are that the trends of modern concepts and interiors, like the preferences of the target customers, will continue. Next to that, restaurants are transforming into bistros. In Helsinki, there is not much demand for fine dining restaurants, instead people like to go eat in more relaxed straightforward places. Restaurant Pompier is a good example because it used to be fine dining restaurant Postres but nowadays is focussed on becoming more bistro style. Plus, a lot of stores have cafeteria on the side. These concepts, of shared facilities, has never seen before in Helsinki. In this way customers, can enjoy a cup of coffee while searching for some furniture or decorations in the shop. (Lehti 2016.)

Those bistros are results of a trend going on in Finland where people want to have the fine dining experience but do not want to spend too much money on it. The bistros fulfil this need in providing the fine dining experience for less money. Another tool to do this is the use of a celebrity. Because of the awareness and popularity of a for example famous chef, restaurants attract people. With the use of those celebrities they can also offer good quality food for a lower price. Jamies Italian is one of the examples for having a fine dining meal, designed by chef Jamie Oliver for a reasonable price in a bistro like restaurant. In Helsinki a good example can be Naughty Brgr, a restaurant established by top chef winner Akseli Herlevi. Because of his name and the TV show Top Chef Duels in 2015 a lot of
people went to his burger joint. His restaurant is now up and running. (Naughty Brgr Oy 2017.)

Not only in restaurants people are seeking to fine dining experiences for lesser money, also at home the interest to experiment in culinary ways is growing. If there is time during the weekend people want to experiment and put time and effort in their meals. This is done by for example experimenting with international flavours. People are seeking for new flavour experiences, getting to know more herbs and spices. That is one of reasons why for example coriander is now a very common product in the supermarket. These exotic ingredients are becoming more popular and people will constantly try new food innovations and try out new flavours in 2017. (Kesko Plussa Database 2016.)

In conclusion, Full-service restaurants will offer a relaxed atmosphere, unique dishes, reasonable prices and trendy interiors. The Finns will increase their demand for food with authentic and fresh ingredients which will reflect the full- and quick-service restaurant industry. (Euromonitor 2016; Allen 2015.) Quick-service restaurants, currently mostly fast food restaurants, will slowly move to a more gourmet experience while fine dining restaurants will move to a more bistro-like atmosphere. The use of local and healthy (vegetarian) products will be, besides in the supermarket, popular in this restaurant segment as well (Euromonitor 2016; Kesko Plussa Database 2016).

To give an overview of the trends in Finland the pie chart besides visualizes the most important trends, whereas veganism and vegetarianism is taking separately because of it’s high influence on the restaurant industry.

Figure 5. Pie chart most important trends Finland 2017 (Kesko Plussa Database 2016)
To shortly explain the chart, the veganism & vegetarianism is one of the healthy life style trends highly popular in Finland. Following up with ethnic flavours which result in more international restaurants popping up in Helsinki metropolitan area. The ethical and local food trend is mostly seen in supermarkets where consumers prefer to buy ethical and local products. The everything quick, visualizes the trend where people want to have to food or dish prepared in a quick and easy service.

This results in an increase in take-out options for restaurants and a rise of delivery companies, like Foodora, which delivers the products to the homes of customers. Shopping centres are upcoming & trendy and a lot of restaurants are wanting a spot in those centres, plus are moving to the suburbs instead of the city centre. The experiences visualize the customer who wants to go out for dinner to gain an experience. It can be seen in the upcoming bistro restaurants where the focus lays on fine dining experience for a reasonable price.

2.3 Future restaurant industry

Since the restaurant industry is changing, a lot of services evolve and adapt to the century we are currently living in. The purpose of ‘the restaurant’ has changed from a casual night out, to entertainment for the guest. Back in the days’ restaurants offered a useful service and solved problems like what to eat, where to meet for example for people who lived at a distance from each other (Egerton-Thomas 2006, 34). However, nowadays many people visit restaurants as an exercise itself, a search of escape, almost in the same spirit as they would go to movies or the theatre. Today’s guests are value driven, health conscious, hyper-connected, social and collaborative (Feinberg 2016). Futurist Mr. Bakas (2006, 103) agrees on this by saying that; “Integration of theatre and dinner will become more popular, and going to a restaurant will be an experience instead of a practise.”

However, people tend to feel that they are under time pressure (Feinberg 2016). This results in the way we deal with time more rationally and in a more planned manner than before. A result of this, is the trend of “nostalgia for domesticity”. People indicate a new desire for the security of the home environment. We prefer to stay at home with friends than go out. (Bakas 2006, 102; Lynn 2012.) This will cause an increase of competition of restaurants against food delivery companies. Some quick-service restaurants offer food delivery already, besides their restaurant service, but it’s becoming more and more important for full-service restaurants as well. Additionally, because of our manors of saving time, take-aways will rapidly proliferate in large cities and will be used a lot (Bakas 2006, 132; Lehti 2016).
An example of a food delivery company is Picnic, this Dutch company is an online supermarket which delivers the products for free. The application is a combination of the Uber application where you can see your food coming in a small Picnic truck and the regular supermarket application where consumers can put all their groceries in a basket (image below). There are a lot of supermarket applications who offer to bring your groceries at home but this one has a huge offer of not only things consumers buy in the supermarket but also the pharmaceutical products, alcohol, cleaning and basic cosmetics can be find on the application. In this way, a consumer just orders in one click, all of the necessary products and free delivery to their homes. (Picnic 2017.)

Image 5. Picnic ORDER1-PAY2-DELIVERY3 application (Picnic 2017)

Besides food delivery, it is also possible to instead of the food, bring the chef to your home. Nowadays, many of the professionals of the restaurant industry do private chef and catering jobs alongside their day-to-day jobs. Booking a private chef to parties and events has increased in popularity. Tailored service is what makes the use of private chefs unique for the customer. (Lehti 2016.)

Another trend which influences the restaurant industry is the healthy lifestyle trend. Healthy food restaurants popping up more and more. Catering to vegans, vegetarians and diners who seek purer food are now an established genre (Egerton-Thomas 2006, 34; Jagels 2007, 528). Everything is focused on fresh ingredients (Allen 2015). Besides, the mainstream also starts to value vegetarian food, they don’t need to have fish or meat every day. Vegetables are not only a side dish anymore (Lehti 2016). There will be an increase on supply and demand of vegetarian food. Many restaurants have already adapted their menus with vegetarian dishes. For example, Mediterranean restaurant Krog Madame informed their customers on Facebook about the extend in vegetarian options on their menu. (Lehti 2016; Allen 2015.)
Restaurant managers think that if you are not offering a vegetarian option you might miss market share (Woolshed 2017; Mala 2017). Furthermore, they noticed that new generation customers have a lot of knowledge about food before entering a restaurant. “Customers know a lot more about food and even foreign food nowadays” (Mala 2017). All of those trends will affect the restaurant when entering the market.

Technology has always brought drastic changes to our lives. In the food and restaurant sector, the production of 3D printing and Nano-food can be expected. This food, which has the same taste and nutritional content as organic food, is cheap and directly available. (Bakas 2006, 101.) Furthermore, because of technology; loyalty programs, customer and employee engagement and of course restaurant operations are formed (Feinberg 2016). Besides that, it will influence the industry in many options, think of impacting ordering, food preparation, delivery, marketing and venue selection. It will not be a surprise hearing that more restaurant operations could become automated, decreasing the need for large staff (Omazic 2014; Mala 2017).

A trend which can be seen in the quick-service restaurant industry is a "build-your-own" option which gives guests the opportunity to let them key in their customized order at the ingredient level for the kitchen to prepare on-demand (Feinberg 2016). Think of tablets, guests choosing the preferred ingredients and open kitchens were chefs prepare the meals right after the order. Even mobile payment is something where a lot of research and development departments are struggling with. Since people use their mobile phones for almost everything why not use it for reserving a table or paying for meals. The benefits for the restaurant industry enabling mobile payments includes the ability to track the behaviour of guests and receive the data and trends. The benefit for the guest is again the speed and convenience of the service. (Creamer 2016.)

Even though, this trend might be of high impact on the restaurant industry, Mr. Allen (2015) argues that only a few restaurant companies are investing in mobile, digital, social and technologies that help with a lot of things from increasing revenue to decreasing costs, improving efficiency and improving the guest experience. The author agrees on this because the trend might be there but in real-life not many restaurants are adapting to this trend.
Looking at the image, it confirms that even though the technology is there not many restaurants use it but if they would use it, it will improve for example efficiency and guest enhancement by predictive ordering (National Restaurant Association 2016; Allen 2015).

Of course, there is always the doubt, the restaurant industry is a human served industry. The question can raise are robots friendly enough? Well, when they make sure the food is served fast and the service is personalized people seem to accept it. Everyone has seen it, banks, airports, hotels all change their layout to accommodate self-service, so it is going to happen in restaurants as well (Creamer 2016). Besides those technological trends the social media has a huge impact on the restaurant industry. Restaurants are constantly focussing on how to present themselves on social media. (Woolshed 2017; Mala 2017.)

An example of a quick-service chain who is adapting technology to current trends, as for example the rise of food delivery, is Dominos. ‘Dom’ is their newest employee, a voice controlled pizza ordering robot who is THE pizza expert in the Dominos app. Dom helps you to order your pizza or tells a cheesy joke. In those ways it is recognizable that the industry is changing according to technology. (Shorty Awards 2016.)
Next to industry trends there are a couple of food trends having their impact on the restaurant industry. Authenticity, as already mentioned, has his impact in form of regional ethical food like for example African or Southern American flavours and dishes, low and no alcohol drinks are becoming more popular, of course vegan or vegetarian food has increased with for example healthy snacks, minimum food waste is what customers want to see and insects and Instagram ready food are trendy on social media. (Allen 2015; National Restaurant Association 2016; BBC 2017; Lehto 2016.)

To conclude, the most important trends for the upcoming years who will affect the restaurant industry are food delivery, private chefs, healthy lifestyle with focus on fresh products, vegetarian and vegan food, customization of ordering, mobile payments and the package of food trends described above.

2.4 Failure causes of restaurants

The restaurant business is one of the easiest businesses to enter. At least that is what starters think! Newcomers do not see a lot of barriers since not much capital, compared to other businesses, and no experience is needed. Ovens, stoves and other equipment are readily available. However, starting a restaurant can be harder than it looks, restaurateurs have to think about the right location, concept, competition, pricing, target group etc.

Keep standing in this business is the real challenge. Because having a good cook, the right equipment or a popular host is not enough. The restaurant industry is more complicated than it appears. Studies of Cornell and Michigan State Universities found out that 57 percent of surveyed restaurants failed within three years and 70 percent closed their doors after ten years (NRN 2003, 25). However, Associate professor of Hospitality Management at Ohio State University, Mr. Parsa, carried out a study of almost 2500 restaurants in Ohio, for a three-year period 1996-1999. He found out that the failure rate for restaurants was around 60 percent (Egerton-Thomas 2006, 9). Since both the researches show similarities in numbers, even though the locations are different, it can be assumed that the failure rate amongst restaurants is 57 to 60 percent. While a 60 percent failure rate may still sound high, but it is compared to other industries, average for new businesses, according to statistics from the Small Business Administration and the Bureau of Labor Statistics (Miller 2007). More accurate and the actual figures can be even higher because some restaurants just close because of limited capital and will be unrecorded. (Angelo & Vladimir 2011, 96; Egerton-Thomas 2006, 9.)
There has been a discussion for years about the main reasons why a lot of restaurants fail every year. Angelo & Vladimir (2011) argues that the most outspoken reason is the lack of business knowledge and experience. When starting a business in the restaurant industry operators should have working knowledge of marketing, law, accounting, human resources, finance and engineering (Angelo & Vladimir 2011, 96; Egerton-Thomas 2006, 10). Secondly, there is the lack of technical knowledge or poor management. A lot of famous persons have tried to open their own restaurant because of their names or publicity but the ones who can succeed do not need the name they must understand menu planning, site selection, purchasing, recipe development etc. In this way it is easier for an operator to deliver a great service that meets the needs of guest. Then there is the lack of sufficient working capital, which is the biggest roadblock to enter the business. (Egerton-Thomas 2006, 9; Lynn 2012, 39.)

However, Cornell University did a research on failure rates of restaurants and found out that, most of the studies done on restaurant failure only focus on the economic perspective. This includes economic reasons such as decreased profits, bankruptcies and for example frozen assets (Parsa & al. 2005, 305). They argue that there are more perspectives to look at a failure of a restaurant namely a marketing perspective and a managerial perspective.

The study agrees on the fact that most restaurants fail during the first stages of the life cycle because restaurants are the most vulnerable at that stage. Nevertheless, this also indicates that the longer the company exists, the less likely it is to fail. (Parsa & al. 2005, 305.)

The study points out that besides internal factors, as managerial problems and capabilities of management, external factors are the ones effecting the restaurant most. This can be solved by research in the beginning phase of the restaurant. Before entering the market research on operations and accommodations should be done. This matches with the lack of business knowledge and experience, which can be resolved by doing research before starting a restaurant.

To illustrate, the location the restaurant is situated and the ability to differentiate itself from competition is highly influencing the restaurant. Moreover, the adaptation to market trends and the size of the company are forcing the restaurant to act accordingly. Nonetheless, the study agrees on the fact that, the limited resources in the beginning, are a main struggle for the restaurant because it needs to adapt to changing conditions of the external en-
vironment. (Parsa & al. 2005, 308.) Especially, when looking at the Finnish restaurant industry, this market is heavy to enter. Real estate in Finland is conservative, and for private entrepreneurs hard to enter. The reason for this are the high taxes entrepreneurs have to pay to the government to open a restaurant. Not every owner or operator has the capital to spend a large amount of money in the beginning (Woolshed 2017; Mala 2017).

This means, that as a restaurant operator you should expect to lose money the first years after you reach the break-even point. This can take years. Loss, change and problems with adaptation to the market are causes for failure. A lot of operators underestimate this and the amount of capital they should invest. (Angelo & Vladimir 2011, 96; Egerton-Thomas 2006, 10; Parsa & al. 2005.) It could be that there exists correlation between a restaurant failure and the conduction of a feasibility study. However, this is not confirmed yet and research has to be done still to determine whether or not this might be true.

To summarize, the model below visualizes the four most important failure causes of restaurants. Whereas, the focus for the next chapter is on the last failure ‘lack of advanced research on operations & accommodations’ and the ‘lack of business knowledge and experience’. Which, as recommended by the author, can be solved for small and medium restaurants by conducting a market feasibility study.

![Failure Causes of Restaurants](image-url)

Figure 7. Model failure causes restaurants (Kolster 2017)
3 Market Feasibility Study Development

This chapter describes the meaning of feasibility studies in the restaurant industry. It explains how a market feasibility study is set up by big companies, how to use it and by whom. Besides that, it explains the reasons why small and medium sized restaurants should also use a market feasibility study and the factors which might be relevant for restaurateurs to take into consideration before entering the market. Ending with the author’s recommendation of most valuable factors of a market feasibility study.

3.1 Definition

Every market feasibility study shows how things work and if they will work. They contain risks and potential problems and are mostly created for ideas, processes and businesses. It is not just a report to provide for investors to sell your business to, but they are seen as an assessment tool. (Wolfe 2016.) Nevertheless, a market feasibility study is not designed to prove that a new business will be profitable. An independent market feasibility study that is professionally prepared by an impartial third party, could result in either a positive or negative recommendation. If it is negative, both the borrower and lender should be happy that the proposal is not developed. However, if it is positive, this should not be taken as a guarantee of success. A market feasibility study can only consider what is known at present and what may happen in the future. Since the future is hard to forecast accurately and so many unforeseen factors can come into play, there can be no guarantees. (Jagels 2007, 528.)

Another name often used to define feasibility study is market feasibility study or pre-market feasibility study. Considering this thesis, market feasibility study will be used as preferred definition, which is seen as a logistical study, compared to a marketing plan which is a specific action plan. A market feasibility study looks at the viability of an idea with emphasis on identifying potential problems looking at how thing works and if they will work. (Singh Uppal, 2010.)

Other definitions often used in the restaurant industry are feasibility analysis meaning an analysis and evaluation of a proposed project to determine if it is technically feasible, with the estimated cost and will be profitable (Business Dictionary, 2016). However, they argue that feasibility studies, in this context, are almost always conducted where large sums are at stake.
Furthermore, a market feasibility study is sometimes referred to as a market feasibility tool which is seen as a tool in evaluating the probability of success and risks associated with the restaurant project (Gilkey & Associates LLC DBA, 2017). Since, considering this thesis, it is not seen as a tool but a study which analyses the viability of an idea this definition will not be used.

3.2 Structure of a market feasibility study

Creating a market feasibility study contains different steps. Of course, the scope of a market feasibility study differs per venue. However, the basic format is the same. A market feasibility study can be divided into different factors: the front matter, general market characteristics, site evaluation and a supply and demand analysis (Jagels 2007, 529).

Starting off with the front matter which includes an introduction, the reasons for the study and sometimes even a short summary of the highlights of the findings, conclusions and recommendations will be presented.

The general market characteristics describes a short explanation of the industry your business is in categorized, for example transportation, housing, general area’s population growth trends. (Wolfe 2016.) Following with the site evaluation, which is the in depth section on the site location including maps, transportation routes, parking space requirements etc (Jagels 2007, 529).

Furthermore, an analysis of the current market should be done. This can be done via for example polls on the internet, questionnaires for specific target groups or even a general population or surveys addressed to customers. By doing this, evidence will be gained about the demand/market of the business. The Department of Labor can help in defining which markets run smoothly, employee growth can be an interesting indicator.

Besides that, the supply and demand analysis looks at trends, past, growth and current markets which will give a great insight on the future market. The best feasibility studies focus on already successful businesses. Facts and figures need to be included to make it easy and interesting to read. (Singh Uppal 2010.) Learn from your competition and include it in your market feasibility study. It includes doing research on the local market. This can be done by list each competitor in a specific distance and choose the approximately four biggest competitors.
Afterwards, identify potential buyers by segmenting the market (Venture Choice 2008). Taking a look at niche market, which means the users who are often using your product/service, is important for companies. Therefore, you should make use of niche marketing, including targeting, communicating, selling and obtaining feedback from them. If you target broader than just the niche market, then the market should be divided into sections, as well called segments, based on for example age groups or family size. (Venture Choice 2008.) Plus, estimate potential sales projections.

All of these techniques can as well be used to the feasibility of expanding an existing restaurant. In that case it might be even easier because the data of current operations can be used as basis. (Jagels 2007, 543.)

According to the previous discussed sources, a template of a market feasibility study might look like the table shown below.

Table 2. Structure Feasibility Study of a Restaurant (Jagels 2007; Singh Uppal 2010; Venture Choice 2008; Hofstrand 2016)

<table>
<thead>
<tr>
<th>SECTION</th>
<th>INFORMATION</th>
<th>EXPLANATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Front Matter</td>
<td>Introduction</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reasons for study</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Highlights</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Small summary of the study</td>
<td></td>
</tr>
<tr>
<td>2) General Market Characteristics Analysis</td>
<td>Transportation</td>
<td>Describe the size and scope of the market.</td>
</tr>
<tr>
<td></td>
<td>Housing</td>
<td>Describe the nature of the industry, is it stable or going through change?</td>
</tr>
<tr>
<td></td>
<td>General area’s population growth trends</td>
<td>Evaluate potential locations, site selection. Evaluate maps, transportation routes and parking spaces.</td>
</tr>
<tr>
<td></td>
<td>Site review (location)</td>
<td></td>
</tr>
<tr>
<td>3) Current Market Analysis</td>
<td>Supply</td>
<td>Identify the life-cycle of the market, is it growing, emerging, maturing or declining?</td>
</tr>
<tr>
<td></td>
<td>Demand</td>
<td></td>
</tr>
<tr>
<td>Trends</td>
<td>Identify the demand and usage trends of the market in which the restaurant will enter. Asses your potential share of the market. Estimate future direction of the market by researching future trends.</td>
<td></td>
</tr>
<tr>
<td>---------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>4) Competitor Analysis</td>
<td>4) Competitor Analysis</td>
<td></td>
</tr>
<tr>
<td>Local Market Research</td>
<td>Describe the industry concentration. Are there many small restaurants or a few large ones?</td>
<td></td>
</tr>
<tr>
<td>Shows biggest competitors</td>
<td>Describe the main comp set, how does the restaurant compete against them? KPI's.</td>
<td></td>
</tr>
<tr>
<td>Potential Customers</td>
<td>Identify what might be the potential customers of the restaurant.</td>
<td></td>
</tr>
<tr>
<td>5) Financial projection</td>
<td>5) Financial projection</td>
<td></td>
</tr>
<tr>
<td>Estimated Sales numbers</td>
<td>Define and project estimated sales numbers.</td>
<td></td>
</tr>
<tr>
<td>Costs</td>
<td>Define and project estimated prices for the products.</td>
<td></td>
</tr>
<tr>
<td>6) Findings and recommendations</td>
<td>6) Findings and recommendations</td>
<td></td>
</tr>
<tr>
<td>Summary findings of study</td>
<td>Description of pros and cons for the initiative</td>
<td></td>
</tr>
<tr>
<td>Conclusion</td>
<td>Likelihood of success of the initiative</td>
<td></td>
</tr>
</tbody>
</table>
3.3 Market feasibility study users

In the authors’ opinion, every restaurateur should use a market feasibility study before entering the market. However, not all restaurants, as described before, take this advice. Some studies argue that the time and money spent on a market feasibility study is too much for a small restaurant and that it is only useful for big projects (Hofstrand 2009). Though when starting a restaurant, the management, the development team and sometimes even the architect need to create a project that is economically feasible (Rushmore 2011). This process of determining economic value requires local market knowledge, experience and knowledge about the restaurant industry. Maintaining local market knowledge can be done by an analysis of the neighbourhood, demographics and the area. A lot of feasibly studies call this the site review. (H&LA 2016.) Besides the market analysis it is important for restaurateurs to put themselves in the customer’s shoe and sense what they are thinking (Egerton-Thomas 2006; Mala 2017).

Since there are a lot of stakeholders involved in doing a market feasibility study the focus should be on the lenders, guarantors of debt, sources of financial subsidy, communal decision makers, developers, owners and managers of the restaurant (H&LA 2016; HIA 2016; Vapiano 2017; Woolshed 2017; Mala 2017; Lost in Helsinki 2017). However, who will conduct the market feasibility study can be different for all restaurants. Some companies outsource the task and hire consultants to conduct the study. Choosing the right consultant for your company can be difficult and there are of course costs involved. The costs are depending on the breadth of the study. Be careful by selecting a consultant because they often feel pressured to tell you what you want to hear. Therefore, most restaurants do not hire a consultant but doing a market feasibility study within the company itself. (Hofstrand 2016.)
3.4 Market feasibility studies in the restaurant industry

The first approach for starting up a restaurant, and oldest cliché in the retail business, which most operators use, is to define the type of restaurant and location (Angelo & Vladimir 2011, 100; Egerton-Thomas 2006, 26). Often wealth is inherited. The family is therefore the most common resource for restaurant start-up money. It works out well because family-run restaurants, especially in Europe, have the best reputations. However, other options to get the money are by savings, crowd funding or bank loans. (Egerton-Thomas 2006, 60.)

Then find a venue, design a name, arrange interior. However, in this case the first mistakes are made, because starting a restaurant should maintain taking a look at the customer segment and the competition at first. (Angelo & Vladimir 2011, 98; Egerton-Thomas 2006, 33.) The concept of a restaurant might seem important but first operators should think about the target group. They are the people you need to serve, so focus should be on them. Factors which are interesting to look at are for example buying behaviour of your proposed customers. Many restaurants fall into a category by limiting their range of food to for example fish, pizza, steaks etc. or the choice of their (ethnic) concept (Lynn 2012, 40). The location and the nature of the neighbourhood usually defines who the customers are for a restaurant. Therefore, average local income is one of the factors which will for example influence prices. (Egerton-Thomas 2006, 29; Lynn 2012, 9.)

Furthermore, find out how much competition there is and what their prices, menus and hours of operation are. After this, the operator can define the concept which includes the restaurant’s name, atmosphere, location and menu prices (Lynn 2012, 10). To create a new concept, the menu needs to be taken as foundation. The choice of menu influences the concept directly. Examples of menu types are described in the previous chapter. The choice of the menu can be based on market trends in the restaurant industry. (Angelo & Vladimir 2011, 100; Lynn 2012, 39.) Nevertheless, a bad location can be a heartbreaker and many restaurateurs believe the location is the most critical factor in the restaurant success formula (Egerton-Thomas 2006, 26).

The proposed restaurant should do research on the right location. The easiest and most common method is taking over an existing restaurant. The advantage of the goodwill makes it interesting to look at (Egerton-Thomas 2006, 29). A restaurant site, the location where the restaurant will be situated, differs per type of restaurant. To illustrate, fast food chains are often situated close to public transportation and places where there is high potential foot traffic. Whereas fine dining restaurants can be situated in converted buildings,
like barns or other unique structures since they mostly have people make their reservations months in advance. (Mealey 2016.) Besides that, the suburbs are also getting more popular for opening restaurants. Especially full service restaurants or bistros are opening there. Restaurants are opening for example in old factories in the suburbs for their specific interior and design, the low rent rates and the great possibility to park there. (Mealey 2016.)

When expanding restaurants, chains usually select cities on their population size, average income and metropolitan area. The location and the type of restaurants should be matching (Egerton-Thomas 2006). In many cases, restaurant sites are around central city-business and shopping districts, planned communities (suburban developments) or highway intersections. (Angelo & Vladimir 2011, 101; Egerton-Thomas 2006, 27.) Nowadays, the trend of restaurants grouping together is very common because a conglomeration of restaurants is often a business booster (Egerton-Thomas 2006, 26). However, some sources argue that it can also be of negative impact on your restaurant because of great forced similar pricing of products as the competition (Lynn 2012).

Larger restaurant chains use besides market research, a more in-depth analysis to match potential guest profiles with their chain standards. After, a site may be selected by the following factors; visibility, accessibility, parking and affordability. If the proposed site is found restauranteurs mostly do a market feasibility study. (Egerton-Thomas 2006, 27.) However, not every location is the right one. Some places are more inviting than others. It might be that the restaurant on the opposite corner has full capacity every evening while your restaurant hardly gets any guests. The reasons for this are just reliable on the instinctive choices people make. (Egerton-Thomas 2006; Lynn 2012, 42.)

Feasibility studies for restaurants are similar to feasibility studies for hotels. Nevertheless, a market feasibility study for restaurants focusses on local demand whereas hotels focus on international demand or from outside the hotels actual area. A market feasibility study might help the restaurateur to define if the location is right and if the restaurant might succeed (Gilkey 2017).
The feasibility studies done for the restaurant industry include qualitative and quantitative analyses of proposed restaurant options (Angelo & Vladimir 2011, 102). Those analyses reveal and help to identify possible guest markets, evaluation of the proposed site and the financial forecast of the restaurant. The financial analyses include an investment budget to gain enough capital and a proposed operating budget for the upcoming three years. This is used for investors and managers to know much money needs to be made before the restaurant is profitable. (Angelo & Vladimir 2011, 102; Egerton-Thomas 2006; Gilkey 2017.)

All the factors concerning a market feasibility study according to Ground Floor Partners (2017), a consultant company who is doing feasibility studies for the hospitality industry, contains all of the underneath stated factors. The factors are similar and summarized by a combination of the factors mentioned by other sources like Angelo & Vladimir (2011), Egerton-Thomas (2006) and Gilkey (2017). This image summarizes all the factors those sources mention of parts of a feasibility study for a restaurant.

![Figure 8. All factors of a feasibility study (Ground Floor Partners 2017)](image-url)
3.5 Profitable factors of a market feasibility study for the restaurant industry

Comparing literature with real life cases and interviews, it can be assumed that in the restaurant industry people are not familiar with the term "Feasibility Study". All restauranteurs are conducting such a market analysis or study; however, they do not use the term feasibility study or market feasibility study.

The reason for this might be that some entrepreneurs do not have the knowledge about feasibility studies or the term itself. Nevertheless, when doing interviews with restaurant owners and operators all of them are conducting a form of feasibility study. To illustrate, entrepreneurs did research on the location of the restaurant, the specific city, market figures, competition, pricing, trends, Unique Selling Points (USP's), needs and wants of customers and the concept/atmosphere of the restaurant. (Woolshed 2017; Mala 2017; Vapiano 2017; Lost in Helsinki 2017.)

Besides that, some of them share the opinion that experience and knowledge of the restaurant industry helps in determining the functional viability of a restaurant (Mala 2017; Lost in Helsinki 2017). However, when asking which factors are the most important considering doing a market feasibility study there was unanimity on the following factors; location, competition, trends including customer demand, USP’s and pricing. (Lost in Helsinki 2017; Mala 2017; Vapiano 2017; Woolshed 2017.) The difficulties mentioned by the entrepreneurs by entering the market in Finland are the competition, which in Helsinki is led by a lot of restaurants owned by S Group (Woolshed 2017). Furthermore, the majority of entrepreneurs mentioned that the production of new shopping centres is a development which needs to be taken into consideration entering the market (Mala 2017; Lost in Helsinki 2017).

A surprising outcome was that all of the owners and operators of the questioned restaurants, agreed on the fact that there must be a correlation between conducting a market feasibility study and the failure of restaurants. For example, Woolshed (2017) argued; “If you don’t study the industry, a restaurant will not make it”. Whereas Mala (2017) even agreed on that by the argument that a restaurant could fail immediately without doing a market feasibility study. So, results were very clear and it might be concluded that entrepreneurs in the restaurant industry find conducting a market feasibility study very important but the definition is not that familiar in this industry.
To conclude, after gaining all information research has shown that location, competition, trends (customer demand) and pricing are in the authors opinion and in the opinion of questioned entrepreneurs, the most profitable factors of a market feasibility study for the restaurant industry.

Figure 9. Overview most important factors of a market feasibility study for the restaurant industry (Kolster 2017)

Therefore, the author designed a model considering all most important factors of a market feasibility study considered by entrepreneurs. In this model the site analysis describes the analysis on the market, the supply and demand visualizes customer and market demand, the restaurant market demand and supply analysis and trends. The competitor analysis shows (potential) competitors and after this the USP’s can be determined. The pricing as last element of a market feasibility study is based on the competitor analysis, trends and market research of the supply and demand element.
4 Conceptual Template Development

This chapter describes a recommendation for a market feasibility template for small and medium sized restaurants. It explains how both the template is designed, for what reasons and justifies the order and design of the template. Ending with a recommendation for this segment restaurants given by the author.

4.1 Conceptual template

The conceptual template is based on the issue of the failure causes of small and medium sized restaurants. The failure causes, which are taken, are the lack of advanced research on operations and accommodation and the lack of business knowledge & experience. Since these are the ones of the four most reasons why restaurants fail, it was interesting to dig into and might find a solution for it.

According the theory, a lot of restaurants fail in the first three years since the start up. (Parsa & al. 2005, 305.) Reasons for this are internal factors, such as managerial problems and external factors, which effect the restaurant the most. Those external factors, such as market trends or competition, can be done research on before entering the market. In theory, this sounds reasonable, however in practise small and medium sized restaurant owners or operators never do such an in-debt research before starting up the restaurant. This is where small and medium sized restaurants can improve. They can improve by doing a market feasibility study to gain all the information before entering the market with their restaurant. When doing interviews with restaurant managers, the outcomes were that the majority of them did not even know the term ‘feasibility study’. That is the cause why this template is created including the motivation to give small and medium sized restaurants an outline of what to do research on when entering the restaurant industry.
4.2 Structure conceptual template

The template consists of different sections an explanation will be given on the justification of the different sections.

Executive Summary

Starting off with an executive summary, this is made for the reader to highlight and point out the most important facts of the market feasibility study in the beginning of the template. Examples which can be find in this section are besides the highlights, objectives, mission, vision, values of the company and key success factors of the restaurant. See Appendix I for the complete overview of the different sections of the market feasibility study for small and medium sized restaurants. Besides that, the strategy should be explained in this section and KPI’s can be explained and given.

Executive Summary

The executive summary includes a summary of the most important information of the feasibility study.

An example of an order of the most important information can be:
- Highlights: show the highlights of the feasibility study
- Objectives: explain objectives and goals of the restaurant
- Mission, Vision, Values: Explain the mission statement, vision statement and values of the restaurant
- Key success factors: mention the key success factors of the restaurant

Figure 10. Executive Summary Section Market Feasibility Study (Kolster 2017)
Background

Following up with information about the background of the restaurant. Chosen is to go a bit more in debt about the background of the restaurant to get familiar with the company and gain more insights about what kind of restaurant the market feasibility study is about. Examples which can be found in this section are the identification of the type of restaurant, the sort of restaurant; if it is an independent restaurant, takeover, franchise, expansion or another restaurant. Limitations are also mentioned to describe if there were any struggles the restaurant faced during the conduction of this market feasibility study. Those are stated at the end of this second section because afterwards the research will go into more details about doing research on operations and accommodation. This second section is more functioning as an introduction of the restaurant. Within this section it is also possible for the entrepreneur to conduct a SWOT analysis. This is not included in the template itself but might be helpful for the entrepreneur to analyse external and internal influences which might affect the restaurant. The figure below describes what the analysis should include.

![SWOT Analysis Example](image)

Figure 10. SWOT Analysis Example

**Background**

The background section includes the description of the restaurant.

**An example of items discussed in this section:**
- Identify the type of restaurant
- Describe if it is a new independent restaurant, takeover, franchise or expansion of another restaurant
- State limitations

Figure 11. Background Section Market Feasibility Study (Kolster 2017)
Site Analysis
The third section is called site analysis, the meaning of this is; the research on the proposed location and area where the restaurant will be situated. This is chosen as third section because when combining theory and practise, this was the most important element for restaurateurs when entering the restaurant market. The reasons for that were that entrepreneurs shared the opinion of different theoretical sources that a location can make or break your restaurant. The restaurant concept should always meet the type of customer who lives in the neighbourhood, not all restaurants run on all locations, the selection of choosing the right location is of high importance for entrepreneurs.

It is taken as a separate section and not included in for example the market analysis section as a result of the outcomes of different interviews with restaurant owners and operators. Those considered the step of choosing the right location as crucial, taking into consideration the accessibility, is the restaurant easy to reach for your customer, are there parking spaces, is there public transportation close by? Is it visible, make sure the restaurant has a sign and is not hidden somewhere. Taken into consideration for example populations growth figures to analyse the neighbourhood.

The size of the restaurant is also important, the plain location without anything inside might look spacious but if you try to plan the interior restaurateurs might found out that there is not enough space. Plus, restaurateurs should careful when choosing an existing restaurant. It might sound od but some locations have a “curse” over them. There might be many entrepreneurs who tried before you and customers might associate the location with a bad atmosphere or service. Besides the safety and condition of the location, an analysis on the neighbourhood is done and described within this section because as already mentioned it is of high importance to match the location of the restaurant with the type of customers who live in the neighbourhood. (Mealey 2016.) This is all mentioned in the third section due to the location of the restaurant being, considered by studies on feasibility studies in the restaurant industry, one of the hardest choices to make for entrepreneurs. It can be difficult and there should be paid a lot of attention to the choice of location because it plays a big part in the process of market the restaurant and finding the right customers. (Wolfe 2016.)
Site analysis

The site analysis focusses on the proposed location of the restaurant.

- Discuss the highlights of the location or consider different locations and name their advantages and disadvantages.
- Define the market area
- Describe the neighborhood analysis
- Define transportation possibilities
- Define parking possibilities

Figure 12. Site Analysis Section Market Feasibility Study (Kolster 2017)
**Market analysis**

The market analysis is directly done after the site analysis to gain more insights on the market characteristics, the restaurant will be located in. It is situated after the site analysis and before the supply and demand section because for example before defining the concept of the restaurant, research on the current market characteristics should be done. Because it is easy to come up with a concept but if this already exists and there is no demand for it, it is not smart to open, therefore general market research on the proposed area should be done first to get familiar with the restaurant industry.

The goal of the market analysis is to find the point where supply and demand meet each other to offer the right service at the right price. It is hard to identify that exact point but with doing a market analysis the step into the right direction is made.

![Supply and Demand Graph](image)

Figure 13. Market analysis combination with supply and demand intersection (Kolster 2017)

This section is divided into two sub sections; market analysis and market segmentation. Market segmentation is taken separately because only after doing research on the market in general a segmentation can be made and eventually one or more segments can be chosen on the ones where the restaurant will be focused on.

The market analysis consists of a description of the target market of the restaurant, an explanation on the size and scope of the total market the restaurant will be located. Those will be explained and chosen to be in the beginning of this section to get a helicopter view on the restaurant market before going into debt on one segment. An analysis on the current market should, therefore, be done. Including market trends from current, past and maybe future market. Those are taken into consideration because the restaurant market is changing and before starting a restaurant an entrepreneur should know what is going on and “trendy” in the market, otherwise it might face problems when starting the restaurant.
After having a general overview of the market characteristics, the market segmentation should be described. The segmentation of the restaurant market should be shortly explained to gain insights on what the restaurant industry in that particular area has to offer or already offers. To illustrate, market share figures might be helpful to gain a better insight on the market segmentation. Afterwards, define where the proposed restaurant will be segmented and a justification should be given. This all to make it clear for the entrepreneur and the reader to justify where the restaurant will be segmented and if the market is open for this. A description of the target group and the type of customer can be given in this section.

4 Market analysis

Market Analysis
This subchapter includes:
- Mention shortly the target market/group of the restaurant again
- Describe the size/scope of the market
- Analyze the current market, is it growing, stable, declining?
- Analyze market trends from current, past and growth market

Market Segmentation
Define in this subchapter the segmentation of the specific market. Explain how the market is segmented and in which segment the restaurant falls. Show, if possible, market share figures.

Figure 14. Market Analysis Section Market Feasibility Study (Kolster 2017)
Supply & Demand
The next section is called supply and demand. It has named like this because before conducting this section entrepreneurs should have looked into the supply and demand of the restaurant market characteristics, as described in the previous section. It describes if there is a need or want, for the specific restaurant to open. Therefore, it opens with a description of the concept of the proposed restaurant. The explanation of the concept is chosen at first to define what kind of restaurant is proposed and afterwards to see if there is a need for this type of concept. The concept description includes an expression of the interior of the restaurant, the total square meters, planning of the positioning of the interior of the restaurant and the explanation of the atmosphere the restaurant wants to create. In this way, a sketch of the concept of the proposed restaurant can be made. Starting off with the concept description it gives the reader a feeling about the character of the restaurant and it makes it clear for the entrepreneurs to write down what their concept will be. Convenience and experience are also added because those are factors which are in the future and current industry trends and key elements an entrepreneur should lay focus on when creating a new concept.

After defining the concept, the products and services of the restaurant will be described. What will be the potential market, will be shortly addressed but is explained in more detail in the market analysis section. To give a brief overview of the potential market, to afterwards go into the type of service and products the restaurant will offer is necessary because it is hard to define those from scratch. Therefore, a short description of the potential market is given followed up by the type of service the restaurant offers. A description of the level of the service is given afterwards to define on what level the restaurant offers it’s products and service. Ending with the restaurants USP's (Unique Selling Points). There is chosen to mention those in the supply and demand section because it is good to define those before doing an analysis on the competition.

Shortly the sales and distribution process of the restaurant will be described after. The reason for this is to let the reader know how the restaurant will distribute (if they do) their products in for example food delivery options. This is also a small introduction to the pricing element of the competition analysis section, to describe how to propose to sell their products and service, what payment methods are needed. In this section, next to offline, also online sales and distribution channels should be focused on since no restaurant can be without in this century, think about social media and moment marketing on applications like Instagram and snapchat.
The management subsection of the supply and demand section will be explained last be-
cause it is not seen as one of the most important parts of a market feasibility study be-
cause it is so changeable and because of the high employee turnover in the restaurant in-
dustry. However, an overview should be given on an idea on how the restaurant will be
managed, maybe in form of an organizational chart to clarify the different positions
needed to operate the restaurants.

Supply & Demand

Concept
Describe the concept of the restaurant including;
- Interior
- The location’s total square meters
- Planning of positioning of interior of the restaurant
- The atmosphere the restaurant wants to visualize
- Convenience and experience of the concept

Products and Services
This section describes:
- The potential market
- Describe the type of service the restaurant offers
- Describe the level of the service
- Describe your unique selling points, how does the restaurant stands out against the competition

Sales and Distribution
This section describes how the restaurant will sell the products and the distribution (if applicable).

Management
This section describes the operational plan, how the restaurant will be managed.

Figure 15. Supply & Demand Section Market Feasibility Study (Kolster 2017)
Competitor Analysis

Competitor analysis

Competition

This chapter includes:
- A description of biggest competitors
- Research market share facts and figures of those competitors
- A description of indirect competitors (think about for example food delivery companies)
- An explanation on how to keep up to date with technology and trends that may have an impact on your restaurant

Pricing

This chapter includes:
- A description of a possible pricing strategy
- An analysis on how the biggest competitors do their pricing
- A description of the price-quality comparison including value for money

Figure 16. Competitor Analysis Section Market Feasibility Study (Kolster 2017)

The figure above shows the section of the competitor analysis of the market feasibility study for small and medium sized restaurants. This section is noted after the supply & demand section because in this section the focus is on the new proposed restaurant itself and all the details around it. In this chapter this will be compared with the competition.

First the restaurant needs to consider for itself what type, what products, what services, what segment, how to manage and distribute their service and products before a comparison with the competition can be made. The section is divided into two subsections because first an analysis on the competition should be done before the pricing can be determined. The pricing is partly based on the market characteristics and the competitive set that is why it is stated at the end of this section.

The competition subsection includes the above stated information (see figure 16) to be done research on for the entrepreneur. A description of the biggest competitors should be researched because in this way the restaurant can stand out and differ from them. In the market share figures and facts, the entrepreneur will find out how big their competitors are, what segment they are targeting, what service they offer and for example where they are located. A description of indirect competitors might also be given if there are maybe other factors that will influence the restaurant on a competitive level. To identify those, the restaurant is able to prepare itself for the industry challenges. An example can be the constantly growing technology, and a description on how the restaurant will face those challenges.
The pricing includes a pricing strategy, based on competitors and the market analyse. Taking the competitors into consideration, their prices can be checked but also on what platforms are they selling their products or services, do they give discounts. All this information can be mentioned and might be helpful for a restaurateur to do research on before entering the market. An example for a tool that can be used for this section might be Porter’s (1996) 5 Forces, this is tool widely used in the hospitality industry and it helps to identify all competitors not only the ones who are other restaurants in the same market. The pricing also includes a comparison between quality and price, to explain the value for money for the service and products. Because a new concept can only work if the service or products the entrepreneur offers are cheaper or better than the competition.

**Recommendation**

The last section of the market feasibility study template for small and medium sized restaurants is the recommendation. In this section the decision will be given if the proposed restaurant project is feasible or not and the reasons for the proposition are stated in the same section. This is given at the end of the template because after gaining and researching all the information given in the previous sections, a proposition can be made.

### Recommendation

This chapter includes a recommendation and outcome of the feasibility study, with the outcome whether the restaurant should open or not and the reasons why.
4.3 Process of development of the template

The template is made by the author because of her interest in entrepreneurship and the hospitality industry to perhaps open her own restaurant in the future. The process of making the template started with desk research on market feasibility studies in the restaurant industry. By collecting all the theoretical information on how to conduct a market feasibility study for a restaurant, learn about the structure of the study and discuss it with restaurant managers a base for the template was made.

The structure of the template mostly came forward when doing research on the different factors of a market feasibility study. Since there are a lot of different sources arguing about different structures and elements of a market feasibility study, one structure has been chosen with the help of a lot of reading, comparing sources and correlate it to real life case examples. The comparison of different market feasibility study examples, which were hard to find, gave the author some insights on the structure and content of such a study.

With the help of trend reports and an analysis of the segmentation of the restaurant industry the focus points for the market feasibility study were established. To illustrate, when working on the first template option, based on theoretical sources and the interviews with restaurant managers, the regular market feasibility sections were discovered. However, when comparing it to the current market situation and future trends, some elements have been added to the template like for example the ‘description of indirect competitors’ which refers to the technology trend going on in the restaurant industry or the options of takeout and delivery companies.

Having interviews with restaurant managers made the author consider the most important elements of a market feasibility study. She found out that the information which the restaurant managers consider most important, was research on the location and the distinction between the proposed restaurant and its competitors. That’s why when starting the template the focus was on those two sections at first. To illustrate, the site selection is therefore taken as a separate section instead of included in the market analysis.

When piloting the template with entrepreneurs who already started businesses before, the author found out that there were extra important elements which could be added to the market feasibility study template. For the executive summary, most of the entrepreneurs told the author to mention the KPI’s as well, next to the key success factors. They also argued that it might be interesting for the user of the template to do a SWOT analysis as
well before entering the market. This can be done in the market analysis section. Furthermore, they argued that the focus on the site analysis was a good choice and might be one of the most important sections of the template for a restaurant. The demographic segmentation but also the neighbourhood analysis are elements which were of value for them, examples of tools to analyse them, were as they mentioned, for example population growth figures. For the supply & demand section they argued that even though the trends are discussed in the market analysis section, there should be extra focus on convenience and experience since nowadays these are very important elements in the restaurant industry. It is therefore added in the concept section because it describes something unique or different in the concept of the service of the restaurant which is explained in this section.

For the sales and distribution, the entrepreneurs argued that special attention should be on online sales and distribution, think of social media channels because a restaurant cannot live without them nowadays. As an example, they mentioned ‘moment marketing’ which is a trend now in the restaurant industry, with applications like Instagram and Snapchat where you can promote products or service in your story for 24 hours. The competitor analysis should be extended on the subsection of pricing with a price-quality comparison. Most of them argued that there is only one way to introduce a new concept, which is if you offer something cheaper or better than the competition. That is the reason why most of them shared the opinion to mention a value for money section in competition analysis.

First the author had the supply and demand section before the market analysis but when discussing the structure of the template with others and professionals she found out that the market analysis should be before the supply and demand analysis to make it easier and more logical for the reader and user to use the template. The reasons for that were that the general market should first be done research on before the facts about the new concept should be mentioned. In this way, it is easier for the template user to prove that there is a need or want for the new service since a gap in the market or those needs/wants can be identified and proved when doing a market analysis. Overall, they understood the template and the structure of the sections which was nice to hear. It was stimulating to discuss the template with people who are already in the business and with other entrepreneurs who have experience with setting up business because it made it interesting to listen to their stories and see what they think is important when conducting market a feasibility study.
5 Conclusion

To conclude, gaining information from theoretical sources gave the author a great overview of the restaurant industry in general. By segmenting the restaurant industry at first, a helicopter view on the restaurant industry was been defined and their current growth figures gave accurate insights on the restaurant industry in 2017. The restaurant industry in Helsinki was harder to do research on, since the author doesn’t have Finnish background and most of the sources were in Finnish. Nevertheless, when doing interviews with restaurant managers in Finland in English, the author gained better information and some facts about the Finnish restaurant industry. Though it was harder than expected to approach the restaurant managers and get the information out of them.

The future restaurant industry has been explored to gain better insights on future trends the restaurant industry might have to deal with. These trends have been taken into consideration when creating the market feasibility template.

Additionally, the failure causes of restaurants were the starting point of designing the template. Since one of the causes restaurants fail was the lack of advanced research on operations and accommodation, the market feasibility study might function as a tool or solution to this cause.

The reason why the author made this template was because when doing interviews, the outcome showed that a lot of small and medium sized restaurants do not have the knowledge about market feasibility studies in the restaurant industry. Some of the restaurant managers didn’t even know the term “market feasibility study”. Most of them do a sort of advance research before entering the market but they do not have the capital to conduct a large market feasibility study as maybe chain restaurants do have. The larger chains have the resources to conduct feasibility studies but in the author’s point of view smaller restaurants should also be able to do some sort of market feasibility study. However, all interviewees shared the opinion that not conducting such a research might cause failure for restaurants and is therefore of high importance when starting a restaurant.

It is of great use for small and medium sized restaurants who start a new restaurant to do a feasibility study because the restaurant industry is often overestimated as an easy industry to enter but it is the opposite. To do research on the size of the market in the area where the restaurant will be located and taking into account the competition the restaurant will face, will help them start up a restaurant. It is also cheaper to invest first in a market feasibility instead of spending time and money on starting a restaurant when there are no
certainties. Conducting a market feasibility study before opening a restaurant helps a restaurateur to make better and justified decisions on the restaurants chance of success (Hill 2017).

The choice of these specific sections for the market feasibility study are explained per section in subchapter 4.2, but to summarize the market feasibility study was based on the profitable factors of a market feasibility study; site analysis, supply & demand, pricing and competitor analysis. Those factors are based on a combination of real-life interviews with managers of restaurants and desk research on the structure and use of feasibility studies in the restaurant industry. Furthermore, the future trends are another factor which influenced the template. This can be seen in, for example, the competitor section where a description of indirect competitors should be given, because competition has changed and is not only restaurant to restaurant anymore but can also be seen as food delivery companies or even technology which might be of influence to the restaurant industry. Restaurateurs should think of improvements as mobile payment and restaurant review sites like Dinnersurfing (2017), when starting a restaurant.

The motivation for the author to make this template, was her interest in entrepreneurship and hospitality. To combine those, starting up a restaurant was the outcome. Since, the author has no capital yet, to start her own restaurant or even restaurant chain, doing research on how to start your own restaurant is the first step in getting familiar with entrepreneurship in the hospitality industry. It was therefore very interesting for the author to explore this industry, the Helsinki metropolitan area in particular, during her exchange semesters in Helsinki, Finland.
References


Appendices

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Executive Summary

The executive summary includes a summary of the most important information of the feasibility study.

An example of an order of the most important information can be:
- Highlights: show the highlights of the feasibility study
- Objectives: explain objectives and goals of the restaurant
- Mission, Vision, Values: Explain the mission statement, vision statement and values of the restaurant
- Key success factors: mention the key success factors of the restaurant

Background

The background section includes the description of the restaurant.

An example of items discussed in this section:
- Identify the type of restaurant
- Describe if it is a new independent restaurant, takeover, franchise or expansion of another restaurant
- State limitations

Site analysis

The site analysis focusses on the proposed location of the restaurant.

- Discuss the highlights of the location or consider different locations and name their advantages and disadvantages.
- Define the market area
- Describe the neighborhood analysis
- Define transportation possibilities
- Define parking possibilities
Market analysis

Market Analysis
This subchapter includes:
- Mention shortly the target market/group of the restaurant again
- Describe the size/scope of the market
- Analyze the current market, is it growing, stable, declining?
- Analyze market trends from current, past and growth market

Market Segmentation
Define in this subchapter the segmentation of the specific market. Explain how the market is segmented and in which segment the restaurant falls. Show, if possible, market share figures.

Supply & Demand

Concept
Describe the concept of the restaurant including;
- Interior
- The location’s total square meters
- Planning of positioning of interior of the restaurant
- The atmosphere the restaurant wants to visualize
- Convenience and experience of the concept

Products and Services
This section describes:
- The potential market
- Describe the type of service the restaurant offers
- Describe the level of the service
- Describe your unique selling points, how does the restaurant stands out against the competition

Sales and Distribution
This section describes how the restaurant will sell the products and the distribution (if applicable).

Management
This section describes the operational plan, how the restaurant will be managed.
Competitor analysis

Competition
This chapter includes:
- A description of biggest competitors
- Research market share facts and figures of those competitors
- A description of indirect competitors (think about for example food delivery companies)
- An explanation on how to keep up to date with technology and trends that may have an impact on your restaurant

Pricing
This chapter includes:
- A description of a possible pricing strategy
- An analysis on how the biggest competitors do their pricing
- A description of the price-quality comparison including value for money

Recommendation
This chapter includes a recommendation and outcome of the feasibility study, with the outcome whether the restaurant should open or not and the reasons why.
Table restaurant industry food- and drink sales: projections for 2017 (National Restaurant Association 2017)

### TABLE 1 — COMMERCIAL RESTAURANT SERVICES *

<table>
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<tr>
<th></th>
<th>2016 Sales</th>
<th>2017 Sales</th>
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<th>Real % chg</th>
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<td>Full-service restaurants</td>
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</tr>
<tr>
<td>Social caterers</td>
<td>8,273,700</td>
<td>8,604,469</td>
<td>3.8%</td>
<td>4.4%</td>
</tr>
<tr>
<td>TOTAL EATING PLACES</td>
<td>$359,599,241</td>
<td>$351,092,250</td>
<td>2.4%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Bars and taverns</td>
<td>18,900,112</td>
<td>19,768,712</td>
<td>4.6%</td>
<td>5.3%</td>
</tr>
<tr>
<td>TOTAL EATING-AND-DRINKING PLACES</td>
<td>$378,499,825</td>
<td>$370,860,962</td>
<td>2.1%</td>
<td>2.6%</td>
</tr>
<tr>
<td>MANAGED SERVICES**</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing and industrial plants</td>
<td>$8,074,503</td>
<td>$9,078,684</td>
<td>12.5%</td>
<td>14.4%</td>
</tr>
<tr>
<td>Commercial and office buildings</td>
<td>3,953,316</td>
<td>3,776,858</td>
<td>-4.7%</td>
<td>-5.4%</td>
</tr>
<tr>
<td>Hospitals and nursing homes</td>
<td>6,304,671</td>
<td>6,688,001</td>
<td>6.0%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Colleges and universities</td>
<td>16,268,061</td>
<td>17,370,835</td>
<td>6.8%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Primary and secondary schools</td>
<td>9,860,091</td>
<td>7,695,860</td>
<td>-22.8%</td>
<td>-24.8%</td>
</tr>
<tr>
<td>In-transit restaurant services (airline)</td>
<td>2,804,086</td>
<td>2,647,874</td>
<td>-5.2%</td>
<td>-6.3%</td>
</tr>
<tr>
<td>Recreation and sports centers</td>
<td>2,457,372</td>
<td>2,725,794</td>
<td>11.0%</td>
<td>12.1%</td>
</tr>
<tr>
<td>TOTAL MANAGED SERVICES</td>
<td>$59,175,965</td>
<td>$55,045,274</td>
<td>-6.9%</td>
<td>-8.2%</td>
</tr>
<tr>
<td>LODGING PLACES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotel restaurants</td>
<td>$34,008,219</td>
<td>$35,446,161</td>
<td>4.2%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Other accommodation restaurants</td>
<td>5,787,707</td>
<td>5,895,705</td>
<td>1.9%</td>
<td>2.3%</td>
</tr>
<tr>
<td>TOTAL LODGING PLACES</td>
<td>$39,795,926</td>
<td>$41,341,866</td>
<td>4.0%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Retail establishment restaurants</td>
<td>$48,886,776</td>
<td>$62,300,860</td>
<td>30.0%</td>
<td>36.9%</td>
</tr>
<tr>
<td>Recreation and sports*</td>
<td>16,603,314</td>
<td>17,007,224</td>
<td>2.3%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Mobile caterers</td>
<td>917,076</td>
<td>967,243</td>
<td>5.5%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Vending and nonstore retailers*</td>
<td>13,470,796</td>
<td>14,320,481</td>
<td>6.4%</td>
<td>7.1%</td>
</tr>
<tr>
<td>TOTAL &gt; GROUP I</td>
<td>$70,953,747</td>
<td>$77,362,210</td>
<td>8.3%</td>
<td>9.7%</td>
</tr>
</tbody>
</table>

### GROUP II — NONCOMMERCIAL RESTAURANT SERVICES*

<table>
<thead>
<tr>
<th></th>
<th>2016 Sales</th>
<th>2017 Sales</th>
<th>% chg</th>
<th>Real % chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee restaurant services*</td>
<td>$407,762</td>
<td>$413,689</td>
<td>1.5%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Public and parochial elementary, secondary schools</td>
<td>7,433,548</td>
<td>7,543,548</td>
<td>1.4%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Colleges and universities</td>
<td>8,242,407</td>
<td>8,610,017</td>
<td>4.5%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Transportation</td>
<td>2,461,584</td>
<td>2,801,983</td>
<td>14.8%</td>
<td>16.7%</td>
</tr>
<tr>
<td>Hospitality</td>
<td>17,207,023</td>
<td>18,337,880</td>
<td>6.5%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Nursing homes, homes for the aged, blind, orphaned and the mentally and physically disabled*</td>
<td>9,337,940</td>
<td>9,549,455</td>
<td>2.2%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Culinary, sporting and recreational camps</td>
<td>8,457,869</td>
<td>8,797,252</td>
<td>4.1%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Community centers</td>
<td>3,664,201</td>
<td>3,675,290</td>
<td>0.3%</td>
<td>0.3%</td>
</tr>
<tr>
<td>TOTAL &gt; GROUP II</td>
<td>$102,403,840</td>
<td>$109,051,000</td>
<td>6.4%</td>
<td>7.4%</td>
</tr>
<tr>
<td>TOTAL &gt; GROUPS I AND II</td>
<td>$403,339,019</td>
<td>$479,093,100</td>
<td>18.8%</td>
<td>20.8%</td>
</tr>
</tbody>
</table>

### GROUP III — MILITARY RESTAURANT SERVICES**

<table>
<thead>
<tr>
<th></th>
<th>2016 Sales</th>
<th>2017 Sales</th>
<th>% chg</th>
<th>Real % chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officers’ and NCO clubs (open mess)</td>
<td>$7,891,906</td>
<td>$8,833,908</td>
<td>12.4%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Military exchanges</td>
<td>161,349</td>
<td>169,271</td>
<td>4.9%</td>
<td>5.5%</td>
</tr>
<tr>
<td>TOTAL &gt; GROUP III</td>
<td>$7,953,256</td>
<td>$8,803,180</td>
<td>10.9%</td>
<td>12.4%</td>
</tr>
</tbody>
</table>

### GRAND TOTAL

<table>
<thead>
<tr>
<th></th>
<th>2016 Sales</th>
<th>2017 Sales</th>
<th>% chg</th>
<th>Real % chg</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$766,044,367</td>
<td>$786,706,469</td>
<td>2.7%</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

Feetnotes:
1. Data are given only for establishments with payroll.
2. Workers’ service is provided, and the order is taken while the patron is seated. | Name pay after they eat.
3. Patrons generally order at a counter register or select items from a food bar and pay before they eat.
4. Formally contracted caterers.
5. Food and drink sales for noncatered establishments totaled $11,450,321,000 with full-service restaurants accounting for $3,172,450,000, limited service accounting for $5,051,990,000 and other food and drink sales accounting for $3,226,880,000.
6. Also referred to as nonfood service and food contractors.
7. Includes health, nonmilitary service and house service restaurants, general service stations, takeout food stores, food stores, and grocery stores serving food and drink.
8. Includes workers’ service is provided, and the order is taken while the patron is seated. | Name pay after they eat.
9. Includes workers’ service is provided, and the order is taken while the patron is seated. | Name pay after they eat.
10. Includes workers’ service is provided, and the order is taken while the patron is seated. | Name pay after they eat.
11. Includes workers’ service is provided, and the order is taken while the patron is seated. | Name pay after they eat.
12. Includes workers’ service is provided, and the order is taken while the patron is seated. | Name pay after they eat.
13. Includes workers’ service is provided, and the order is taken while the patron is seated. | Name pay after they eat.
14. Continental United States only.