Spicy restaurant business solution

Name

Institution

Introduction

SpiceSky restaurant, a specialty Indian foods restaurant, located in the heart of London's City has been in operation for almost three decades now. It has been recording a consistent increase in revenues for many years until recently when it started experiencing a reduction in revenues. The restaurant owner Ali Mahal is concerned about the negative turn of events and has sought the services of my company as he seeks to overturn this trend. Of particular concern is the realization that rest of the restaurant businesses continues to prosper, yet SpiceSky seems to be on a downward spiral. According to Ali, there is a dramatic increase in television advertising among the rest of the restaurant operators, indicating that such operators have always had huge promotional budgets. This paper, therefore, seeks to understand the root cause of the reduction in sales and make recommendations on the best course of action. It relies on information and insight from interviews with the owner, site visits, the general industry trends in the restaurant business in London as well as secondary literature. It first identifies the challenges that face the business and recommends specific actions that should be taken to remedy the situation. It concludes by making a final recommendation on the general companywide strategy that should be adopted to reverse the existing trend.

SpiceSky restaurant- Situation analysis

In order to diagnose the cause of the reduced revenues and consequently make adequate recommendations on how the situation can be reversed, this paper utilizes a SWOT analysis (Osita, et al, 2014), which details an assessment of the business strengths, weaknesses, opportunities, and threats that are present in the environment.

Strengths

Strong brand

Despite the recent turn of events, the company has key strengths that have been an anchor for its consistent performance for the last two decades. One such strength is the rich heritage. For many years, the company has served millions of customers, building a strong brand and leveraging on such loyalty to generate consistent revenues. As one of the pioneer Indian restaurants, SpiceSky has built a stream of loyal customers who have continued to support the business despite increasing competition.

Broad range of quality Indian cuisine

Its quality and the broad range of foods including samosa, pakora, chicken spring rolls, lamb tikka, tandoori chicken, and drinks such as the rare Hadia has been a key customer attraction to the restaurant. Its experienced kitchen staff is legendary and has made some of the best Indian cuisines in the region, attracting a great and loyal customer base for a long period of time.

Favorable location

The location of the business at the heart of London's city center means that the business is accessible to many people who habit the city day in day out. It exposes the business to a large market base, comprised of mostly upscale clients thus having a positive impact on revenues.

Weaknesses

Inadequate/ineffective advertising

Since time immemorial, advertising has served a very critical role in business by acting as an enabler of competition for buyers amongst businesses. Regardless of the nature of the goods or services on offer, a business cannot rely on single and one-off advertisements or word-of –mouth banter to keep a steady flow of customers. According to Desai (2013), there is a need for a strong commitment to advertising both as a response to external forces of competition as well as an internal drive by the sales team. The role of advertising should not be a secondary concern to a business, as is the case at SpiceSky restaurant. While the competition has embraced significant marketing efforts with huge budgetary allocations towards this function, enabling them to launch aggressive marketing campaigns both on print and broadcast media, SpiceSky restaurant marketing efforts are wanting at best.

By the admission of the owner, the company has not been aggressive in its marketing efforts. It has used the same advertising strategy for years, which includes a few spots on local radio, an occasional newspaper advert and a billboard that is located at least 5 miles from the restaurant. In a highly competitive market segment such as the restaurant business, this is barely enough. According to Kaplan & Norton, (1996) for advertising to serve its purpose, it has to evolve with the times regarding the target market and competitor strategies. It's also compounded by the realization that competitors have waged incessant advertising campaigns that have proven to be effective, as is evident from the declining sales at SpiceSky restaurant. The challenge that the business faces is how it can design effective advertising strategies in order to bring back the lost customers, grow the customer base and translate that to improved sales.

Obsession with costs management

Cost control can be very successful if all underlying factors hold true. However, serious errors can be made if cost reduction is done at the expense of flexibility and process improvements, new business opportunities etc. Faced with dwindling revenues, Ali appointed a cost controller to salvage the situation, which according to him, was able to maintain profitability despite the reduced sales. Cost control, however, came at a very high opportunity cost. Cost control at SpiceSky came in the form of small marketing budgets, removal of some items from the menu such as the Hadia beer, increased complaints from clients, increased employee turnover, and missed opportunities for innovation and general loss of customers, and consequently reduced revenues. Actually, it can be argued that besides the ineffective advertising strategies, the cost reduction efforts are responsible for most of the challenges that face the business(Adeoye&Elegunde, 2012). Since a reduction in costs enables the company to still continue to post profits, there is a tendency to be overly obsessed with cost control, thus forgoing the benefits of business process improvements, innovation, and flexibility.

Employee turnover

While this is tied to the cost control, the high employee turnover reveals an underlying problem with the company's human resources policies. As noted by Ali, the business continues to experience higher than normal employee turnover, especially the kitchen staff, even after he left most of the human resource decisions to the cost controller. It's important to note that employee turnover is influenced by a myriad of factors ranging from individual physical factors to staff motivation. The overemphasis on the reduction of costs has not only led to reduced staff

motivation but also the quality of products and services at the restaurant, resulting in reduced customer numbers.

Opportunities

Exploitation of advanced marketing strategies

There lies a great opportunity for growth with the implementation of aggressive advertising strategies as has been the case with competitors. The use of mass advertising channels such as Television Ads, radio, print and social media advertising carry a great opportunity that can potentially revolutionize the SpiceSky restaurant business(Brennan & Croft, 2012). Leveraging advanced advertising efforts with a great brand is a sure way to get customers streaming back, with their friends**.**

Diversification of services and product offering

The removal of some items from the menu, such as the Hadia drink has been a key problem, occasioning several customer complaints and departures. Ensuring that there is a wide range of products including the customer favorite Hadia drink will get the customers streaming back. Diversification to other services such as outside catering presents a great opportunity for expansion of the company offerings and increase in revenues.

Threats

Competition and competitive positioning

Over the years, the SpiceSky restaurant has positioned itself as a brand defined by the quality and range of its Indian foods. It boasts of quality dishes, a great ambiance and service experience. This has created a stream of loyal customers who have maintained the business

revenues at the high. The arrival of more players in the industry, including a chain of Indian restaurants has completely changed the competitive landscape. SpiceSky continues to experience reduced customer numbers and revenues over the last one year due to increased competition and a complacent attitude towards its business. While other restaurants have laid great emphasis on advertising and related marketing strategies, have huge advertising budgets etc., SpiceSky still uses the old advertising strategies that are proving to be ineffective given the fierce competition. The concentration on cost control as opposed to innovation, advertising, and business development has led to dwindling customer numbers, revenues, and market share.

Due to the nature of the restaurant businesses, there is a huge probability that those employees that leave SpiceSky are absorbed in competitor restaurants, which leads to loss of business. Losing crucial experienced staff to a competitor has a significant bearing on a business, sometimes occasioning huge losses as clients follow their trusted and experienced chefs. The time and costs involved in training new staff on their roles also reduce the business profitability and therefore continues to be a threat to the business.

Recommendations

In this section, we shall employ the TOWS matrix to recommend strategies that would help the company to reverse the decline in revenues. According to Novicevic, et al (2004), a TOWS (threats, opportunities, weaknesses, and strengths) analysis is a variant of a SWOT analysis but seeks to go further and identify the relationship between the different factors that affect an organization. It matches internal and external factors and tries to establish the strategic options that are available to an organization. It helps an organization to see how best to take advantage of

its opportunities, reduce the threats while overcoming weakness and exploiting any strength in

their business.

	External opportunity (O) Large market base: Market for outside catering	External Threat (T) Competition and competitive positioning Loss of key staff to competitors
Internal strengths (S) a) Strong brand b) Broad range of Indian cuisine c) Favourable location	**SO (Maxi-Maxi)** Broad range of products-*Become a leader in product range and quality* Strong Brand-*maximize on customer loyalty and offer complementary products/ services to increase sales value* Favorable location-*increase brand presence by aggressive advertising and branding*	**ST (Maxi-mini)** Strong brand in the face of competition: *Exploitation of advanced advertising strategies* Broad range of Indian cuisine, favorable location in the face of competition- *Diversify product and service offering* Strong brand and favorable location in the face of loss of key staff to competitors- *Implement fair human resource policies*
Internal weaknesses (W) Inadequate/ineffective marketing Obsession with costs control High employee turnover	**WO (Mini –maxi)** Inadequate/ineffective advertising efforts+ obsession with costs control-*Implement advanced advertising strategies spanning TV, radio, print and social media.*	**WT (Mini-mini)** Inadequate/ineffective advertising in the face of strong competition - *Implement advanced advertising strategies spanning TV, radio, print and social media.*

	High employee turnover-*Implement fair human resource policies geared towards attraction and retention of a talented workforce.*	

Recommendation

From the TOWS matrix above, a number of key recommendations can be derived. These are discussed below.

Implementation of aggressive advertising strategies

There is a great need for active and aggressive advertising effort if SpiceSky is to effectively compete with other restaurants and reclaim its rightful place in the food chain. It's evident that the marketing and advertising efforts in place have been ineffective, to say the least. The occasional radio advert, the newspaper spot and the billboard that is five miles away can barely sustain the existing customer base, let alone attract new ones. The company needs to consider marketing as a key organizational function and invest the necessary amount of resources if it's to have an impact on the already highly competitive market (Jenkins, 2015). Besides running consistent TV advertisements, radio and print adverts, SpiceSky needs to go a step further and embrace other advertising tools such as social media, the internet and other modern forms. It should be noted that the goal of the advertising strategies, in this case, will not only be to create awareness of the existence and product offering by Spice Sky restaurant, but also to persuade the existing customers to start streaming back for delicious meals, this time with their friends and

loved ones Campbell,Cohen, &Junzhao Ma. (2014).below are a few suggestions of some effective modern advertising strategies

Giving discounts

Due to the high competition from other Indian restaurants, there is needed to draw attention to SpicySkys restaurant by disrupting the current advertising landscape. The use of discounted days for certain food items, or reduced prices for certain times/days or even offering kids-eat-free programs will go a long way in reviving the client base and driving sales. Ensuring appropriate advertising channels to spread this information such as TV, radio, print and social media, banners outside the business or at the back of receipts is a great way to ensure consistent business and improved sales. The use of loyalty programs where patrons get to enjoy discounted prices for visiting many times or spending higher amounts of money is also a proven method of generating repeat business.

Social media and internet advertising

Internet marketing and social media is probably the most important marketing invention of our times. It's also the cheapest advertising method that has proven to be effective. Having dedicated staff to manage the restaurant's social media accounts including Twitter, Facebook etc, ensures that many people are reached at minimal costs. Adding the daily special to the restaurant's social media accounts as well as websites and ensuring maximum followers is a great advertising tool that ensures real-time interaction with customers and handling of queries concerning the restaurant in real time is a proven method of driving sales.

Distribution of fliers

Making fliers with vital information about the restaurant such as the types of cuisines and specials on offer, the prices, address and contacts and having some dedicated staff to personally hand out those fliers to individuals and businesses that correspond to SpiceSkys restaurant type of business is a good step. For instance, distributing fliers to events, schools and other gatherings increases the chances of getting orders.

Hosting events

Hosting publicized events such as holiday parties, comedy shows, live bands, fashion and talk shows etc. is a great way to attract customers to the business. Identifying famous individuals to become brand ambassadors in the advertisement of the restaurant's services is a sure way to attract those people that identify with such individuals.

Strategic cost management

Costs management seems to be the most sought after strategy for increasing profitability, and it's no wonder that Ali hired a cost controller to manage the costs at SpicySky restaurant. There is a lot of literature on the benefits of cost cutting strategies, with many authors concentrating mostly on avenues and categories available for cost cutting such as product, expense, geographical and functional. There is also, a huge gap in the literature, with regard to the negative aspects of cost control as witnessed at SpicySky restaurant where the obsession with costs management led to the removal of important items from the menu such as the tasty hadia drink. The cost controller was also responsible for the departure of most experienced staff since he was the one responsible for making human resource decisions. Due to the increased emphasis on costs management, there was little effort and resources allocated towards advertising which resulted in the reduced sales for the period.

Strategic cost management is a management accounting concept that embraces cost reduction while emphasizing on investment in those areas that generate the highest returns for the business. Rather than going all flat out to reduce costs, its highly recommended that effort is made towards improving product and service quality and delivery while taking advantage of any available investment opportunities that may increase revenues. Investing heavily in marketing and advertising efforts, for instance, has great potential to increase revenue numbers and subsequently cover those costs.

Human resource policies

Stahl, Heitmann, Lehmann, &Neslin (2012), note that human capital is the most factor of production. The high staff turnover indicates a fundamental human resource problem that requires being addressed. By leaving the human resource decisions to the newly hired cost controller, the owner of the business portrays the lack of proper human resource policies. It's recommended, therefore, that the business needs to have clearly stipulated and comprehensive human resource policies that address all human resource issues including recruitment, selection, training, and induction, work environment, compensation, performance appraisal as well as other qualitative aspects of work such as employee motivation.

Diversification

After addressing issues of advertising and promotion, SpicySkys restaurant needs to identify a niche products/market which differentiates it from the rest of the competition(Bourgeois, 1980). In Central London, there is a very high demand for deliveries of food items from restaurants. There is a growing category of clients who would love to order online, or via phone and have their order delivered either to their offices or homes. This, together with the availability of a

broader product offering is guaranteed to create a great client base for the restaurant, which will not only ward off competition but will likely increase revenues for the business as deliveries within the area opens the restaurant to a wider market.

Leadership

Leadership plays a key role in the success or failure of a business. The role of leadership is mainly to provide a strategic direction to the stakeholders of the business. There is obviously a strategic challenge in that the present leadership needs to focus more on business development and growth and less on cost control. A leadership that is clearly focused on growth and development is likely to invest heavily in those areas that have a significant impact on the business growth such as advertising and business development, which are what SpiceSky restaurant needs.

Conclusion

In the discussion above, ineffective/inadequate advertising, obsession with costs control, high employee turnover and competition have been identified as the challenges that afflict SpiceSky restaurant. To remedy the situation, a number of recommendations have been made. These include instituting comprehensive marketing and advertising campaigns ranging from print and broadcast media, social media and internet advertising among others; strategic costs management, diversification and emphasis on strategic leadership. It is strongly believed that the implementation of the above recommendations, holding all other factors constant, will greatly improve product and service quality and dramatically increase revenues, enabling SpiceSky to reclaim its rightful position amongst specialty Indian restaurants at the heart of London.

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