Restaurant industry and marketing plan for Studio Thai restaurant

Yingluck Pitisom

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RESTAURANT INDUSTRY AND MARKETING PLAN
FOR STUDIO THAI RESTAURANT

A Project
Presented to the
Faculty of
California State University,
San Bernardino

In Partial Fulfillment
of the Requirements for the Degree
Master of Business Administration

by
Yingluck Pitisom
December 2004
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December 2004

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ABSTRACT

I have been interested in opening my own restaurant in California and have referred to many sources to gain more knowledge on how to start-up a restaurant business. This project focused on restaurant industry analysis, start-up requirements, planning decisions, human resource management and restaurant marketing strategies.

A marketing plan has been developed for the purposes of opening Studio Thai in the near future.
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CHAPTER ONE
INTRODUCTION

The Restaurant Business

Increasingly numbers of consumers want to either dine out or take home prepared foods. Hence, the number of food-service operations has skyrocketed from 155,000 about 25 years ago to nearly 800,000 today. But there is still room in market for a food-service business (Lynn, 2001).

“Shifting demographics and changing lifestyles are driving the surge in the food-service businesses” (Lynn, 2001, p. 2). Consumers today are time poor and do not have the inclination to cook and want the flavor of fresh bread without the hassle of baking and tasty, nutritious meals without the mess. In fact, the rise in popularity of to-go operations underscores some clear trends in the food-service industry. More and more singles, working parents, and elderly are demanding greater convenience in buying their meals and are turning to operations that provide that convenience (Lynn, 2001).

Industry Trends

In the 1980s, new restaurants were typically upscale establishments that centered on unique and creative dishes by famous chefs. Young, professional baby boomers, often
on liberal expense accounts, supported these concepts (Lynn, 2001). The 1990s brought a trend to the restaurant industry that is expected to continue well into the new century. Generation Xers and family-minded baby boomers are concentrating on stretching their dollars and the trend is value-oriented (Lynn, 2001, p. 4).

Lynn (2001, p. 5) suggests that other industry trends include:

- "Carts and kiosks: eating establishments no longer require customers to come to them; in many cases, the restaurant goes to the customer in the form of a cart or kiosk. Many limited-service mobile facilities are located in areas that attract large numbers of people such as malls, universities, airports, sports stadiums, and arenas. These restaurants typically offer very limited menus but attract customers with their recognizable names.

- Dual-branded operations: a relatively new, but popular trend is the dual-branded restaurant where two well-known restaurants, typically quick-service operations, combine their menus in one location to offer customers a wider
selection of items i.e. the Green Burrito and Carl's Junior, Togos and Baskin Robbins.

- Nutrition-conscious consumers: The importance placed on nutrition appears to be on the decline. This trend is largely attributed to the value-minded Generation X market group that tends to patronize quick-service establishments such as McDonald's.

- Popular menu items such barbecued foods and appetizers are two of the most popular menu items ordered by consumers. Barbecue appears to satisfy customers desires for spicy foods and regional cuisines. Appetizer orders are a growing trend led by customers who omit entrees and includes tapas bar and Asian Dim sum.

- Catering to families with children is a recurring trend for restaurants. Because many baby boomers have children still living at home, the majority of their dining-out experiences are family-oriented. Restaurants wanting to reach this market are offering children's menus and value meals with child-size portions. Some even offer child-friendly environments with booster seats, toys, balloons, crayons, menus featuring
games on them, and free table-side entertainment such as magicians and clowns. Establishments include Chuck E Cheese’s, McDonald’s and Home Town Buffet.

Menu Trends

Lynn (2001, p. 5-6) reported that “items gaining popularity include vegetarian items, tortillas, locally grown produce, organic items, fusion dishes (combining two or more ethnic cuisines in one dish or on one plate), and micro brewed beers. Pita dishes and wraps continue to be in high demand as an easy-to-consume alternative to sandwiches.” There is also a strong demand for bagels, espresso/ specialty coffees, and “real meals,” which are typically an entree with a side order. Consumers are also eating more chicken, seafood, and beef entrees than they have in recent years, but at the same time expect to see meatless alternatives on the menu (Lynn, 2001).

Consumers are also demanding “comfort foods,” that are dishes that take them back to their childhoods, when mother baked from scratch, and meat and potatoes were at the center of each plate. Creative chefs are looking for ways to redefine and reinvent comfort-food favorites (Lynn, 2001).
"Menus are also showing a number of ethnic dishes and spice-infused offerings. It is not surprising to find Thai, Vietnamese, Creole, Tuscan, and even classic French cuisines on the same menu or even sharing the same plate with American favorites" (Lynn, 2001, p. 6).

"Though menu variety has increased over the years, the actual menus themselves are growing shorter in length" (Lynn 2001, 6). Busy consumers do not want to read lengthy menus before dinner since dining out has turned into a recreational activity where patrons are there to relax. Therefore, an important thing to remember when developing a menu is to provide customers with a variety of choices in a concise format by keeping down the number of items offered and descriptions simple and straightforward. Moreover, today’s menus indicate what dishes are prepared to meet special dietary requirements. Items low in fat, sodium, and cholesterol are marked on today’s menus (Lynn, 2001).

"Consumers’ heightened interest in health and nutrition specifically carbohydrate is one of the top trends for 2004 cited by the National Restaurant Association” (Briefing, 2004). Experts disagree on the extent to which Americans are cutting or will cut carbohydrates, but it is clear that consumers are
interested in healthy menu options that include quick service. A consumer research shown in Briefing (2004) showed that, 90% of adults said they would try fresh fruit if it was offered in quick service restaurants; 86% would be likely to order fresh vegetables, and 92% of women and 79% of men said they would order a main-dish salad. Salads may be strategic additions since they have the advantage of rounding out a menu and increasing appeal to all customers. There was also an interest among 64% of those surveyed for organic fruits and vegetables. Web sites including McDonald’s, Wendy’s, Burger King, KFC, and Subway now feature nutrition sections where consumers can obtain nutritional value of menu items, as well as learn more about nutrition topics (Briefing, 2004).

The Low Carb Craze

According to the Briefing (2004), a study shows that 59 million U.S. adults report they are controlling carbohydrate intake, with 17 million stating they follow a specific low-carb diet plan. When dining out, 35% say they stick to their diets at fine dining restaurants; 40% at casual restaurant; 44% at fast casual; and 38% at fast food. And, while long-term commitment to these diets is unclear, to meet current demand for healthy choices some
restaurant chains are partnering with well-known diet companies, i.e., T.G.I. Friday’s with Atkins and Applebee’s with Weight Watchers. Others are working with nutritionists to revise current menu items and develop new ones such as Chili’s and McDonald’s.

Take-Out

Research conducted by the National Restaurant Association (2003) suggests that popularity of off-premises consumption of restaurant food is increasing. Results show that 21 percent who use off-premises restaurant services purchase one or more such meals a day, 26 percent purchase off-premises meals every other day, 22 percent purchase meals for off-premises consumption about twice a week, and 31 percent make purchases for off-premises consumption less than once a week (Lynn, 2001).

Take out is dominated by fast-food establishments such have 52% of the market and 41% of sales. Carryout restaurants capture 10% of off-premises dining patronage and 15% of sales. Full-service restaurants account for 6% of off-premises dining and 11% of sales (Lynn, 2001).

The reasons why consumers buy prepared foods include easy accessibility, fast service, reasonable prices, as
well as being too tired to shop for groceries and prepare food themselves (Lynn, 2001).

Often times, consumers buying take-out are also looking for a special treat, such as ice cream, snacks and gourmet coffees. Another strong motivator for this market is the desire to eat "something that is good for me." These customers tend to patronize full-service restaurants, grocery stores and cafeterias/buffets for tasty, fresh foods (Lynn, 2001).

California Restaurant Industry
Research conducted by California Restaurant Association (2004) regarding the state’s industry found that

- Projected sales are $46.4 billion,
- There are 77,940 foodservice units,
- There are 958,400 employees who work in restaurants, and
- Sales tax revenue to California is $3.8 billion.

Moreover, food and drink sales in California have been growing constantly since 1991. See figure 1.
Figure 1. Food and Drink Sales

The Restaurant Costs

According to California Restaurant Association News & Info (2004), the total cost of a restaurant business can be divided into 5 categories (see figure 2). They are:

1. Salaries, wages and employee benefits (31.5%)
2. Food and beverage costs (30.5%)
3. Additional expenses (26%)
4. Occupancy costs (6%)
5. Income before taxes (6%)
Restaurants Business Facts

A study from California Restaurant Association News & Info (2004) shows that

- For every dollar of sales brought in, the restaurant keeps less than a nickel in profits.
- California eating-and-drinking restaurant sales are projected to rise 5.2 percent in 2004.
- Every $1 spent in restaurants generates more than $2 in business for other industries. The total economic impact of restaurant sales in
California in 2004 is projected to be more than $92 billion.

- Direct-travel spending in California generates more than $75 billion each year for the state’s economy. The restaurant industry accounts for the largest share of economic activity from travel and tourism.

**Restaurants Indicate Good Jobs**

Moreover, according to California Restaurant Association News & Info (2004):

- The restaurant industry is the largest employer in California, with California’s restaurants providing 958,400 jobs. The restaurant industry provides work for nearly 6.6 percent of those employed in California,

- The restaurant industry is an important employer of new workers. According to the U.S. Bureau of Labor Statistics, 59 percent of the nation’s 8.1 million restaurant and bar employees are under age 30,

- More than 2 out of 5 Americans have worked in the restaurant industry at some point in their lives,
• The typical restaurant owner started at the beginning of the career ladder, working as a dishwasher, busboy or cook. In fact, more than 8 out of 10 salaried restaurant employees started out as hourly employees,

• By 2010, more than 100,000 management positions will be available in the U.S. restaurant industry each year, and

• Eating-and-drinking places employ more minority managers than any other retail industry.
CHAPTER TWO

START-UP REQUIREMENTS

The requirements to open a new restaurant fall into four main categories:

1. Financial requirements
2. Personal requirements
3. Location requirements
4. Legal requirements

Financial Requirements

According to Alonzo (1996), the amount of money needed to start a restaurant varies depending on the size of the establishment, the geographic area, the specific location and the state of the local economy. Leases and building costs are more expensive in prestigious areas and locations near attractions that draw large numbers of people, such as beaches, theme parks, and resorts. Construction costs are also more expensive in periods of high demand than other times.

The various expenses of starting a restaurant can be divided into three general categories (Alonzo, 1996, 13-14). They are:

1. "Initial planning: accounting and legal resources, market research and general and
administrative expenses, such as telephone, duplicating, transportation and the services of consultants,

2. Construction and acquisition of equipment and supplies: building or renovating a facility, purchasing and installing the necessary equipment, obtaining initial inventories and appropriate operating supplies, and

3. Pre-opening expenses and working capital: advertising, hiring and training a staff, cleaning up the premises after construction, and having adequate funds to meet payroll and pay other bills until your cash flow builds to where it can sustain current operating costs."

Sources of Start-Up Funds

For starters, first-time restaurateurs have to explore different financing options because what works for one individual will not necessarily work for another. Factors such as experience, business size and the amount of funds needed determine what type of financing is most appropriate. According to the National Restaurant Association (2004), there are many financing options to explore which are listed below.
1. Personal resources: that include savings accounts, equity in real estate, retirement accounts, vehicles, recreation equipment, collections, and other investments. A starter may also opt to sell assets, such as homes, jewelries, and cars for cash, or use them as collateral for a loan. Furthermore, personal lines of credit can be used for start-up as well (Lynn, 2001).

2. Family and friends: is the next logical step after gathering personal resources. All arrangements should be made in a professional manner with everything in writing. Individuals who are approached for the purpose of investing in the business can afford to take the risk of investing in the business (Cannon & Tarcy, 2002).

3. Partnership: individuals may want to team up with someone who has the financial resources and wants to be part of the business. Starters can also find a silent partner who has money to invest, but has no interest in doing the actual work. Whichever the route, a written partnership agreement that clearly defines the respective
responsibilities and obligations from each party should be created (Lynn, 2001).

4. Government programs: for first-time restaurateurs local, state, and federal programs exist designed to support small businesses. The individual will want to visit the U.S. Small Business Administration (SBA) and investigate the various programs they have to offer. Women, minorities, and veterans should also check out niche financing possibilities with the SBA, that are designed to help them get started (Lynn, 2001).

5. Commercial bank loans: are difficult for first-time restaurateurs because they must prove that they are a low-risk. After they have managed one or two successful restaurants, the chance of receiving a bank loan greatly increases (Cannon & Tarcy, 2002).

6. SBA loans: are an alternative to traditional commercial bank loans and include the 7(a) Loan Guaranty Program. In fiscal year 2000, the 7(a) program granted almost 44,000 loans for a total of $10.5 billion. Through the program, private-sector lenders grant loans, and the SBA
guarantees them up to 85 percent of the principal. About 5,000 U.S. lenders grant SBA loans. In fact, the same bank that turns down a restaurant for a traditional loan may be able to approve an SBA loan. To qualify for a 7(a) loan, the applicant must have been rejected for a traditional loan and must operate a small business. Individual franchise owners of large corporations may also be considered small businesses (Alonzo, 1996).

7. Financing from the seller: is another option. There are two benefits to seller-based financing; first, it is a good alternative when other financing sources are unavailable; and second, it bodes well for the business’s potential. If the seller is willing to finance the loan, it shows faith in the continued success of the operation (Cannon & Tarcy, 2002).

Personal Requirements

There are certain skills that can enhance an entrepreneur’s chances for success in the restaurant business, that include their extent of involvement in the daily operation of the business.
Some skills, such as cooking or bartending, are particularly useful when an employee does not show up on time or when an unexpected rush period occurs. Likewise, knowledge of accounting is essential for understanding the books and for budgeting and filing taxes. An owner's understanding of customer service can also serve as a role model for employees when dealing with disgruntled guests. Finally, management skills are essential to motivate employees and manage the business (Alonzo, 1996).

It is not necessary for an entrepreneur to possess all of these skills. In large operations, many duties and responsibilities are delegated to others because an owner or manager cannot be in all places at once. In smaller establishments where monetary constraints exist, the owner or manager fills in wherever needed. "The financial condition of a business usually dictates how many 'hats' an owner must wear until the business gets established" (Alonzo, 1996, p. 15).

Location Requirements

A good location is critical to the success of a restaurant. Location is a key to creating the volume needed to run a successful retail establishment of any kind. According to Lynn (2001, p. 162), the following are
some factors to consider when deciding on a location include:

- "Anticipating sales volume: how will location contribute to the sales volume? Consider the presence or potential presence of other food-service businesses that the business would be in competition with.

- Accessibility to potential customers is critical: If vehicle traffic is heavy, or if the speed limit nearby is more than 35 mph, drivers may have difficulty entering or leaving the site."

If a business is relying on strong pedestrian traffic, consider whether or not nearby businesses will generate foot traffic for the business. Large department stores will often draw shoppers who may stop in a restaurant for a meal or snack, while shopping centers in busy office districts might attract pedestrian customers, primarily during weekday lunch hours. In contrast, a strip center anchored by a supermarket may not be the best location since shoppers typically go directly to the grocery
store and then straight back to their cars (Lynn, 2001).

- The rent paying capacity for the best locations demand the highest lease rate: If a business has done a sales-and-profit projection for the first year of operation, they will know approximately how much revenue they can expect to generate and use that information to decide how much rent they can afford to pay (Lynn, 2001).

- Customer parking facilities for the site should be convenient and adequate as well as provide easy and safe access for customers (Lynn, 2001).

- History of the site such as who were the previous tenants and why they are no longer there. There are sites that have been occupied by numerous business failures and the reasons for the failures may be completely unrelated to the success potential of new operation. New management needs to understand why previous tenants failed so they can avoid making the same mistakes (Lynn, 2001).

- Terms of the lease need to be understood because it is possible an excellent site may have
unacceptable terms. The time to negotiate terms is before signing the lease and before moving in (Lynn, 2001).

Legal Requirements

Because of the significant impact food-service businesses can have on the health and safety of their patrons, they are subjected to a wide range of regulatory requirements, which often vary by city and state. Business owners are responsible for knowing what specific regulations apply to particular operations and complying with them. Regulations can be further categorized by the following:

Food Service Licenses

According to Alonzo (1996), all states have food service sanitation codes that require restaurants to obtain food service licenses before they can open for business. The name of this license may vary from state to state, but in California, it is known as a health permit. No matter what the name is, the intent is the same, which is to ensure that food service establishments are operating in a sanitary and safe manner that complies with the food sanitation codes.
Without a license, restaurants cannot sell food to the public. Furthermore, at any time after opening, if a restaurant fails to comply with the requirements of the food service sanitation code, the license may be revoked. These licenses are issued for only a one-year period (Alonzo, 1996).

State and local public health authorities cooperate closely with each other on public health matters. In some jurisdictions, local health departments administer inspections of restaurants and issue food service licenses subject to approval by the state public health department. In others, state public health officials administer all aspects of the food sanitation code (Alonzo, 1996).

According to Alonzo (1996), the typical process for obtaining a food service license in California is as follows:

1. Advising local officials of a proposed restaurant.
2. Submitting floor plans of a restaurant to the local health department, that will advise owners if it is necessary to submit them to the state health department. In the review, the following is covered.
   2.1 The placement of all major equipment, as well as the location of sinks and restrooms. A
list of materials to be used for floors, walls, ceilings and food contact surfaces are included.

2.2 A copy of food and beverage menus must also be included.

3. Complete and submit a license application to the local or state health department, as directed.

4. Call the health department for a pre-opening inspection at least seven days prior to the planned opening date, and

5. If all goes well with the inspection, a food service license will be issued and periodic inspections will follow.

When planning a restaurant, particular attention should be paid to toilets, hand-washing facilities, sewage disposal, plumbing, lighting, ventilation, dish-washing and glass-washing facilities and all work surfaces. These are areas of vital concern to public health authorities (Alonzo, 1996).

Fire Permits

Moreover, a restaurant cannot open for business until it has been issued a fire permit. The state fire marshal’s office and local fire departments work hand in hand, but
as a rule, it is the local fire departments that do the on-site inspections (Cannon & Tarcy, 2002).

The fire department is responsible for placing a limit on the number of patrons allowed into the business. That capacity is determined by square footage and other factors contained in the state and local fire codes, that are modeled after the National Fire Protection Code (Alonzo, 1996).

Alonzo (1996, p. 18-19) also has suggested that local fire departments issue permits upon passage of an inspection that includes, but is not limited to, the following areas:

• "Clearances: gas-fired and other fuel-burning equipment installed must have specified clearances from walls, ceilings and floors.

• Exits: there must be the correct number of exits, in the right locations, with no obstructions in the pathway and with illuminated exit signs above them. External exit doors must swing outward and be mounted with crash bars.

• Fire detection: smoke detectors and appropriate fire suppression systems (such as sprinklers, CO2 and dry chemical) must be in place, as well as emergency lighting system.
• Sprinklers must not be covered, blocked or otherwise impaired from performing as intended.

• Fire Extinguishers must be correctly placed throughout the premises. Usually, they must be located within 75 feet from any point, have a particular rating, and be visible to employees.

• Electrical work must conform to applicable building codes and be done by licensed electricians using approved materials. There must be an adequate electrical supply to safely meet the load required by the equipment and other electrically powered systems.

• Flammable Liquids of any flammable liquids (such as cooking oil) must be by approved means. Cooking equipment that utilizes combustible liquids must be protected by fire hoods with built-in suppression systems.

• Storage aisles of at least 36 inches should be provided between shelves. Approved metal containers must be provided for debris or other combustible materials.

• Miscellaneous chimneys, heating equipment and vent system must meet the code requirements."
Building Permits

According to Alonzo (1996), it is necessary to check with several other agencies before applying for a building permit. The following is a typical sequence of events for obtaining a building permit and a Certificate of Occupancy (Alonzo, 1996, p. 19):

• "Check with the Zoning Board to determine whether the zoning at the proposed location will allow a restaurant.

• Obtain a sight approval from the Planning Board. This is important when a restaurant is going to serve alcoholic beverages since a public hearings must be held. The board will consider items such as the impact on traffic conditions and the environment in that area.

• Next, a plan review meeting is held with an official from both the building and the fire department present. They will review the plans in detail, paying particular attention to the structural integrity of the building, the occupancy capacity for which it is rated, fire detection systems and conformance to all applicable codes.
Finally, a formal application is made for a building permit."

If everything meets code, a building permit is issued and construction may be started. Periodically, building inspections will be made regarding the construction or renovation project to determine compliance with codes. When the construction is completed, the building and health inspectors will make a final inspection and upon passage of that inspection, a Certificate of Occupancy is issued to the owner of the business (Alonzo, 1996).

Other State and City Department Responsibilities Before Opening. As Alonzo (1996) suggests that a restaurant must register its name and comply with the state’s labor laws, handicap access regulations and environmental regulations. It must also collect sales or meals taxes as well. The following is a list of departments that the restaurant must contact:

- "Secretary of State: this is where a restaurant owner can register the name of the business and the secretary of state will determine if that is the legal form of business chosen.

- Commission on the Handicapped: to inquire about accessibility requirements for new construction and renovations.
• Bureau of Weights and Measures: for inspection of any scales to be used in commercial trade.
• Department of Revenue: for information on sales taxes or meals taxes that may have to be collected.
• Signage Commission: Many communities now have an agency that controls signage and require that a permit be obtained before a sign may be installed. They are primarily concerned with the size (square footage) of the sign, its height from ground level and the type of illumination planned for it" (Alonzo, 1996, p. 20).

**Liquor Licenses**

All states require a liquor license to sell alcoholic beverages, yet how licenses are obtained differs from state to state. In some, they are more difficult to obtain due to the number of licenses already in existence regarding the size of the population. In other states they are readily issued as long as the applicant and the premises meet the requirements for the license (Cannon & Tarcy, 2002).

According to the Professional and Business License Handbook (2002), California’s license to sell beer, or beer and wine, (an original or transfer of an existing
license) may be obtained if the applicant and the premises qualify. However, licenses to sell beer, wine and distilled spirits (original or inter-county transfer of an existing license) are limited by law. They are issued only once a year according to the population. If there are more applicants than licenses available, a public drawing is held. When these original licenses become available, the Department of Alcoholic Beverage Control (ABC) announces the drawing in the press and trade publications so that interested persons have an equal chance to apply. The only other way to obtain such a license is to buy one on the open market.

Alonzo (1996) suggests that applications for liquor licenses are checked thoroughly. Of greatest concern to state liquor control boards is an applicant’s ability to obey laws and be financially responsible. The general requirements for a liquor license include:

- "Be 21 years of age or older,
- Be financially responsible,
- Have good moral character, and
- Be an American citizen" (Alonzo, 1996, p. 21).

"The license for restaurants that sell alcoholic beverages for consumption are called an on-premise
licenses (as opposed to an off-premise licensed business, such as liquor stores)” (Lynn, 2001, p. 191). There are different types of on-premise licenses beer only, beer and wine and alcoholic beverages. The effective term of a license is one year and it applies to only one specific location. Alonzo (1996) suggests that liquor laws typically cover the following items (including CA):

- “Types of licenses available, fees and the application process,
- Requirements for acquiring a license,
- Hours and days of operation,
- Proximity to churches, schools and hospitals,
- Who may be employed in the licensed establishment?,
- Who may not be served alcoholic beverages?,
- Change of ownership or managers, and
- Changes or alterations to the licensed premises” (Alonzo, 1996, p. 22)

All states have an alcoholic beverages control agency. In some states, only the state agency can issue a liquor license, provided the state agency approves the issuance of the license (Alonzo, 1996).
Further, there are two categories of states regarding governmental control of the liquor business: license states and control states (Alonzo, 1996, p. 22). In a license state, liquor products are distributed by private wholesalers, that have salespeople that call on restaurants and bars. In a control state, restaurants must buy their liquor products from state liquor stores or warehouses. There are 18 control states and each has its own regulations and ways of doing business (Alonzo, 1996).

Federal Requirements and Controls

The federal control agencies regarding a restaurants' operation include the Department of Labor, the Internal Revenue Service and the Bureau of Alcohol, Tobacco and Firearms (ATF) (Alonzo, 1996). The Department of Labor administers the provisions of the Fair Labor Standard Act. Its principal concerns are the restaurants compliance with the federal minimum wage laws and discriminatory practices (Cannon & Tarcy, 2002). In states where the federal and state minimum wage levels are not the same, the higher of the two prevails. Most of a restaurant's dealings on labor issues are conducted with states labor departments (Alonzo, 1996).

The Internal Revenue Service (IRS) requires businesses to obtain an Employer Identification Number
(EIN) that is done by filing form number SS-4. It also requires restaurants to pay estimated federal income taxes on a quarterly basis. Additionally, employers are required by the IRS to withhold federal income taxes, Social Security (FICA) taxes and Medicare taxes from their employees pay. All such withholdings must be forwarded to the IRS by the 15th day of the following month either electronically or by a deposit at local commercial bank, using Federal Tax Deposit Form 8109. To calculate payroll withholdings, an employer should refer to IRS Circular E, Employer’s Tax Guide (Alonzo, 1996).

Special Occupational Tax Stamp

If a manager plans to sell alcoholic beverages in a restaurant, he or she needs to obtain a Special Occupational Stamp from the ATF, a division of the Treasury Department. Without that stamp, a restaurant cannot legally sell the beverage. The Special Tax Stamp is a receipt for payment of the Special Occupational Tax, not a federal license, and does not confer any privileges on the retail dealer.

Alonzo (1996, p. 23) suggests that "the law defines a retail dealer as a person who sells alcoholic beverages to any other person other than a dealer. This includes all restaurants that sell alcoholic beverages for on-premise
consumption. The Special Occupational Tax must be paid each year, on or before July 1.”

Grading System

An online document provided by the County of Los Angeles Environmental Health Division (2000) shows that food safety in Los Angeles County and the 85 cities located within, is the responsibility of Environmental Health’s Food Inspection Program in partnership with the food industry.

The goal of food inspections is to prevent food borne illnesses. The Environmental Health Department is required to use a grading system to indicate how well food service operators are fulfilling their responsibility to prevent food borne illnesses (This grading system is only applicable to those food facilities located in cities that have adopted Ordinance #97-0071 or in the unincorporated areas of Los Angeles County). The grade or score a food establishment receives reflects the status of the establishment at the time of the inspection.

The food inspection begins with 100 points. To determine an establishment’s grade, a health inspector must first add all the point deductions of the marked violation categories then subtract that total from the total possible.
A grade (A, B, C) or a score card is issued at the end of the inspection based on the following:

- **A** (90 to 100 points): Generally superior in food handling practices and overall food facility maintenance.
- **B** (80 to 89 points): Generally good in food handling practices and overall food facility maintenance.
- **C** (70 to 79 points): Generally acceptable in food handling practices and overall general food facility maintenance.
- **0** to **69** points: Poor food handling practices and overall general food facility maintenance.

There are situations determined by a health inspector that would make it necessary for a restaurant to close their operation immediately because of an immediate danger to the public’s health and safety. In those situations, the Public Health Permit will be suspended and a Notice of Closure will be posted. This closure sign must remain posted until the facility permit is reinstated. This action does not affect the grade or score of the facility but is related to the conditions that warranted the
closure (sewage, no hot water, the presence of cockroaches or rodents, etc.).
CHAPTER THREE

SETTING UP THE BUSINESS

There are two ways to enter the business. One is to start a new restaurant from scratch and the other is to buy an existing one. Neither is a surefire guarantee of success. However, having knowledge of the factors involved can significantly improve the probability of success (Cannon & Tarcy, 2002).

Starting a New Restaurant

Individual that have a truly unique concept and the money to finance their idea will probably start a new restaurant. A new restaurant takes a lot more planning, designing, and developing than buying an existing one. The advantage however, is that the owner can do things his own way (Cannon & Tarcy, 2002).

Starting a Franchise

Lynn (2001, p. 171) suggests that another alternative to starting from scratch is to purchase a franchise. Many people do very well with this option, but there are significant risks involved.

"Franchising is the method of marketing a product or service within a structure dictated by the franchisor" (Lynn, 2001, p. 171). When someone buys a franchise, he or
she is entering into an agreement either to distribute products or to operate under a format identified with and structured by the parent company. One major advantage of franchising is that management has the opportunity to buy into the product or system that is established, rather than having to create everything themselves. However, there is a franchise fee, as well as ongoing royalties, that a percentage of gross sales. But the franchisers provide businesses with ongoing support (Scanlon, 1993).

Buy an Existing Restaurant

The advantages to buying an existing restaurant are that it comes with (a) immediate cash flow, (b) experienced staff, and (c) production and service systems in place. Essentially, management saves the start-up costs of a new business, but care must be taken to assure the business does not inherit unwanted problems, such as an irreparable bad reputation, an incompetent staff, outdated equipment or a short lease. Be aware also that if the success of an existing restaurant is intricately tied to the image of the present owner or chef, there is no guarantee its success will continue after the business changes hands (Alonzo, 1996).
Legal Forms of Business Ownership

According to Alonzo (1996), the three most common legal forms are: sole proprietorship, partnership, and a corporation.

Sole Proprietorship

With sole proprietorship, the idea of not having a boss or committee meetings is very appealing to many people. Sole proprietorship is very popular because it gives the owner complete domination over the business (Alonzo, 1996). The owner can make the rules and set the policies, take time off at will or work long hours. Best of all, the owner does not have to split the profits with partners or stockholders and the profits are taxed as if they were personal income. Additionally, the owner enjoys prestige, hires and fires people at their discretion and has final authority over everything.

However, the disadvantages are that, the owner must carry the entire financial burden of the business and be competent at all of the roles he must assume. Beyond that, the owner must also deal with all of the business’ problems alone. The greatest disadvantage of the sole proprietorship is that it has unlimited liability (Alonzo, 1996). Everything of value that the proprietor owns is at risk if the business fails.
Partnership

Alonzo (1996, p. 38) suggests that "partnerships function best when the partners have complimentary talents and each brings financial resources to the business." Small partnerships may enjoy some of advantages of a sole proprietorship, except that everything one owns, does or earns is shared with the partner(s).

According to Lynn (2001), the two most common types of partnerships among small businesses are general and limited partnerships. In general partnerships, all partners bear the burden of unlimited liability. In limited partnerships, there must be at least one general partner who runs the business and has unlimited liability, but an unrestricted number of others may be limited partners who have limited liability and are not required to take an active role in the operations of the business.

Alonzo (2001, p. 39) states that "it is important to have a partnership agreement drawn up by an attorney and signed by all partners. The agreement should include the names of all partners, the amount of each partner’s investment, the share of the firm’s profits to which each partner will be entitled, the role and responsibilities of each partner in the operations of the business and what
will happen in the event a partner dies or wants to sell his or her ownership share."

One partner’s actions may jeopardize a business and create a liability that must be shared by all partners (Lynn, 2001). Therefore, it is essential to know and trust implicitly the individuals with whom you become partners with. As a general rule, there is no reason to consider the partnership form of business unless you need the skills or funds of other people to launch the business.

Corporation

"A corporation is defined as 'a fictitious person' by the U.S. Supreme Court" (Alonzo, 1996, p. 39). A corporation is held to be a separate entity from the owner(s). However, owners may be a stockholder, a director, an officer or an employee of a corporation. Three or more persons are usually required to obtain a corporate charter, elect a Board of Directors who direct the corporation, and appoint officers to run it (Lynn, 2001). Following is a list of advantages of incorporating (Alonzo, 1996):

1. Raising additional capital for growth or expansion is easier than with a proprietorship partnership.
2. Personal assets are protected from seizure or attachment by corporate creditors.

3. Liability is limited to the investment in the corporation.

4. Stocks can be used as collateral for loans, whereas proprietorships and partnerships may have to use their personal assets.
CHAPTER FOUR
HUMAN RESOURCES

One of the biggest challenges businesses in all industries face is a lack of qualified labor. As the food-service industry in general continues to grow and thrive, the demand for workers in an already-diminished labor pool will also increase. Finding qualified workers and rising labor costs are two key concerns for food-service business owners (Lynn, 2001).

The first step in a comprehensive human resources program is to decide exactly what a manager wants someone to do. The job description needs to clearly outline the person’s duties and responsibilities. It should also list any special skills or other required credentials, such as a valid driver’s license and a good driving record for individual who making merchandise deliveries such as a pizza delivery.

Next, a manager needs to establish the range of pay with a minimum and maximum rate for each position. Restaurants will pay more even at the beginning for qualified and experienced workers (Cannon & Tracy, 2002).

According to Lynn (2001), restaurants need job application forms, which they can obtain at most office
supply stores or create their own. In any case, restaurants should have their attorneys review the forms that they will be using for compliance with the most current employment laws.

Every prospective employee should fill out an application—even if it is someone a manager already knows, or even if they have submitted a detailed resume. The application helps a manager verify the individuals resume, compares the two and makes sure the information is consistent (Lynn, 2001).

Hiring

A restaurant manager must expect a fairly high turnover. In the restaurant industry, the turnover rate is 83% (Ebbin, 2000). If managers are prepared, they should not have any trouble finding replacements. All hiring must be the result of a two-step process (Scanlon, 1993). First, prospective employees fill out an application followed by a personal interview. The first step provides a record that the restaurant can file for future reference, and becomes part of the restaurant’s personnel records. The interview gives a manager the most direct evidence for deciding whether the person will fit into the business (Scanlon, 1993).
Orientation for New Employees

New employees usually have an orientation that informs them of what the employer expects of them and what they may expect from them. Such sessions should be well planned if a manager wishes to convey the same information to all employees in a clear and consistent manner. The content of the sessions varies with the type and size of an organization, but certain kinds of information are of interest to all employees. Following is a checklist of typical topics that might be covered in an orientation (Alonzo, 1996, p. 124-125):

1. "History of the establishment,
2. Information on ownership,
3. Who the management personnel are and the organizational chart,
4. Hours: regular work week, when and where posted,
5. Vacation policy: how much time and when,
6. Benefits: such as insurances and sick days,
7. Meals, if applicable: when and what items,
8. Compensation: hourly rate, deductions, when is payday,
9. Absenteeism and tardiness policy,
10. Probationary period and warning policies,
11. Smoking and coffee break policies,
12. How training will occur: when, where, by whom, and how long,
13. Employee evaluation and advancement policies,
14. Overtime policy if allowed, and who authorizes it,
15. Tip reporting policy,
16. Handling customer complaints,
17. Breakage policy,
18. Dress code: who will supply uniforms and how many,
19. Who holds responsibility for maintaining uniforms,
20. Deposits, if required, for uniforms,
21. Appearance of employee: fingernail and personal hygiene,
22. Policies on jewelry, hairnets and shoes,
23. Tour of establishment, including:
   a) where things are,
   b) where to park,
   c) which restrooms to use and where they are,
   d) where to enter and leave the establishment, and
   e) where lockers are (if any).
24. Action that may result in termination of employment,
25. How to call in, in case of emergency—when and who to call (with phone numbers),
26. Personal behavior: profanity, and what constitutes vulgar actions,
27. Personal phone call policy,
28. Policy on patronizing the establishment before or after work hours,
29. What to do in case of accidents or fire,
30. Safety tips when using equipment,
31. Portion control policy, and
32. Holiday work policy."

Management should clearly explain the policies that apply and give employees an opportunity to ask questions.

Training New Employees

Every employee should be hired with the understanding that for a given period of days or weeks, a probationary routine is mandatory (Cannon & Tarcy 2002). That time allows a manager to watch the employee's development and allows the new person to learn more about the business.

Many establishments put employees on special pay such as a flat "casual labor" wage for the first shift worked,
then 10 percent of tips collected while training (one or two weeks), followed by 5 percent increase during the final stages of probation (perhaps another three to four weeks, with a review session by supervisors before going on full tip cut) (Alonzo, 1996).

Alonzo (1996, p. 126) suggests that “a mistake often made is to turn a new individual over to an employee for training. The problem with this practice is that bad habits are passed on by the veteran employee to the new person.”

High Labor Turnover

The rate at which employees quit is a clue to problems that need attention. Labor turnover has an impact on the profitability of a restaurant because the cost of replacing employees is high. According to Alonzo (1996), the real cost is not often realized by employers—and includes the following:

1. The cost in time and money involving the exit interview,
2. An unemployment compensation tax increase,
3. The cost of advertising job vacancies,
4. The cost of lost production due to the low morale among employees who have to pick up the slack,

5. The cost in time and money of interviewing potential employees,

6. The cost of new employee orientations, and,

7. The cost of waste time and service level while new employees learn their jobs.

According to Alonzo (1996), labor turnover rate is based on the number of employees that terminated employment during a given period of time divided by the number of jobs in the restaurant. This number is then multiplied by 100. For example, if a restaurant had 9 of its 34 employees terminate employment in a year; its labor turnover rate would be 26.5%.

\[
\frac{9}{34} \times 100 = 26.5\%
\]

Payroll Analysis

"Restaurants are vulnerable to seasonal ups and downs and employers must react quickly to these" (Alonzo, 1996, p. 122). Because over-staffing and low productivity are major threats to profitability, it is important to measure productivity at regular intervals since it can get out of line very quickly.
According to Alonzo (1996), employee productivity can be measured as it relates to (1) the number of customers served per employee, (2) sales dollars generated per employee, and (3) sales per hour worked (see Table 1). Following are the equations of how these measures of productivity are calculated (Alonzo 1996):

- Covers per Employee = Covers Served + No. of Employees
- Sales per Employee = Sales + No. of Employees
- Sales per Hour Worked = Sales + Actual Hours Worked

Table 1. Example of Payroll Analysis and Productivity

<table>
<thead>
<tr>
<th>Date Week of</th>
<th>Sales</th>
<th>Covers Served</th>
<th>Number Of Employees</th>
<th>Actual Hours Worked</th>
<th>Payroll</th>
<th>Covers Per Employee</th>
<th>Sales Per Employee</th>
<th>Sales Per Man-Hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun 9</td>
<td>19,500</td>
<td>2,344</td>
<td>18</td>
<td>730</td>
<td>$2,550</td>
<td>130</td>
<td>$1,083</td>
<td>$26.71</td>
</tr>
<tr>
<td>Jun 16</td>
<td>17,640</td>
<td>2,110</td>
<td>19</td>
<td>750</td>
<td>2,458</td>
<td>111</td>
<td>928</td>
<td>23.52</td>
</tr>
<tr>
<td>Jun 23</td>
<td>15,580</td>
<td>2,045</td>
<td>20</td>
<td>790</td>
<td>2,556</td>
<td>102</td>
<td>779</td>
<td>19.72</td>
</tr>
<tr>
<td>Jun 30</td>
<td>14,850</td>
<td>2,084</td>
<td>21</td>
<td>805</td>
<td>2,610</td>
<td>99</td>
<td>707</td>
<td>18.44</td>
</tr>
<tr>
<td>Jul 7</td>
<td>21,950</td>
<td>2,550</td>
<td>21</td>
<td>848</td>
<td>2,706</td>
<td>121</td>
<td>1,045</td>
<td>25.88</td>
</tr>
</tbody>
</table>

Employee Benefits

The actual wages a restaurant pays is only part of the employee’s total compensation. While many very small
companies do not offer a formal benefits program, more and more business owners are implementing benefits—particularly in the area of insurance—because it is critical to attracting and retaining quality employees. In most parts of the country, the employment rate is higher than it has been in decades, which means competition for qualified personnel is high (Lynn, 2001).

Typical benefit packages include group insurance (employees may pay all or a portion of their premiums), paid holidays and vacations. A manager can further build employee loyalty by seeking additional benefits that may be somewhat unusual—and that do not cost much. For example, if the business is located in a mall, along with the cooperation of other stores, the owner can provide reciprocal employee discounts with other stores. Businesses that participate not only provide employees with an additional benefit, but it may be a factor in attracting new customers.

Minimum Wage

"The Fair Labor Standards Act establishes the minimum wage, overtime pay, and record-keeping standards" (Lynn, 2001, p. 184). According to Lynn (2001), the Fair Labor Standards Act requires employers of covered employees, who are not otherwise exempt, to pay these employees a minimum
wage. Youths under 20 years of age may be paid a youth minimum wage that is lower than the standard minimum wage during the first 90 consecutive days of employment. Employers may not displace any employees to hire someone else at the youth minimum wage. Because minimum wage laws change often, it is imperative that business owners check with the state labor board and/or the U.S. Department of Labor Wage and Hour Division for the current minimum wage amounts (Lynn, 2001).

Employers of tipped employees, which are defined as employees who customarily and regularly receive more than $30 a month in tips, may consider tips of these employees part of their wages, but must pay a direct wage of at least $2.13 per hour if they claim a tip credit (Lynn, 2001).

The Fair Labor Standards Act also permits employment of certain individuals at wage rates below the statutory minimum wage, but they must be working under certificates issued by the Department of Labor. These individuals include student learners (vocational education students), full-time students in retail or service establishments and individuals whose earning or productive capacity is impaired by a physical or mental disability, including
those related to age or injury (National Restaurant Association, 2004).

Tips and Taxes

According to the National Restaurant Association (2004), tips received by employees are generally subject to withholding. Employees must report to their manager all cash tips they have received by the 10th of the month after the month the tips are received. This report should include tips employees received directly in cash, as well as, tips employers paid from charge receipts.

According to Lynn (2001), employees should report their tips on IRS Form 4070 or the Employee’s Report of Tips form. The statement must be signed by the employee and include the employee’s name, address, and social security number; the owner’s name and address; the month or period the report covers and the total tips received. No report is required when tips are less than $20 (Lynn, 2001).

Additionally, employers must collect income tax, employee social security tax and employee Medicare tax on employees tips. They can collect these taxes from wages or from other funds employees make available. Employers are also responsible for paying the employee’s social security tax on wages and tips. Owners must file Form 941 to report
withholding on tips. Accountants can help them set up a system to be sure they are in compliance with IRS reporting and payment requirements (Lynn, 2001).
CHAPTER FIVE

RESTAURANT MARKETING STRATEGIES

“Every business needs a marketing plan, and the food-service business is no exception” (Lynn, 2001, p. 209). A marketing plan helps a business to stay on the right course to achieve its goal. When clearly communicated to employees, a marketing plan can create a team spirit that brings out the best performance from everyone and focuses efforts on the achievement of the restaurant’s goal.

Marketing is the process of facilitating and exchange. A key component of successful restaurant marketing is promotion which includes personal selling, advertising, consumer and trade promotions, and public relations. Essentially, the promotion mix deals with the message restaurants want to communicate that is consistent with other marketing strategies designed for their target market (Cannon & Tarcy 2002).

For example, if senior citizens are the target markets, the menus and signs would be created with consideration of their physical changes, such as employing larger print and menu selection that are appropriate for various diets.
The first step in creating a marketing plan is understanding the market. Markets change constantly and food-service businesses that do not change their strategies with population shifts are missing critical opportunities for growth.

Next, step back and take a look at each element in the facility. Everything from the parking lot to the interior decor to the printed items contributes to the main message. Each should be an accurate reflection of how the restaurant should be positioned.

It is not enough for each marketing component to be relevant to the audience, but the elements must also create a sense of continuity. Color and textures should blend comfortably and printed materials should have common elements to enhance the restaurant’s message and positioning in the marketplace (Lynn, 2001).

Market Research

The more a business knows about their target market the better it will be to serve them. There are three types of information about prospective customers that can help restaurants identify their target audience (Alonzo 1996). They are:

1. Demographic information,
2. Geographic information, and,
3. Psychographic information.

Grand Opening

According to Cannon and Tarcy (2002), a grand opening is a powerful and common marketing tool used by restaurants. A restaurant should actually open for business a few weeks before the grand opening. This gives the owner a chance to get things arranged properly in the facility and train employees. At the time of the opening, the owner should have business signs up and most or all of inventory in stock. Customers will wander in, and if they are pleased with the business, will start spreading the word.

A business should use every possible means to attract customers during the grand opening (Lynn, 2001). Sales promotions such as daily drawings for door prizes, or free meals or dessert with a meal purchase have been employed with success. Keep liberal supplies of promotional flyers, business cards, gift certificates and specialty advertising items in the restaurant. Complimentary coffee, refreshments, and breakfast also add to the excitement. Owners might even consider throwing a party and inviting local dignitaries and celebrities.
Promotions

Another way to promote food-service businesses is by giving away gift certificates such as dinner for two, coffee, bagels for ten or a free pizza (Lynn, 2001). Restaurant managers can call local radio stations that reach the demographics of their target markets and offer to provide gift certificates or coupons to use as prizes for on-air contests and promotions. The restaurant names and locations will be announced several times on the air during the contest, providing businesses with valuable, free exposure and the possibility that the winner will become a paying customer (Alonzo, 1996).

Managers can also donate coupons and gift certificates to be used as door prizes at professional meetings or for nonprofit organizations. Every coupon or gift certificate should clearly identify business names, locations, hours of operations and any restrictions.

Some other sales promotional methods include (Lynn, 2001):

- Sponsorships: by sponsoring a local event or sports team, a manager can put the restaurant’s name in front of a whole new group of customers. The name will appear on advertisements promoting the event or on team members’ uniforms. This
constant exposure will keep the name in customers' minds. Because people are typically drawn to establishments they are familiar with, managers may attract customers who have never visited the restaurant but feel familiar with it due to various sponsorships.

- Discount coupon books will get people to try a new establishment if they know they are getting a significant discount and may return as full-paying customers if they have had a good experience.

- Frequent-dining clubs: reward regular customers with free food. For example, manager can issue a card with 12 spaces so they can mark off each visit. When customers have purchased 12 entrees, the individual get a free entree.

- Menu promotions through offering lunch or dinner specials, can appeal to those who are on a limited budget or who just like saving money. A manager can also offer early-bird specials or two-for-one specials during certain periods. These specials not only attract customers, but can also help managers reduce inventory of over stocked items.
Contests: the most common restaurant contest involves placing a glass container near the cash register where patrons can drop their business card for a drawing for a free lunch or dinner. The winners may bring along friends when they come in for their free meal. Also, the cards provide a list of customers to use for direct mail campaigns.

Studio Thai Restaurant Marketing Plan

Situation Analysis

1. Market Summary

1.1 Market Size

According to the National Restaurant Association report (2004), the food service business is the third largest industry in the country. It accounts for over $240 billion annually in sales of which the independent restaurant accounts for 15% of that total. The average American spends 15% of his/her income on meals away from home and this number has been increasing for the past seven years. In the past five years, the restaurant industry has out-performed the national GNP
by 40%. The reasons are 1) lifestyle changes, 
2) economic climate, and 3) increase of 
product variety.

"There are 600 new restaurants opening every 
month and over 200 more needed to keep pace 
with increasing demand" (Lynn, 2001, p. 5).

1.2 Market Needs

According to California Restaurant 
Association News & Info (2004), the consumer 
needs we will focus on are:

• Seeks strong value.
• Wants variety and flavor in its food.
• Looks for speed of service.
• Insists upon a clean, friendly, and 
  attractive dining environment.

1.3 Market Growth

According to a statistics report provided by 
the National Restaurant Association (2004), 
projected growth in restaurant sales from 
2003 to the end of 2004 is 5.2%. 

60
2 SWOT Analysis

2.1 Strengths

• Co-owners have experience in restaurant business.
• Owners are passionate about their work.
• Co-owners have strong relationships with vendor that offer high-quality ingredients and fast/frequent delivery schedules.

2.2 Weaknesses

• Has a limited marketing budget to develop brand awareness.

2.3 Opportunities

• Desire for foreign foods.

2.4 Threats

• Competition from local restaurants.

3 Competition

There are a few Thai restaurants that are in the area and considered direct competitors.
3.1 Thai Dining Restaurant

Strengths:

• The restaurant has been serving customers in Mission Viejo for 12 years.

• Big facility: The maximum capacity is 80 seats.

• Has a lot of dinner business.

Weaknesses:

• Pricing is high to offset high rent.

• Limited lunch business.

• Use Mexican chefs that cannot provide authentic Thai recipes.

3.2 Thai Nakorn Restaurant

Strengths:

• The chefs are also the owners, and have 20 years experience in the Thai restaurant business.

• They differentiate their food by offering eastern style of Thai food.
• They target Asian customers in the area.
• They offer high quality, low price dishes.

Weaknesses:
• Small facility with maximum seating of 35.
• Limited parking spaces.

3.3 Diho Siam Restaurant

Strengths:
• Owner has been in the restaurant business for 16 years.
• Provides 4 locations in Mission Viejo, Lake Forest, Costa Mesa and Fountain Valley.
• Offers Thai and Chinese food.
• The Mission Viejo location has the most take-out business than the competitors.
• The chefs have experience in both Thai and Chinese food about 16 years.
Weaknesses:

- Small facility: The Mission Viejo has a maximum seating of 40.
- Long wait time for take-out orders on Friday and Saturday nights at the Mission Viejo location.

4 Keys to Success for Studio Thai

- Product quality: Not only great food, but great service.
- Controlling costs at all times, in all areas, without exception.
- Hiring the best people available, training, motivating and encouraging them, thereby retaining the friendliest, most efficient staff possible.
- Differentiating products by offering a variety of great curry dishes.

Marketing Strategy

1 Mission

Studio Thai is a great place to eat, combining an intriguing atmosphere with excellent, interesting food that is also very nutritious. We want a fair
profit and a rewarding work atmosphere for employees.

2 Objectives

• Generate at least $30,000 in sales per month the first year.

• Become profitable in year two, with profits more than 7.5% profits on sales by year three.

• Create an environment that will bring people with diverse interests and backgrounds together in a common forum.

• Provide affordable fresh and healthy food at reasonable prices.

• Be perceived as a reasonably priced, upscale restaurant for individual who appreciate high-quality food.

3 Target Markets

• Age: Seniors, Baby-Boomers, young married couples with children, and young professionals.

• Family Unit: Young families with new babies or mature families with children under the
driving age. Most family units will have two wage earners.

- Gender: Males and females.
- Income: Appeal to target customers in the $25,000-$50,000 range.
- Occupation: Target young professionals with a family.
- Education: High school graduates or individuals with some college.

4 Positioning Statement

Studio Thai is a reasonably priced, upscale Thai restaurant for individual who appreciate high-quality food and desire value and unique offerings.

5 Marketing Mix

5.1 Products and Services

Studio Thai will provide delicious Thai cuisine, with friendly, efficient service and atmosphere. The focus will be on providing a unique environment for people to dine and meet. We will be offering a menu of food and beverages with a distinctive image. The
uniqueness of our menu is a majority of rare and different curry dishes.

5.2 Pricing

All menu items will be moderately priced. While the restaurant is not striving to be the lowest priced restaurant around, the aim is to be a value leader. The price range per item will be $5.95-$7.20 for lunch and $7.95-$12.95 for dinner.

5.3 Distribution

There will be two ways to purchase these products, which is via the restaurant sitting and take-out. We will provide delivery service in the second year of operation.

5.4 Promotion

Grand opening:

- Have "Choose your own curry" campaign during grand opening by offering a variety of free samples of curry sauce to dine-in customers.
- Have daily drawings for a free meal or a free dessert with a meal purchase.
- Provide discount coupons for the next visit with first-purchase.
• Complimentary Thai iced tea for dine-in customers during grand opening period.

In-store marketing:
Let customers gamble for a free meal.
Keep a set of dice by the cash register and put up a few signs that read:
• Win a Free meal today!
• Roll the dice and win!
• Two sixes - your meal is free!
• Two fives - take 55% off
• Two fours - take 44% off
• Two threes - take 33% off
• Two twos - take 22% off
• Two ones - take 11% off
The contest will produce excitement and spread word-of-mouth. Winners will be likely to come in with at least one friend to claim their prizes.

Local media:
• Newspaper campaign - place several ads throughout the opening month in OC Weekly, Orange County Register.
• Yellow pages - provides address, phone number, and highlights some interesting items.

Gift certificates: Sell gift certificates to current customers. They may give them to friends or relatives who have never tried our restaurant.

Discount coupon books: Participate in Entertainment Book that schools and nonprofit organization sell as fund-raisers.

And finally a frequent-dining club: Reward regular customers with free food by issuing a card with 12 spaces. When a customer has purchased 12 entrees, he or she will get a free entree.

Public Relation

Invite the press to dine for a write up critique in Orange County Register.

Contingency Planning

1. Difficulties and Risks

• Significant economic downturns.

• Problems generating enough funds.
• The entry of another already established competitor that recognizes the market potential.
REFERENCES


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