

# Small business (entrepreneurship)



**ASSIGN  
BUSTER**

Introduction Rene Citroen's proposal to buy a restaurant in downtown Perth needs a careful financial and managerial analysis. The cost, financial, and enterprise management analysis conducted by Citroen lacks depth and shows an undue haste in planning. He needs to conduct further probes into viability of his proposed plan before he starts the restaurant business.

Markets as well as distributive channels deserve a good deal of attention and study—much more than they usually receive. There analysis is likely to turn up more new insights and more opportunities (Drucker). Citroen has the experience of working in a large organisation. He understands the business of cooking and recipes well. But he is still a novice in handling business operations. He may not have accosted those costs of a business that come to fore better in a small environment.

#### The Weak Links in the Plan

The figures on which he is Citroen bases his decisions are not exhaustive and the actual running cost of the restaurant could be higher. Some of the fixed and non-fixed expenditures like overheads like electricity, water; establishment costs, telephone bills, software, internet and computer costs, insurance, dilapidation costs, maintenance costs and sales promotion are not included in his analysis. A business always needs to be in growth, expansion, improvement or development mode in order to stay in competition. A salary of \$85000 and a profit margin of \$ 90000 are not comparable figures. He needs to generate enough money that is over and above the amount he needs to look after himself.

According to Citroen, each meal leaves him with a margin of \$22. The costs for sales promotion. He needs to make forecasts of the occupancy of 40-seater restaurant especially the peak occupancy and its time period. In case

it exceeds the available seating capacity of 40, for such time period that may lead to substantial business loss, he will have to provide additional seats.

This needs a workload and capacity management planning. His decision to close shop on the weekend is also flawed as restaurants generate highest turnovers on the weekends.

Cost should be defined as what the customer pays to obtain certain goods or services and to derive full utility from them. It is important for Citroen to realise that he will not be able to encash his rapport with clientele of La Gauloise in entirety, for as much he may have done to increase restaurant's popularity, big businesses carry their brand loyalty that does not change with change of employees. He needs to conduct a thorough financial analysis and feasibility studies of running the new restaurant. This includes an analysis of the situation in which the earlier owner quit the business.

Besides, he needs to conduct the exercise of financial and accounts control much in advance. Controls for cash handling, inventory, payroll and daily sales reconciliations should be established well in advance of a restaurant opening (Restaurant Financial Analysis, n/d). Labour costs too need to be studied more deeply. Labor issues are still the No. 1 concern of most restaurant owners and managers. Food and beverage costs are held in check through price adjustments, portion controls and through purchasing efficiencies (Pavesic, n/d.).

Suggestions: Rene Citroen needs to be more informed on the eating habits of the people of Perth. What could be a business principle in France may not be a 'culinary delight' to the people of Perth? His policy of providing fixed price meals could be deeply flawed. The customer always wants the option to choose from a fixed menu and 'a la carte' meal. The proposed policy to

close shop on weekends may also hamper the viability of the restaurant for restaurants are known to conduct brisk business on weekends than weekdays. Rather than relying on the loosely cobbled restaurant start up plan Citroen needs to conduct a thorough viability analysis. In that he can also take the help of a consulting group. His strength is his knowledge about the customer behaviour derived from his experience at La Gauloise.

However, it will be beneficial for him, if he spends some time working in a small restaurant before embarking on his own ship. Citroen can then use that experience to his competitive advantage by delivering better services. In the ultimate analysis, it is the level of customer satisfaction that determines the success or failure of a business. . No one buys a thing. He buys the satisfaction and utility he derives therefrom. (Drucker).

#### References

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