

# A general study into fast food restaurants marketing essay



**ASSIGN  
BUSTER**

This project is purely based on economic and financial analysis. Here I have conducted a feasibility study for a fast food restaurant. I have tried to cover all the aspects, economically related and financially related to the proposed project. There are two main parts in this project. first one is the pre-feasibility study and second is feasibility study. In the first part I have analyzed the scenario in the sector and market potential. In the second part I have tried to cover the financially related aspects of the project.

## **Introduction**

Definition of fast food:

Inexpensive food, such as hamburgers and fried chicken, prepared and served quickly.

Food prepared and served quickly.

A fast food restaurant is the one that after ordering supplies food quickly and with minimum service. Generally all restaurants are characterized as fast food restaurant. The food in these restaurants is pre prepared and kept warm. The food is produced in a huge quantity. There are some fast food restaurants, which even don't provide sitting area to its costumers.

## **Main characteristics of a fast food restaurant**

The main aim of fast food outlet is to focus on consumer convenience. The increasing number of outlets clearly states the demand of consumer for fast food in the country. The company increases its accessibility by increasing number of outlets. The concept of free home delivery and take away has

increased the sales, a major increase has been seen in satellite outlets such as airports, railway stations, gas station etc.

The fast food is popular among consumer for several reasons. Some of them are as following;

Deliver food to costumer at a low price.

Accessibility for consumer.

Good reputation for cleanliness.

Fast service.

Child friendly atmosphere.

Break from routine cooking.

Another aim of fast food restaurant is to decrease the cost and time consumed for food consumption. The rise in population, employment and increasing work schedule has increased the value of time. Thus our economy is increasingly becoming service oriented. Fast food industry is becoming an important part our life. In these scenarios fast food industry will grow with a moderate speed. Fast food industry is becoming an important part our life.

## **Scrotal analysis**

Fast food industry is very popular in Pakistan, as many international fast food chains like K. F. C, McDonalds, Pizza-hut, Subway, etc are based here. These international corporations cater to high income segment and modify their menu according to the taste of their potential consumer. These international

chains are not the only source of fast food in the country. Many local chains (AFC, Bryani express, cock and bull, Lahore brost) has been developed over time, to give a good competition to these international chains by lowering their prices and hence increasing their sales by catering middle income and low income level consumers.

The behavioral change in food consumption among people has attracted many international organizations. Fast food industry in Pakistan insures a promising return. It has shown impressive progress in the past, and will continue in the future. The presence of international organization operating in the region is a clear shade of investment opportunity in the country. The

Market of fast food industry in Pakistan has a room for many more. With the little help of government, much more can be done attract more international organization, or to bring up the local ones.

## **Presence of SME**

Small and Medium Enterprises (SMEs) play a pivotal role in giving necessary impetus to

employment generation, GDP growth and poverty alleviation and hence have been recognized

increasingly all over the world. Although the performance of SME sector in Pakistan is quite encouraging, however due to some inherent and structural weaknesses and problems, its access to credit from the formal sector has been inadequate. The analysis of quality of loan portfolio reveals that, the quality of SME loans has improved over the year in this sector.

## **List of some popular fast food restaurants in Pakistan**

McDonalds

Pizza Hut

KFC

Subway

Nandos

Al Baik

Al-Najam Fried Chicken [50]

Arizona Grill

Chicken Cottage

Gino's

Mr. Burger

PapaSallis Pizza

A&W

Papa John's

Pizza Express

Pizza Next

Domino's

Dunkin Donuts

## **Investment opportunity**

As the value of time in Pakistan is increasing day by day due to hectic work schedule, people are trying to save their time from any mean they can, and thus are becoming increasingly service oriented. Fast food industry gives a good opportunity to save their time by providing fast and healthy food to its costumers. The food service industries that offer the highest levels of convenience have, been rewarded with strong sales growth. The value of consumer time, as well as the demand for consistent, high-quality food products, will continue to shape the fast food industry. Fast food is becoming an increasingly significant part of the young generation's diet. The role of convenience in this dietary shift cannot be over-emphasized, and the future growth of the rest of the food service industry will be driven in large part by its ability to find new ways to save consumers' time.

Another important fact is the increase in food consumption due to increase in population. Considering these factors, investment in fast food restaurant is a good opportunity

There are some critical important factors, which if acted upon properly will provide a promising investment opportunity.

Identify goals and ways to measure them.

Adjustments according to change in consumer habits.

Implementation system and ensure consistency of operation.

Points of difference that enables them to dominant their market nitch.

Consistency of quality and service, and operating systems and management procedure.

Menu selection and pricing.

The specific location within your target area.

Conduct market survey.

## **In depth investigation**

Pakistan, currently ranked as 6th in terms of total population, is characterized by a high

Population growth rate of 1. 9% (Pakistan Economic Survey 2005) and is set to take the top

Three positions in terms of total population with already 153. 4 Million people registered in

2005. With this, the per capita income has increased to US\$ 736 while the productive age

group (15 to 64) years is said to take the major chunk of population (67% of total

population) by 2020.

The growth rate in food consumption is also augmented by the rapid increase in the

employment rate for males / female population aging between 20 to 29 years (fast food

goers) hence the greater income contribution to the overall income generated is expected to

be higher.

The growth in

## **Risks**

There are certain risks involved in this sector. Some of them are stated below.

Increase in pieces of raw material.

Political instability

Change of trend in consumption pattern.

## **Required machinery and other equipment**

The quality of food is highly affected by the technology used in its production. The machinery required for production of fast food products is easily available in international market as well as in local market. It is up to the owner whether to purchase expensive branded ones or the cheaper ones. This decision depends on the question “ how much importance the



owner gives to the quality of food being served to the consumer?”. As fast food industry is growing day by day, so is the technology being used in it.

Branded equipment (first hand and second hand) is available in the market. The minimum delivery time required is three months, if ordered through an internet vendor. There are also re-conditioned machines available in the market. Some outlets, before closing their business sell their machinery at low cost.

Maintenance of machinery is very important for maximum quality and long life of the equipment. The machine requires routine cleaning, maintenance and annual service.

We will use new machinery with latest technology in our project. This would help us in producing good quality food products, high efficiency, low labor and operating cost and would reduce human errors. The machinery required for the plant is easily available in local market, so all the purchases will be done locally. Local purchases would help us in claims of default piece, would prevent us from high transportation costs and government taxes and would reduce our time to start the project.

The machinery required, their unit cost and total cost are given as following;

## **Items**

## **Quantity**

## **Per unit cost**

## **Total cost**

Freezers (12 cf)

<https://assignbuster.com/a-general-study-into-fast-food-restaurants-marketing-essay/>

3

13, 000

39000

New Roast Machine (15 Pound

Capacity)\*

1

180, 000

180000

Deep Well Firer (Single Valve With 2

Baskets)

1

45, 000

45000

Hot Plate for Burgers, Kebab, Sandwiches

(30" x 22")

2

35, 000

70000

Bin Marry Soup Container (2ValveWithSteel Cabinet

)

1

45, 000

45000

Air conditioner

4

24, 000

96000

Microwave

2

7, 000

14000

Hot water geysers

2

12, 000

24000

Generator

1

80, 000

80000

**Total**

**441000**

**593000**

**Furniture requirement**

**Items**

**Quantity**

**Per unit cost**

**Total cost**

Working table of kitchen

2

22, 000

44, 000

Racks and shelves

3

8, 500

25, 500

Dining tables

25

7, 000

175, 000

Chairs

100

1, 200

120, 000

Office tables

2

18, 000

36, 000

Sofa set for waiting launch

1

20, 000

20, 000

**Total**

76, 700

420, 500

**Others**

**Items**

**Quantity**

**Per unit price**

**Total price**

Kitchen cutlery

3

1, 500

4, 5000

Disposable plates, spoons, cups etc

5, 000

Wall lights

20

300

6, 000

## **Total**

**15, 500**

## **Raw material**

The raw material required for the production in a fast food restaurant is easily available locally. In every city there is a local market from where these material are easily available at cheap prices. Thus the raw material for the proposed project will be purchased from the city local market . the list of raw material is given bellow with their nit prices, total units required and total cost.

## **Items**

## **Quantity**

## **Per unit or per kilogram price**

## **Total price**

Eggs

100

50

5, 000

Sugar

70

30

2, 100

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Spices

250

300

75, 000

Flour for batter

100

70

7, 000

Chicken

1000

115

115, 000

Meat

400

250

100, 000

Beef



400

150

60, 000

Cheese

300

250

75, 000

Oil

400

100

40, 000

Sauces

250

200

50, 000

Corn

50

80

4, 000

Carrot

50

15

750

Cabbage

60

20

1, 200

Tomatoes

70

24

1, 680

Onion

100

18

1, 8000

Lettuce

60

15

900

### **Total**

539, 430

### **Human resource**

Hiring right employee for the right job dose not only contributes to your sales but also creates a good image in the sight of consumer. There are several categories of personnel in the restaurant business: manager, cooks, servers and cleaners. The manager is the most important part of any organization. The manager for the proposed project should be skilled, should know about the area, supplies buying sources and most importantly should know about the buying behaviors of customers. At initial stage of a restaurant five people are required to carry out the work at kitchen. Another important part of a restaurant is servers. The servers will have the most interaction with customers, so they need to make a favorable impression, work well under pressure and meeting the demands for customers.

The total number of employees and their salaries are as following;

## **Designation**

### **Number of employees**

### **Monthly salaries**

Owner

1

Shift Supervisor/Manager

2

32, 000

Kitchen management

5

20, 000

Servers

3

12, 000

Cleaner

6

24, 000

Guard (12 Hour)

2

12, 000

**Total**

**23**

**100, 000**

\*The profit of the owner is the profit he gains for his investmentMenu

### **Broast Price Prices**

Chicken Broast (Qtr.) 75

Chicken Broast (Half) 140

### **Burgers Price**

Chicken Burger 80

Chicken Cheese Burger 90

Beef Burger 75

Beef Cheese Burger 85

Zinger Burger 110

### **Sandwiches Price**

Chicken Sandwich 80

Beef Sandwich 70

Club Sandwich 120

## **Chinese Price**

Hot & Sour Soup 25

Chicken Corn Soup 25

French Fries (per plate) 30

Cole Slaw 20

Soft Drinks (Regular) 12

## **Combos Items Price Prices**

Zinger Burger / French Fries / Regular Drink 1130(152)

Chicken Broast (Qtr.) / French Fries / Regular Drink 90(107)

Chicken Burger/ Broast (Qtr.)/ French Fries/Regular Drink 170(192)

Club Sandwich / French Fries / Regular Drink 140(162)

Broast/ Zinger Burger / Club Sandwich / French Fries (3) / Regular Drink(3)  
450(481)

Zinger Burger (2) / Club Sandwich (2) / Broast (qtr)(2) / Regular Drink(2) /  
Fries (2) 620(694)

Jumbo Deal 10% discount on purchase above Rs. Rs. 1, 000/-

## **Project location**

There are some key factors that should be taken under account while choosing the location of the project. These are as following;

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Anticipated sales volume.

Accessibility to potential customers.

The rent-paying capacity of your business.

Restrictive ordinances.

Traffic density.

Visibility

Customer parking facilities.

Proximity to other businesses.

History of the site.

Terms of the lease.

Future development.

## **Land requirement for the project**

The outlet of a fast food restaurant should be in such place where the traffic of its potential customer is maximum. In the distribution of land for different areas in a restaurant, it is recommended that the largest part should be donated to the dining hall and second preference should be given to kitchen. The land requirement in our project is 4475 sq. ft. The area should be populated and should have proper utilities and facilities.

The construction cost totally depends on the size of land the amount of work to be done on it. In our project the construction requirement in different parts of the restaurant is different. For example construction cost for kids playing area would be lower than construction cost for waiting area, as less has to be done in waiting area as compared to dining area.

## **Allocated area**

## **Utilization in %**

## **Size per allocation**

## **Construction costs**

Dining

63 %

2835

1, 701, 000

Waiting

4 %

180

562, 000

Kids Play

3%

135

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54, 000

Kitchen &

Preparation

25 %

1125

25, 000

Office

1. 5%

67. 5

50, 000

Stores

3%

135

108, 000

## **Total**

**100 %**

**4475**

**2, 500, 000**

## **Location**

The location chosen for the required project is “ JOHER TOWN MAIN BUALIVORD”. The traffic of potential costumer is maximum there . the construction of micro shopping mall and Pakistan trade center would bring a huge wave of potential costumers

## **Rent**

The rent at Johet Town Main Boulevard for a double storied building is 125, 000 per month.

## **Plant capacity**

The area required for this restaurant is 4500 sq feet. The seating arraignment is for 100 people. There are 25 dieing tables, and four people can sit on one table. The total management in the restaurant comprises of 23 people. Ten people can be seated at the waiting lung. Hence in total, the restaurant can shelter up-to 130 to 140 at a time.

## **Utilities**

There are some utility expenses, which are necessary to run the business.

The details are as following:

## **Utility**

### **Monthly expenses**

Telephone

5, 000

Water

2, 000

Gas

5, 000

Electricity

60, 000

## **Costs at economic and financial prices**

### **CONVERCION OF FINENCIAL PRICES TO ECONOMIC PRICES**

#### **TRADEABLE ITEMS**

**1. 25**

#### **NON TRADEABLE ITEMS**

**0. 8**

#### **SKILLED LABOUE**

**0. 9**

#### **UN-SKILLED LABOUR**

**0. 5**

#### **SEMI-SKILLED LABOUR**

**0. 7**

#### **INVESTMENT COST**

#### **ITEMS**

#### **AMOUNT**

**CF**

#### **ECONOMIC PRICES**

Construction cost

2, 500, 000

1. 25

3125000

Furniture

420500

1. 25

525625

Others costs

15500

1. 25

19375

Equipment and matchnary

593000

1. 25

741250

**TOTAL**

**7614430**

**4411250**

**OPERATING COST**

**ITEMS**

**AMOUNT**

**CF**

**ECONOMIC PRICES**

Utilities

864000

0. 8

691200

Raw material

539430

1. 25

674287. 5

Rent

1500000

1500000

Salaries

1200000

0.9

1080000

**TOTAL**

**4103430**

**3945487. 5**

**Lone repayment and interest payment structure  
(Amortization schedule)**

**Years**

**Amount**

**Interest payment**

**Principle amount**

**Balance**

**1**

**3807215**

**761443**

**908107**

**2899108**

**2**

**7899108**

**5798216**

**719209**

**2179899**

**3**

**2179899**



**435980**

**568102**

**1611797**

**4**

**1611797**

**322359**

**447151**

**1164646**

**5**

**1164646**

**232929**

**350215**

**1129625**

**6**

**1129625**

**225925**

**377724**

**751901**

**7**

**751901**

**150380**

**290451**

**461450**

**8**

**461450**

**92290**

**219062**

**242388**

**9**

**242388**

**48477**

**158654**

**83734**

**10**

**83734**

**16749**

**100480**

**0**

## **DEPRECIATION SCHEDULE**

### **(STRIGHT LINE METHOD)**

**Years**

**Cost**

**Depreciation**

**Accumulated depreciation**

## **Carrying value**

1

761440

76144

76144

685296

2

761440

76144

152288

609152

3

761440

76144

228432

533008

4

761440

76144

304576

456864

5

761440

76144

380720

380720

6

761440

76144

456864

304576

7

761440

76144

533008

228432

8

761440

76144

609152

152288

9

761440

76144

685296

76144

10

761440

76144

761440

0

## **Assumptions**

Rent increases by 5% after every year.

Salaries increase by 2% after every year.

Residual value is zero.

Capital utilization differs in four years, and remains constant afterwards.

Debt-equity ratio is 50-50.

Straight-line method is used for depreciation.

Current interest rate is 20%..

Tax rate is 20%..

150 people visit the restaurant every day.

Average purchase amounts RS. 120.

## **RESOURCE FLOW (at financial prices)**

**Years**

—

**1**

**2**

**3**

**4**

**5**

**6**

**7**

**8**

**9**

**10**

Capital utilization

50%

60%

70%

80%

80%

80%

80%

80%

80%

80%

## **Investment cost**

Equipment

593, 000

Construction

250, 000

Furniture

420, 000

Others

15, 500

## **Total**

**1, 278, 500**

## **Operating cost**

### **Fixed cost**

Sales



1, 200, 000

1, 224, 000

1, 248, 480

1, 273, 449

1, 298, 918

1, 324, 896

1, 351, 394

1, 378, 422

1, 405, 990

1, 434, 100

Rent

125, 000

131, 250

137, 812

144, 702

151, 937

159, 533

167, 509

175, 884

184, 678

193, 911

### **Variable cost**

Raw material

3, 236, 580

3, 883, 896

4, 531, 212

5, 178, 528

5, 178, 528

5, 178, 528

5, 178, 528

5, 178, 528

5, 178, 528

5, 178, 528

Utility

432, 000

518, 400

604, 800

691, 200

691, 200

691, 200

691, 200

691, 200

691, 200

691, 200

**Total cost**

**4, 993, 580**

**5, 757, 546**

**6, 522, 304**

**7, 287, 879**

**7, 320, 583**

**7, 354, 157**

**7, 388, 631**

**7, 424, 034**

**7, 460, 396**

**7, 497, 739**

Revenue

5, 400, 000

6, 480, 000

7, 560, 000

8, 640, 000

8, 640, 000

8, 640, 000

8, 640, 000

8, 640, 000

8, 640, 000

8, 640, 000

## **Resource flow**

**(1, 278, 500)**

**406, 420**

**722, 454**

**1, 037, 696**

**1, 352, 121**

**1, 319, 417**

**1, 285, 843**

**1, 251, 369**

**1, 215, 966**

**1, 179, 604**

**1, 142, 261**

**NPV(resource flow)= 4003187**

**IRR(resource flow)= 61%**

## **FINENCIAL FLOW (at financial prices)**

### **Years**

**0**

**1**

**2**

**3**

**4**

**5**

**6**

**7**

**8**

**9**

**10**

**Out flow**

Investment cost

7614430

Operating cost

4, 993, 580

5, 757, 546

6, 522, 304

7, 287, 879

7, 320, 583

7, 354, 157

7, 388, 631

7, 424, 034

7, 460, 396

7, 497, 739

Lone repayment

908107

719209

568102

447151

350215

377724

290451

219062

158654

100480

Interest

761443

5798216

435980

322359

232929



225925

150380

92290

48477

16749

### **Inflows**

Revenue

5400000

6480000

7560000

8640000

8640000

8640000

8640000

8640000

8640000

8640000

Lone inflow

3807215

Financial flow

-3807215

-1, 263, 130

-5, 794, 971

33, 614

582, 611

736, 273

682, 194

810, 538

904, 614

972, 473

1, 025, 032

### **Calculation of taxes**

profit after interest

-355, 023

-5, 075, 762

601, 716

1, 029, 762

1, 086, 488

1, 059, 918

1, 100, 989

1, 123, 676

1, 131, 127

1, 125, 512

Depreciation

76144

76144

76144

76144

76144

76144

76144

76144

76144

76144

Taxable profit

-431, 167

-5, 151, 906

525, 572

953, 618

1, 010, 344

983, 774

1, 024, 845

1, 047, 532

1, 054, 983

1, 049, 368

Tax rate (40%)

86233. 4

1030381. 2

105114. 4

190723. 6

202068. 8

196754. 8

204969

209506. 4

210996. 6

209873. 6

## **Financial flow**

**-3807215**

**-1, 349, 363**

**-6, 825, 352**

**-71, 500**

**391, 887**

**534, 204**

**485, 439**

**605, 569**

**695, 108**

**761, 476**

**815, 158**

**NPV=-85336747**

**IRR=-14%**

## **RESOURCE FLOW (at economic prices)**

Years

0

1

2

3

4

5

6

7

8

9

10

capacity utilisation

50%

60%

70%

80%

80%

80%

80%

80%

80%

80%

investment cost

4411250

operating cost

salaries

1080000

1101600

1123632

1146104

1169026

1192406

1216254

124579

1265391

1290690

Rent

125, 000

131, 250

137, 812



144, 702

151, 937

159, 533

167, 509

175, 884

184, 678

193, 911

Raw material

4045725

485470

5664015

6473160

6473160

6473160

6473160

6473160

6473160

6473160

Utality

345, 600

414, 720

483, 840

552, 960

552, 960

552, 960

552, 960

552, 960

552, 960

552, 960

total cost

-4411250

5, 596, 325

2, 133, 040

7, 409, 299

8, 316, 926

8, 347, 083

8, 378, 059

8, 409, 883

7, 326, 583

8, 476, 189

8, 510, 721

Revenues

5, 400, 000

6, 480, 000

7, 560, 000

8, 640, 000

8, 640, 000

8, 640, 000

8, 640, 000

8, 640, 000

8, 640, 000

8, 640, 000

resource flow

-4411250

(196, 325)

4, 346, 960

150, 701

323, 074

292, 917

261, 941

230, 117

1, 313, 417

163, 811

129, 279

**NPV=-685356**

**ERR= 13%**

### **Do-ability of the project**

The proposed project can show high returns. the project perfectly sets to the changing patterns of the country. If the gets good reorganization among its

potential costumers, the project can show amazing result, and can prove a good investment for the investor.

### **Comparative advantage**

As the demand for fast-food increases, the prices increase with it. The only comparative advantage is that, the owner will offer low prices to the costumers. This would increase its sales.

### **ACCABILITY OF THE PROJECT**

As shown, that the NPVs and IRRs calculated above are negative in most of the cases, except the resource statement. This shows that the project is not acceptable. On the other hand if the revenues assumed above are increased, the returns will increase, and thus will end up with positive NPV. This can be done by proper marketing of the restaurant.