

J.m.'s signature restaurant – case study essay sample

[Business](#), [Marketing](#)



Identification of critical issues:

-Lots of competition in his district (with also the same atmosphere and targeted customers) -A lot of money needs to be spent on the decor of the latest fashion trends -Plans on having 71 staff, which is a lot (salary expenses is going to be very high) -Having the recipes emailed to the clients may cause a loss of revenue (clients may chose to just cook the recipes at home) -Wants to provide only 96 seats in a 5800 square footage space (he can fit more seats with this much space) -Plans on spending a budget above average on marketing

Analysis of key issues:

Joshua Matthew is putting himself in a very highly competitive segment. He really likes the downtown location; however this area is heavily populated with restaurants. There are over a 100 restaurants in this district, were 71 shares a similar price range and were 12 of these restaurants have the same European or French atmosphere. Matthew focuses on attracting the business clientele, and his main competitor in the financial district, Reds, also attracts the young downtown business crowd and is ultra-cool with the latest fashion and trend styles. Joshua Matthew found a great lease rate across from the Cedarcroft Center; on the other hand it is known by critics that the theater district is a terrible location to run a restaurant. Most people would think that dining in this area would only be an afterthought and not the main event of their night. Those who plan on going to the theater during their evening wouldn't necessarily think of going to dine before. Joshua wants to incorporate an open spaced decor in his restaurant to fit the atmosphere.

He plans on using a 5800 square foot restaurant having only 96 seats, excluding the 40 seats at the bar, using more than 60 square feet per seat. This is more than double of an average square footage per seat of a full service restaurant in Canada. This can be disadvantageous since he isn't planning on using the maximum amount of space. Although he is allowing more spacious room for the bar, and between tables and seats, this can also decrease the amount of potential clientele. With the lack of seating provided, he may come across having to make waiting lists when all the seats are occupied, and this can turn away paying customers. He also plans on spending too much on advertising and promotion. A reasonable market budget for an average restaurant would be around \$30, 000; yet on his accountant's assessment of expenses, he seems to be spending \$138, 600. Joshua wants to promote through every avenue, but this will clutter the market and this will make it harder to attract and target the specific audience he is looking for.

Marketing alternatives:

1- Decreasing the marketing budget in this organization could be one of the alternatives. Joshua Matthew should begin by focusing on the set of connections that he has already developed. He has 2000 clients that have frequented his other restaurants, so he should be able to advertise and promote within his restaurants by making his staff start spreading the word and introducing to their clients the opening of his newest restaurant. He needs to market without having any disorder and make a balanced marketing plan that isn't extremely higher than the budget of an average restaurant. Joshua doesn't need to have full page advertisements every

month in magazines or even a radio advertisement 5 times a day, every day of the week. These expenses can be easily cut just by networking with the clients he already has from his other restaurants.

2-Increasing the number of seats in J. M.'s Signature restaurant is another alternative. By decreasing the square footage per seat, that he currently has, closer to the average square footage per seat of a full service restaurant in Canada, Joshua Matthew will be increasing his revenue. He needs to be able to seat as many people as possible during a shift, without having anyone turn away because of a waiting list. Having the square foot per seat lower can of course mean more customers. 3-Another alternative is changing the location of the restaurant. There are already many restaurants that share the same style of European atmosphere and try to target the same kind of business clientele. Being in a theater district may be also hard for Joshua to attract new customers. Joshua Matthew could maybe move a little further to reach out to the 5. 2 million people who reside within the one hour drive of the downtown core.

Recommendation:

The best recommendation to help Joshua Matthew start up a successful restaurant is by increasing the number of seats provided to accompany more clients during the same period of time. If Matthew can lower the square foot per seat closer to the average square foot per seat of a full service restaurant in Canada, to 29 square feet per seat instead of 60 square feet for example, Matthew would be going from 96 seats to 141 seats. By lowering to 29 square feet per seat, Joshua Matthew will still be above the average of 28.

1 square feet and can still have that open spaced environment for his business clientele that he is reaching for. Increasing the number of seats could also increase the sales per square foot, which will largely increase the revenue of his restaurant.

Looking at the Appendix A attached, by having 141 seats instead of 60 seats, the revenue has gone up from initially \$2, 772, 000 to \$3, 953, 250, making his net profit also increase to a total of \$1, 209, 650. Furthermore, if Joshua Matthew were to cut down some expenses to match the average of a full service restaurant, such as his salary and marketing expenses for example, he could be making his net profit even greater than what is calculated in the Appendix A. He wants to have big marketing plans to get his newest restaurant known by his targeted audience; however he should realize that he needs reasonably high revenue before spending too much. If Joshua Matthew can follow what is suggested by his accountant and what is in the Appendix A, he would be on the right track for running a successful restaurant.

Appendix A:

Revenue \$3, 953, 250

Cost of goods sold 970, 200

Gross margin 2, 983, 050

Expenses

Salaries and benefits 1, 170, 000

Occupancy costs 207, 000

Direct operating expenses 155, 200

General and administrative 102, 600

Marketing 138, 600

Total expenses \$1, 773, 400

Net profit 1, 209, 650

- Assuming that 1705 square feet is for the bar, and 4095 square feet is the rest of the restaurant (96 seats + 40 seats = 136 seats; 5800 square feet ÷ 136 seats = 42, 647; 42, 647 x 40 seats = 1705, 88 square feet) (5800 square feet - 1705 square feet = 4095 square feet) - 4095 square feet ÷ 29 square feet (which is closer to the 28. 1 average square feet per seat). Total seats equal 141 seats. - Assume average lunch bill is \$20; 141 seats; 350 days open; only 1 turn (each seat generates one customer at lunch), \$20 x 141 seats x 350 days x 1 turn. Total lunch sales equal \$987, 000 - Assume average dinner bill is \$55 x 141 seats x 350 days x 1 turn. Total dinner sales equal \$2, 714, 250 - Assumes that the bar generates \$18/ seats/ day; \$18 x 40 seats x 350 days x 1 turn. Total bar sales equal \$252, 000 - Total revenue: \$987, 000 + \$2, 714, 250 + \$252, 000 = \$3, 953, 250