

Competitors in the restaurant industry | black bull bar and restaurant



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EXECUTIVE SUMMARY

Company description:

Black Bull Bar and Restaurant was founded in 2009 by Richard Van Der Zee. Richards's mission statement for the company is to provide his customers with excellent services and quality foods within an enjoyable atmosphere where they can relax. Black Bull provides customers with quality food six days a week and a sports bar where customers can come and enjoy a good sports game on a big screen. Black Bull is a close corporation and only Richard Van Der Zee is the member.

Management Team:

The management team has a few members on board due to the company still been relatively new. Richard wants to keep the overhead cost low as possible therefore he does most of the activities himself for now until the company grows and is able to add additional helpers. There are three waiters and one barman and Richards's brother, James, helps out as an assistant manager when Richard is unable to be at work.

Industry Analysis:

The restaurant Industry size is at a vast pace and is growing every month. There is an unsaturated market in this industry as the demand at the present is continually growing. The food service business is one of the largest industries in the country. Industry trends show that as modern living creates more demands, people will be compelled to eat more meals away from home due to a busy lifestyle. South African spends 15% of his/her income on meals away from home. Richard would like to mature his business within the

industry over a period of three years and then open a Black Bull bar and restaurant in Port Elizabeth in a period of five years.

Marketing Analysis:

Black Bull's target market is seniors, Baby-Boomers, young married couples with children, and white collar workers of all ages that earn a high to medium income. Black Bull equally targets both male and female but in relation to the males they seem to be the gender that consumes the most red meat which is our main food portions. Black Bull has segmented the market to the sports lovers who want to have a good time. There are a lot of competitors within the market and therefore differentiation is vital. Therefore Black Bull decided to combine the popularity of the sports concept to eating and relaxing. Looking at the competitive environment the main competitors are the KEG ' n Beacon, The Deck, McGintys, Buccaneers, Guido's.

Market Plan:

The overall marketing plan is to combine the local media and local store marketing programs will be utilized at each location. Black Bull relies on "word of mouth" as a form of promotion advertising. If that does not do well Black Bull plans on either advertising in the local Newspaper or if necessary to advertise over the radio to promote the company. The pricing strategy for Black Bull is to be a value leader rather than offering the lowest prices. Black Bull wants to bring in more customers than we can serve at our peak quality level and offer entertainment to increase the satisfaction level.

1. 6 Operation Plans:

Black Bull is situated at 26 Pearce Street Berea. The business is located on a busy main road. Black Bull is furnished with 2x 2seater, 5x 4seater, 2x 6seater wooden tables with chairs and 4 bar stools. The restaurant has got 2 LCD screens, 1 by the bar table and the other in the pool room area. Black Bull's suppliers include I&J, local vegetable markets and the local abattoir. Food production and assembly take place in the kitchen of the restaurant. the average time taken to prepare a meal is 15 - 30 minutes.

1. 7 Financial Projections:

Black Bull acquired a loan (R970 000) in order to cover their capital requirements which amounted to R 1 243 500. This loan was approved to accommodate for the leasing of premises: R15 000 (monthly), Major equipment (fridges, stoves, microwaves etc): R 950 000, Furniture (chairs, tables, lounge suite, bar stools etc): R 215 000, Other operating items (silverware, glasses, dishes, pots, pans etc): R45 000, Renovations (painting, refurbishing, new signs etc): R18 500.

The financing, in addition to the capital contributions from the bank, allowed Black Bull to successfully open and maintain operations through the first year . The initial capital investment will allow Black Bull to provide its customers with a value driven, entertaining dining experience. the Black Bull environment will induce the locals to bring family and friends to dine and socialize.

1. 8 Critical Risk:

The risks which the company will experience can be broken down into competitiveness in an established market, the effects of the global recession, staff disputes/unionisation of the employees and collective bargaining, supplier disputes and creditors.

Company Description

2. 1 Company History

Black bull Bar and Restaurant was founded by Richard Van Der Zee as a closed corporation in term of the Closed Corporations act of 1984. In 2009, Richard saw an opportunity to open up a bar and restaurant. Richard wanted to capitalize on the ever growing market demand for high end technology enhanced sports theme restaurants. The location alone provides a unique dining and entertainment experience in a high-energy environment for the customers. Customer acceptance has been proven and any regular and repeat customers cross many age demographics and families are frequent diners.

2. 2 Mission statement

Black Bull will strive to be the leading bar and restaurant in the local marketplace. We want our guests to have the total relaxing experience when visiting Black Bull. Not only will our guests receive a great meal, they will also be provided with a fun atmosphere. We will be doing unique things that will set us apart from the competition. We will want the dining experience to be as pleasing to the senses as it is to the appetite.

Our main focus will be serving quality food at a great value. We will feature a large selection of freshly-prepared food. Customer satisfaction is our vital aim. When approached by a customer with a request, our motto will be, “Yes is the answer; what is the question?” We will strive for broad appeal. We want to be the restaurant of choice for everyone: families and singles, young and old, male or female.

Employee happiness will be equally important to our success. All will be treated fairly with the utmost respect. We want our employees to feel a part of the success of Black Bull. Happy employees make happy guests. We will combine menu variety, atmosphere, ambiance, and friendly staff to create a sense of “place” in order to reach our goal of over-all value in the dining/entertainment experience.

2.3 Service Provided

Black Bull will provide quality dining six days per week. We will only close our locations on Christmas and Boxing day. All locations will be open for lunch and dinner. Selected locations will serve breakfast either daily or only on weekends. All meals will be self-serve buffet style offerings for a fixed price. The key elements of Black Bull Bar and Restaurant store concept are as follows: Sports based themes: The Company will focus on themes that are attractive. For instance now that the soccer world cup is approaching they will have themes around the event. Distinctive design features: The Company will be characterized by spectacular visual design and layout, creating a great atmosphere for all to enjoy. At the moment they have big screens up with a lounge corner for sports fans to come watch a great sports game.

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Location: The Company selected its store location based on key demographic indicators, including traffic counts, average income, and number of households, and offices within a certain radius. Quality food: Black Bull will serve freshly prepared, high quality, popular cuisine that is targeted to appeal to a variety of tastes and budgets with an emphasis on reasonably and moderately priced signature items of particular appeal to a local market. Quality service: In order to maintain its unique image the Company provides attentive and friendly service with a high ratio of service personnel to customers and also invests in the training and supervision of its employees.

Black Bulls plans for their future service are to have a slow and cautious growth during its initial start-up phase.

2. 5 Company Ownership

Black Bull Bar and Restaurant is owned by Richard Van Der Zee who is the principal owner . It is Richard's intention to offer limited outside ownership in Black Bull on an equity, debt, or combination basis in order to facilitate a more rapid expansion of the Black Bull concept. The business is registered as a Close Corporation in term of the Closed Corporations Act 1984.

Management Team

The initial management team depends on the founder themselves which is Richard Van Der Zee, with little back-up. As Black Bull grows, we will take on additional help in certain key areas. We will not add additional overhead until absolutely necessary. Black Bull intends to keep the overheads as low as possible, allowing them to effectively staff the restaurants. This will also

allow our business partners to get back their initial investments as quickly as possible and enjoy a higher return.

At present time, Richard Van Der Zee is the sole individual firmly committed to the Black Bull Bar and Restaurant concept. Richard's brother, James Van Der Zee is a co manager and helps Richard when needed. Richard studied business management for 4 years at WITS business and management school and has his honours degree, shortly after his studies he went overseas and found a passion for the food industry while working at a restaurant. After 5 years he decided to move back to South Africa to open his own business.

4. Organisational Structure:

As the company is small in nature, it requires a simple organizational structure. Currently, Black Bull had the accounting and payroll functions done by a contracted bookkeeping service. However, Richard constantly monitors the expense. Other possible positions that might be added at a later date include marketing director, purchasing agent, controller, director of human resources, director of training/new store opening team coordinator, director of research & development (for new recipes), and administrative assistants. Implementation of this organization form calls for Richard Van Der Zee to make all of the major management decisions in addition to monitoring all other business activities.

Richard's brother James Van Der Zee helps him manage the business and there are currently three waiters and one barman. Richard's is the front of house manager and is responsible for the marketing and advertising of the

business. James takes care of ordering for the services and manages the staff.

5. Industry Analysis

Although the restaurant industry is very competitive, the lifestyle changes created by modern living continue to fuel its steady growth. More and more people have less time, resources, and ability to cook for themselves. Trends are very important and Black Bull is well positioned for the current interest with homely foods at moderate prices.

5.1 Industry Size, Growth rate and sales projections

The restaurant Industry size is at a vast pace and is growing every month. There is an unsaturated market in this industry as the demand at the present is continually growing. The key factors behind this extended growth in restaurant sales include rising population, increasing real disposable income per capita, trend towards busier lifestyles, rise in spending on entertainment and improved availability of good quality dining options. The Bar and Restaurant industry continues to have a positive long-term outlook supported in part favourable demographic changes and consumer eating habits, a strong supply and demand balance. The growth rate is expected to rise to 10% per annum.

5.2 Nature of Competitors in the restaurant industry today

The food service business is one of the largest industries in the country. The independent restaurant accounts for 15% of the services industry. The average South African spends 15% of his/her income on meals away from home. 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 20%. The reasons for this high percentage are: 1) lifestyle changes, 2) economic climate, and 3) increase of product variety.

5.3 Key Success Factors

The key success factors for the Black Bull is that it is an British bar concept brought into South Africa thus bringing brand awareness as the black Bull in Britain has succeed so well. They offer quality food with exceptional prices as well providing for all customers needs. This bar and restaurant turns into a relaxed atmosphere in the evenings as they have live entertainment from performers. The reputation of the business is highly known as it is the prime spot for business people in the sense that it is surrounded by other businesses. The position of the business also creates a key success factor as it is position in a high class area in the main road on the corner so everyone is aware of the bar.

5.4 Industry Trends and Opportunities

The predicated growth trend is very positive both in short and long-term projections. Industry trends show that as modern living creates more demands, people will be compelled to eat more meals away from home due to a busy lifestyle.

The National Restaurant Association released the Food service Industry report that forecasted how the industry might look in the future. The trends show that the consumers will spend a greater proportion of their income on food away from home. It also shows that independent operators and entrepreneurs will be the main source of new restaurant/ bar concepts.

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5.5 Long-term perspectives

Richard's long-term perspectives consist of a five-year period and he would first like to mature his business in the next three years. This will be achieved by his growing customer base as well as promotions been put in place and the ever increasing market. The end of the five-year period if everything goes accordingly to plan he would like to open a Black Bull Bar and Restaurant in Port Elizabeth. The industry analysis which he conducted has shown demand for more bars and restaurants to be open in that city as there are inefficient available currently.

6. Market Analysis

6.1 Target market

Looking at our market analysis, we have defined the following groups as targeted segments. Richard Van Der Zee firmly believes, and has witnessed, that a much broader appeal exists for this midday time slot because we have priced it so low. Below are Black Bulls targeted market segments.

Age: Seniors, Baby-Boomers, young married couples with children, and blue-collar workers of all ages. Family Unit: We will appeal to young families with new babies or mature families with children under the driving age. Most of our family units will have two wage earners. Gender: We will equally target both male and female but in relation to the males they seem to be the gender that consumes the most red meat which is our main food portions. Income: We will appeal to the high side of low income individuals and to all in the middle income customers. Occupation: We will target the blue-collar worker, young professionals with a family, and most of mid- South Africa.

By our definition, we will have very broad appeal for our concept. It is our goal to be the restaurant of choice for the largest dining audience in East London.

6. 2 Target market segmentation

Black Bull intends to cater to the majority of sports lovers in East London. We have chosen this group for several important reasons. It is our goal to have “something for everyone” every day on our menu. This group will see a large growth in their numbers over the next few years. We will however have to stay focused on their changing needs and menu choices to maintain their loyalty. For the most part, this group is in a hurry, due to heavy time demands at work and home.

We want to keep the price point at lunch as low as possible to keep us in competition with fast-food restaurants. This is a win-win strategy that will broaden our customer base at lunch to include singles, teens, and professionals while still maintaining our core market segment.

6. 3 Market Needs

Seeks strong value.

Wants variety and flavour in its food.

Looks for speed of service.

Wants an entertaining dining experience.

Insists upon a clean, friendly, and attractive dining environment.

6. 4 Competition Analysis

The restaurant industry has experienced rapid growth in the last 20 years and is now moving into the mature stage of its life cycle. Many factors contributed to the large demand for good restaurants in South Africa today. People want more spare time because of life's demands. The competition is strong, with many Bar and Restaurant chains competing for the consumer share. It is almost impossible today to strike off into a new, unique, untried venue. Only the strong will survive and prosper.

Due to intense competition, restaurateurs must look for ways to differentiate their place of business in order to achieve and maintain a competitive advantage. The founder of Black Bull realizes the need for differentiation and strongly believes that combining the popularity of the sports concept is the key to success.

6. 5 Main Competitors

Everyone that sells prepared meals is our competition because we all compete for the same home meal replacement. However, there are two segments of the restaurant industry that are our main competition: the casual dining restaurant and entertainment concept and the family value restaurant. Looking at the competitive environment the main competitors are the KEG ' n Beacon, The Deck, McGintys, Buccaneers, Guido's.

7. Marketing Plan

7. 1 Marketing Strategy

A combination of local media and local store marketing programs will be utilized at each location. Local store marketing is most effective, followed by

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radio, then print. As soon as a concentration of stores is established in a market, then broader media will be explored.

We believe, however, that the best form of advertising is still “ word-of-mouth.” By providing an entertaining environment, with unbeatable quality at an unbelievable price in a clean and friendly restaurant, we will be the talk of the town. Therefore, the execution of our concept is the most critical element of our plan.

7. 2 Marketing Programs: Word Of Mouth/In-Store Marketing

Wall posters.

Outdoor marquee message changed weekly.

Yearly birthday parties/ specials

7. 3 Promotion Strategy

We will employ three different marketing tactics to increase customer awareness of Black Bull. Our most important tactic will be word of mouth/in-store marketing. This will be by far the cheapest and most effective of our marketing programs due to the fact that we are still a developing restaurant. The last marketing tactic will be local media for example Richard will be using the Daily Dispatch newspaper to advertise his business now and then. Richard will also be looking into advertising over the radio station such as Algoa FM. This will be the most costly and will be used sparingly to supplement where necessary.

7. 4 Pricing Strategy

All menu items are moderately priced. While we are not striving to be the lowest priced restaurant around, we are aiming to be the value leader.

7. 5 Positioning Statement

Our main focus in marketing will be to increase customer awareness in the surrounding community. We will direct all of our tactics and programs toward the goal of explaining who we are and what we are all about. We will price our products fairly, keep our standards high, and execute the concept so that word-of-mouth will be our main marketing force. It would be a mistake to bring in more customers than we can serve at our peak quality level.

7. 6 Strategy and Implementation Summary

Our strategy is based on serving our niche markets well. The seniors, baby-boomers, families with young children, white collar workers, middle income individuals, and most of the East London community can all enjoy the dining experience at Black Bul.

What begins as a customized version of a standard product tailored to the needs of a local clientele can become a niche product that will fill similar needs in markets across East London .

We are building an infrastructure so that we can replicate the product and the experience. Concentration will be on maintaining quality and establishing a strong identity in the local market. The identity becomes the source of “critical mass” upon which expansion efforts can be based on. Not only does it add marketing muscle but it also becomes the framework for further

expansion, using both company-owned and possibly franchised-store locations.

8. OPERATIONAL PLAN

Black Bull is based in the heart of East London, in Berea. The bar/restaurant is a Closed Corporation (cc) owned by Richard Van Der Zee and co-managed by his brother, James Van Der Zee. The restaurant is open for lunch and dinner 6 days a week, Monday to Saturday 12h00-22h00. The restaurant will be closed on 25-26 December. Black Bull offers a menu of food and beverages with a distinctive image and there are two ways to purchase it, either through table service at the restaurant or take-out from the restaurant.

8. 1 Physical Location and Facilities:

Black Bull is situated at 26 Pearce Street Berea. The business is located on a busy main road, neighbours to the Berea shopping centre, filling station and is within many businesses. It was formally a restaurant therefore it needed minor structural modifications. The licenses and codes' issues are all in order. The restaurant space in the building accommodates 40 customers and it has been leased out to Richard for 12 months upon which the lease will be extended further should the business do well. Locating the business in this area means that a lot of people will be passing by the bar/restaurant on their way to or/and from the shopping centre and filling station. People working in nearby businesses can enjoy their lunch at the Black Bull.

8. 2 Equipment:

Black Bull is furnished with 2x 2seater, 5x 4seater, 2x 6seater wooden tables with chairs and 4 bar stools. The restaurant has got 2 LCD screens, 1 by the bar table and the other in the pool room area. The restaurant has a lounge area that consists of two leather couches. There are two gas stoves that are used, with 4 plates each, and 1x 800â„“ freezer and 400â„“ cooler that were purchased. A two door fridge will store the beverages. There are currently 100 crockery and cutlery utensils that were bought at a trade mart auction and 120 glasses, of which 80 are hi-ball glasses, 20 wine glasses and 20 whiskey glasses.

8. 3 Suppliers:

The businesses main suppliers are all based in East London and they are I&J which supplies Black Bull with frozen vegetables, cooking oil, beef/chicken patties and seafood produce. Meat is purchased at a local Abattoir, East London Abattoir 7 Smithfield Road Cambridge, on a weekly basis. Other food supplies are be bought at Weirs Wholesaler and bread and buns from the Berea shopping centre. SAB, Brand House and Coca Cola supply the business with its beverages. Cleaning supplies are bought from the neighbouring shopping centre, at Rescue Hygiene. Fresh fruit and vegetables are then bought from the market every second day.

In terms of reliability all the above mentioned supplies have proven to be reliable thus far and deliveries are always made on time and orders always correct. Minor shortages are expected, in terms of meat supply and beverages. These will be bought from the same suppliers as they are within East London and less than 10km away from the business premises.

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8. 4 Production:

Food production and assembly take place in the kitchen of the restaurant. Fresh vegetables, meat and dairy products are used to create most of the dishes from scratch. An average of 5-10 min is taken when serving drinks depending on the beverage to be served. An average of 15 -30min is taken when preparing a dish and this depends on the kind of dish ordered, how many people to be served at that table, and also depending on how busy the business is on that particular day. Take-out orders will take roughly the same time to prepare. Food will be made mostly to order and some of it will be stored in a large cooler in the kitchen. Richard has taught the staff to exercise strict standards of sanitation, quality production and presentation or packaging over the kitchen and service staff.

8. 5 Menu items

The Black Bull menu is moderate sized, and moderately priced offering a collection of rump steaks, stews, sea-food platters and salads just to mention a few. There is a variety of cold and warm beverages and these include a variety of coffees, juices, ciders, beers and a wide selection of wines.

8. 6 Systems and Controls

A big emphasis is placed on extensive research into the quality and integrity of our products. They will constantly be tested for our own high standards of freshness and purity. Food costs and inventory control will be handled by our computer system and checked daily by Richard

8. 7 Future Opportunities

There is a market segment that prefers to eat the type of cooking that Black Bull makes but unfortunately they do not have the time to cook it. Black Bull wants to cater for this market in the future by making deliveries and supplying prepared meals. This opportunity will be researched and then developed on a trial basis. If successful it will become a one of the major sources of income.

9. Financial Projections

9. 1 Capital Requirements

Prior to Black Bull opening its doors a few major purchases had to be made. These purchases are vital for the operations and plays a huge part in potential profits of the business. These are the following capital requirements that were needed for Black Bull:

The leasing of premises: R15 000 (monthly)

Major equipment (fridges, stoves, microwaves etc): R 950 000

Furniture (chairs, tables, lounge suite, bar stools etc): R 215 000

Other items (silverware, glasses, dishes, pots, pans etc): R45 000

Renovations (painting, refurbishing, new signs etc): R18 500

TOTAL CAPITAL: R 1 243 500

Richard has an agreement with the bank to start paying back his loan only after the first year of operating. Therefore it is not included in this year's financial statements.

9. 2 Income Statement:

Month 1

Month 5

Month 12

Sales

65 000

70 620

75 875

Cost of sales

23 000

24 989

26 848

Gross profit (loss)

42 000

45 631

49 027

Operating Expenses:

(40 610)

(40 810)

(41 210)

Wages and salary

12 310

12 310

12 310

Water and electricity

3 200

3 400

3 800

Bookkeeping exp

6 000

6 000

6 000

Depreciation

500

500

500

Insurance

3 600

3 600

3 600

Rent

15 000

15 000

15 000

Profit (loss) before tax

1 390

4 821

7 817

Tax

N/ A

N/ A

N/ A

Net Profit (loss)

1 390

4 821

7 817

9. 3 Balance Sheet:

ASSETS

Current assets

R 48 000

Cash

R 15 000

Inventory

R 30 000

Petty cash

R 3 000

Fixed assets

R 944 000

Equipment

R 950 000

Accumulated depreciation

(R 6 000)

TOTAL ASSETS

R 992 000

LIABILITIES

Current liabilities

R 326 060

Accounts payable

R 6 060

short term loan: ABSA bank

R 320 000

long term liabilities

R 650 000

Long term loan : ABSA bank

R 650 000

Owners equity

R15 940

Accumulated profit

R 7 817

Dividends

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R 8 123

TOTAL EQUITY AND LIABILITIES

R 992 000

10. CRITICAL RISK FACTORS:

It is the long-term objective of the Company to obtain adequate financing for the project, identify sites, and develop a successful bar and restaurant.

Significant risks that are usually inherent in start-up businesses are that the premises might be in a visible and well known area but the available parking for the company is not a lot. Due the recession the company faced a major risk in its start-up as they entered the industry at the peak of a global recession. Competing in an established market with a lot of competitors pricing may be a huge problem, staff problems image also an issue due to the surrounding competitors. There is a risk that people might not be willing to spend their money on eating out due to the recession.