

Module Title: MENU PLANNING AND COSTING

Department: Hospitality Management

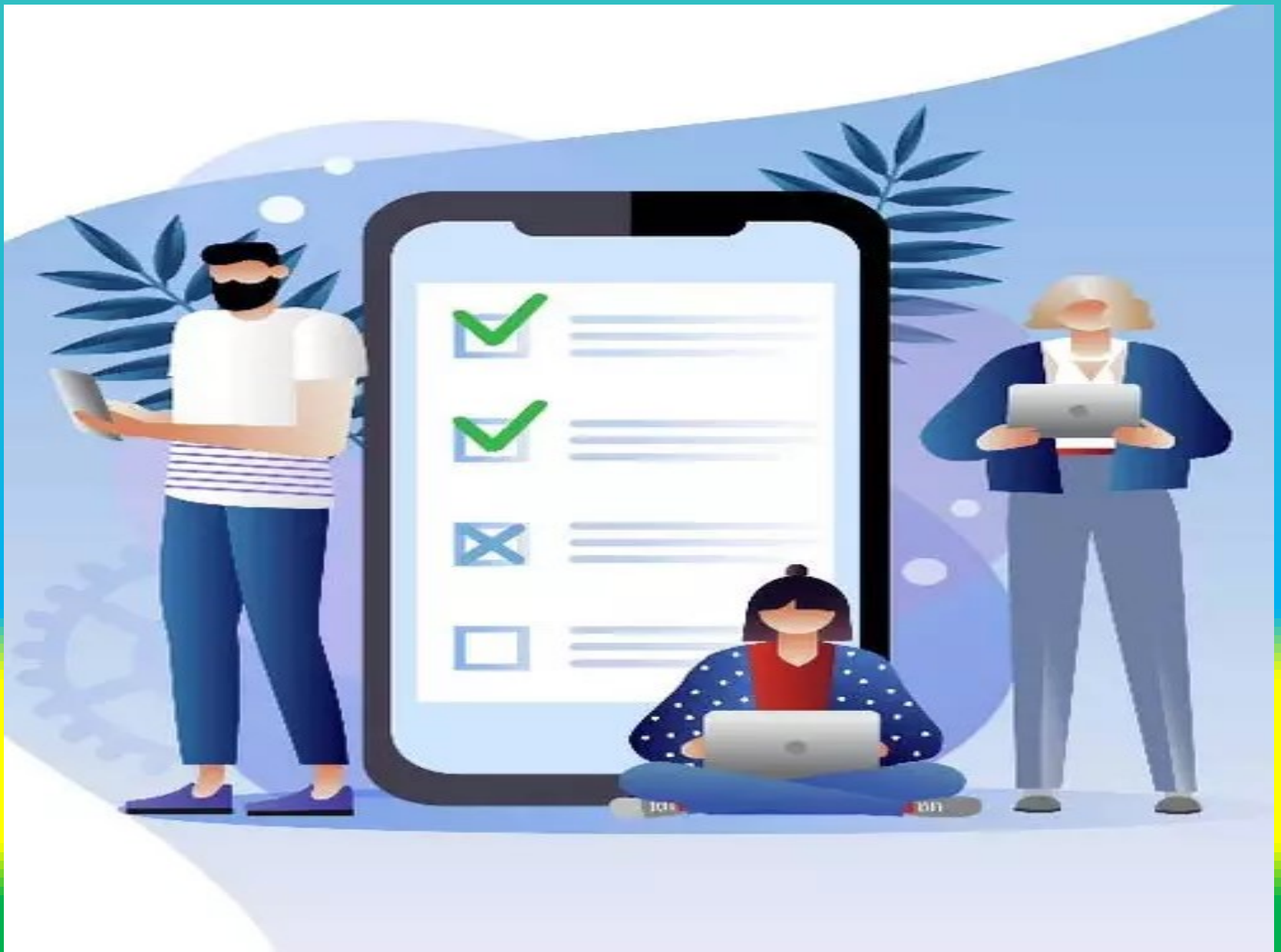
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Lecture 2 : MARKET SURVEY



Jim Whaley (2024)

Steps to Conduct a Successful Market Survey,

<https://www.ovationmr.com/wp-content/uploads/2020/09/contaus-9-by-16-01.webp>

Objectives

At the end of this lecture, learners will be able:

- To determine what a market survey is
- To identify how a restaurant owner should use a market survey
- To illustrate the steps one needs to take in order to complete a market survey

- Foodservice operators must perform a market survey to acquire information about a particular location and the types of residents who live there, so they can establish a foodservice operational concept that will meet the needs of their target market.

- The market survey is a detailed study of the people, the community, and the physical location of the foodservice establishment

Preliminary Steps

- There are two basic steps in preparing a market survey. The first step is to establish the style and the type of foodservice operation or concept, and the second is to determine the community's need for such a business establishment.

- This planning should be done before any money is invested.
- The foodservice planner needs to address many issues, such as: Style of menu, type of clientele , type of cuisine, style of interior decor , expense of food, labor, and overhead, desired profit, amount of capital to be invested, regulations for operating on a daily basis

- Information must be carefully collected and analyzed when one is preparing a market survey.
- The market survey indicates whether the community possesses the factors necessary to support an investor's foodservice operation.

- The second step is **to determine the community's needs or demands for such a foodservice operation**. Most corporations, foodservice chains, and hotels complete step two, which is the key element in lowering the risk of failure.

Areas of Analysis

1. Customer

- The customer(s) is also known as the market.
- Key factors to consider about customers include:
Desired market, Market classifications, Gender,
Age , Disposable income , Food preferences ,
Social habit,

- Education, Religious orientation , Occupation ,
Arrival patterns and Preferred days for dining
out

Let talk more for some factors about customer:

- **Desired Market:** The owner must decide on the desired market/customer(s) that the foodservice concept is to attract.
- It is important to establish the market **early in the business plan** so that every aspect of this plan answers the wants and needs of the targeted customer

- **Disposable Income:** Disposable income is the amount of income that remains after taxes and personal bills have been paid.
- Disposable income is also called **entertainment, fun, or luxury money.**

- The greater the income a market has, the greater the amount of disposable income available for dining.

- **Food Preferences:** Knowing the foods and/or cuisines that a target market prefers is also imperative in achieving success. By collecting menus from several foodservice operations that have similar concepts and looking for items listed on the majority of these menus, it is possible to deduce that these items sell well

- **Arrival Patterns:** The term arrival patterns refers to the hours at which groups of customers dine out.
- Knowing arrival patterns allows for appropriate and adequate dining room setup and timely turnover time that allows for increased covers and greater sales.

- **Social Habits:** An understanding of how the market socializes helps to determine the type and style of entertainment that should be offered.

- **Education** :People who have a higher level of education tend to be more receptive to new ideas and to trying something new.
- Over their life spans, they also earn more money and have a higher level of disposable income to dine out more often.

- **Religious Orientation** : Some religious cultures have laws that restrict the consumption of particular food items and the method of preparation of others. Knowing customers' religious backgrounds can help to build sales.

- **Occupation:** A knowledge of the target market's type of employment can assist in the planning of dishes on the menu and their portion size.
- Customers who work in occupations that require **more physical activity**, such as construction, will burn more calories on the job and require heartier portion sizes.

- Guests who expend **less physical effort** on the job burn less calories and may prefer food items that contain fewer calories, fats, and sugar in smaller portions.

- **Age** : Knowing the age of the target market helps to determine several factors.
- As people age, their desires and dietary and emotional needs change.
- Each age group—Baby Boomers, Gen X, and Gen Y—has a different point of view on dining preferences

- **These include:** The type of cuisine and food selection, Price Portion size , Nutrition and nutritional requirements, Style of atmosphere, Lighting level in the dining room, rest rooms, and so on

- Texture of the functional and decorative materials used , Style of entertainment ,Accessibility of the operation and movement within it , Type and intensity of background music, Service style, Layout and design of the foodservice operation

- **Preferred Days for Dining Out:** Knowing which business days are popular and which are slower helps to establish the need for merchandising and marketing programs.

2. The Community

- The geographic region, district, city, or town from which the majority of the foodservice operation's customers come is known as **the community.**

- ❑ Elements to study within the community include : **Growth rate, Availability of liquor licenses , Existence of competition, Public services provided , Requirements of the state Board of Health , Number of families , Potential for advertising**

Let talk more for some factors about community:

- **Growth Rate:** If a community has a declining population, it is wise to discover the reason for the decline and to think twice about building or operating an establishment there.
- For example, it would be a mistake to build in a location where the unemployment rate is high

- **Availability of Liquor Licenses:** Alcoholic beverages are one of the most profitable commodities that the foodservice industry has to sell.
- Obtaining a liquor license in some communities is a very expensive and difficult task.
- Each state and community has its own laws and procedures .

- Existence of Competition: The market survey must take into consideration two basic types of competition: **direct and indirect**.
- Direct competition includes foodservice operations that are directly related (similar) to an operation.

- **Indirect competition** consists of foodservice operations that are not similar to that of the investor but who are competing for the same customers.
- Location near indirect competition can be beneficial.

- **The Location** : One of the first steps in choosing a location is to determine future needs. Planning ahead is vital when choosing a location.
- The needs of a foodservice operator who wants to establish a chain of operations differ from those of an individual who wants to open a single operation.

- **Potential for Advertising** : One of the key elements to a successful advertising program is communicating on the customers' level.

- **Requirements of the State Board of Health:** The Board of Health serves to protect the public from circumstances that may place the public's health in danger.
- When the Board of Health inspects a foodservice operation, it is performing a public service for the community.

Other Things to Consider

- **Zoning:** There are three major types of zones: residential, industrial, and commercial.
- Each zone has zoning ordinances that must be obeyed

- **Area Characteristics:** The type of neighborhood in which an establishment is located will have a great effect on business.
- If the neighborhood has a high crime rate, if pollution is evident, or if the neighborhood opposes development it will be difficult to succeed.

- **Sales Generators:** Civic centers, theaters, and shopping malls can generate sales.
- **Visibility:** The visibility of a foodservice operation can reduce or increase the cost of advertising.

- **Parking:** Adequate parking is necessary to attract customers.

References

[1] Paul J. McVety et al (2009), Fundamentals of Menu Planning, p28 – p36

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[2] SKAGEN, RAVINTOLA (2019), Menu planning and costing

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End of Lecture 2

Next lecture : Nutrition and Menu Planning

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Thank you!