

Conducting a Competitive Analysis for Foodservice Operations

The primary benefits of any competitive analysis are a better understanding of what your competitors are doing, what they are offering to customers, and how to maintain your competitive advantage. The findings from this analysis are likely to factor strongly into your strategic planning and repositioning yourself to fit into the market and improve your business.

Market analysis components:

- Local Market Area
- Competition
- Concept Refinement and Evaluation
- Assessing your competition
- Competition shop
- Competitive shop example

Conducting a Competitive Market Analysis

I. Local Market Area

Demographic and economic statistics will help you determine the sales potential of the market area you plan to target. By comparing these statistics with those of your surrounding areas, you will be able to evaluate the strength of your market area.

The first step in this analysis is to define the geographic size of your market area. Be reasonable in estimating how far people will travel to reach your site and gate accessibility.

Once your geographic market area is defined, you should obtain demographic data that describes the people who live and work in the area. Are there many affluent singles? Retirees with discretionary income? Families? Descriptions of the population's age, income, education and gender will help you understand the market area you could serve.

Obtain economic statistics such as business growth trends, eating and drinking place sales, and tourism visitation data. They indicate the overall economic health of the market area. This is important since restaurant sales are closely related to local economic conditions.

Conducting a Competitive Market Analysis

Data on your market area is available from various sources such as:

- Local Marketing department
- Bureau of Census, U.S. Dept. of Commerce;
- Private marketing data entry forms;
- State and local economic development agencies and State Data Centers;
- Small Business Small Business Development Centers;
- County Extension offices;
- Local Chambers of Commerce
- Library resource materials such as: Sourcebook of Zip code Demographics and Sales

In addition to studying economic and demographic data, you should also determine the dining out behaviors and preferences of local residents. “Lifestyle Segmentation Reports” provided by marketing group data firms provides a useful source of consumer behavior information. Also you can learn about their favorite foods, frequency of dining out, and preferred restaurants through survey and focus group research.

Conducting a Competitive Market Analysis

II. Competition

Existing market area food service operations can provide valuable information to help you analyze demand and market opportunities. You can assess their competitive strengths and weaknesses and learn from their successes and failures.

First, identify how many food service operations are in your market area. Then identify those food service facilities that appeal to military types of customers (market segments) that your operation serves.

You need to know as follows:

- Who are your competitors;
- What markets or market segments your competitors serve;
- What benefits your competition offers;
- Why customers buy from them;
- About their products and/or services, pricing, and a promotion.

III. Concept Refinement and Evaluation

- An effective concept establishes a brand identity. It distinguishes the operation from others in the market area and allows the operation to attract particular customer groups.
Understanding customer preferences is essential in developing an appropriate concept. It is important to realize that concepts appropriate for one area may not be appropriate for another. Using data already gathered, will help you refine your concept and evaluate its suitability for your market area.
Concept involves the entire experience, not just the type of food offered. Elements that define a food service concept include decor, lighting, menu, food preparation and presentation, service, price, location, and size. Even the name of the establishment conveys a sense of the concept.

The following questions will help you determine if your concept is suitable for your market area. Use information from earlier sections to answer them.

- What segments of the population are you targeting with this concept? Consider Military retirees, Non-DoD Federal employees, Honorably discharged veterans, Veterans, Federal affiliated agencies, contractors and other relevant demographic characteristics.
- How large are these market segments within your market area? Is the market growing?
- What share of the market can you reasonably expect to capture?
- Will this customer base be large enough to support your operation?

IV. Assessing Your Competition

oTo grow your business, you need to gain market share (commonly known as your slice of the market pie) by drawing customers and purchases away from competing caterers. At this point of your marketing analysis, you summarize what kind of competition your club faces, including;

Direct competitors: These competitors are caterers that your customers consider when they think about buying. Describe each one, along with what you know about the threats they pose to you.

Indirect or stealth competitors: These competitors are caterers that go after your customers in different and unexpected ways. For example, on base food and beverage contractors, outside the gate hotel or restaurant, or other military agencies such as Air Force or Army.

Competition creates threats and provides opportunities, and how you handle both is a determining factor in the success of your operation.

Competitive threats and opportunities: Examples of threats include new competitors, improved or expanded offerings from old competitors, and new options that let prospects fill the need that your product addresses in a whole new way — such as take-out offering, website marketing, new menus, etc. Opportunities include changes that weaken your competitors or the closure of longtime competitors.

How you plan to protect against threats and capitalize on opportunities: Conduct a strengths, weaknesses, opportunities, and threats (SWOT) analysis.

V. Competition Shops

- ° At this point in your market analysis, you have completed your data collection. You have collected market area demographics, economic statistics, competition, suitability of your location, your concept and assessed who your competition target is.

You are now ready to head out and shop your top five competitors. To get a first hand look on how they are selling and approaching your customers and winning the market share from you.

Conducting a Competitive Market Analysis

Competition Shop Example

- The Following is an example of a competitive market shop for Port Readiness Officers' Club:

Finding - Analysis concentrated on off-post catering operations to ascertain potential market. Over all demographics for Port Readiness Base in-depth census information are below. The eligible patrons and general public in conjunction with the openness of the post represents a substantial off-post market that is currently not using the club.

Population Demographics

Category	Population
Active Duty, Officers	4,700 +
Active Duty, Enlisted	4,500 +
Retirees	28,000 +
Family Member	36,000 +
Reservists/Students	700 +
Civilians	1,000 +
Total	74,900 +

Conducting a Competitive Market Analysis

Top Five Competitors

Five off-post catering facilities were evaluated and preliminarily functions were booked to get an estimate of availability. The 5 operations included:

- Sheraton
- Marriott
- Hyatt
- Hilton

- Top of the Town Catering Facility

The 4 hotel operations all have a very similar wedding fare buffet to what is offered in the Deluxe Buffet Wedding package by Port Readiness Officers' Club. All hotel operations have a dinner buffet that is similar but more upscale.

Pricing evaluation is based on a party of 100, with general excise tax of 9% is charged on all food, beverage, banquet fees, and service charge.

Sample Format of Competitive Price Analysis

Competitive Price Analysis Port Readiness Club						
Cost Element	Officers' Club	Sheraton	Hilton	Marriott	Hyatt	Top of the Town
Wedding Buffet Dinner for 100 guests (Deluxe Buffet Package)						
Buffet Cost Per Person	\$132	\$155	\$138	\$139	\$128	\$85
Base Buffet (100 People)	\$13,200	\$15,500	\$13,755	\$13,900	\$12,800	\$8,515
Discount Rate for Friday Night, Saturday Day, or Sunday		10%	10%	10%	10%	10%
Action Station Pasta (per person)	\$5	\$11	\$17	\$15	\$10	
Station Attendant Fee	\$55	\$85	N/C	\$125	\$100	
Carver Fee	\$55	\$85	N/C	\$125	\$100	
Carved Top Round Beef (per person)	\$7	\$9	\$7	\$18	\$11	
4 Hour Open Bar	Inclusive	Inclusive	Inclusive	Inclusive	Inclusive	\$21.00 per person
Hors d'oeuvres	Inclusive	Inclusive	Inclusive	Inclusive	Inclusive	Inclusive
Champagne Toast	Inclusive	Inclusive	Inclusive	Inclusive	Inclusive	
Bartender Fee	\$80	N/C	N/C	N/C	N/C	\$0
DJ	Inclusive	\$400	\$400	\$400	\$400	\$400
Flow ers/center pieces	Inclusive	Inclusive	Inclusive	Inclusive	Inclusive	Inclusive
Chair Covers	Inclusive	exclusive (\$4.50 per chair)	Inclusive	exclusive (\$ 6.00per chair)	exclusive (\$ 5.50 per chair)	exclusive (\$ 5.50 per chair)
for 100 chairs		450	0	600	550	550
Table Overlays	Inclusive	exclusive (\$25 per table)	Inclusive	exclusive (\$25 per table)	exclusive (\$25 per table)	exclusive (\$23 per table)
for 10 tables		\$ 250.00	\$ -	\$ 250.00	\$ 250.00	\$ 230.00
Cake	Inclusive	Inclusive	Inclusive	Inclusive	Inclusive	exclusive
Speciality Cake Cutting Fee	\$2.50	N/C	N/C		N/C	
Ice Carving (minimum)	\$375			\$350		
Deposit	\$1,000	\$2,500	\$1,000		\$2,725	\$3,450
Room Rental						\$6,900
Room Extension Hourly fee	\$500	N/C	N/C	N/C	N/C	N/C
Parking	N/C		\$17	\$21	\$7	N/C
Lodging Room rate		\$109			\$129	
Service Charge (SC) % Tue - Sat.	20%	22%	22%	22%	22%	22%
Service Charge (SC) % Sun -Mon	30%	22%	22%	22%	22%	22%
Tax %	0.000%	9% inclusive	9% inclusive	9% inclusive	9% inclusive	9% inclusive
Total per Person	146	175	161	172	149	106
Sub Total for 100 guests	14,625	17,490	16,100	17,200	14,900	10,615
Parking for 50 cars			850	1,050	350	
Total	15,315	18,760	17,350	19,750	16,650	18,695
SUNDAY	16,847	16,884	15,615	17,775	14,985	16,826

Sample Format of Competitive Price Analysis

Competitive Price Analysis Port Readiness Club						
Cost Element	Officers' Club	Sheraton	Hilton	Hyatt	Marriott	Top of the Town
Wedding Plated Dinner for 100 guests / Deluxe Filet Mignon Dinner						
Plated Dinner Cost Per Person	\$138	\$160	\$155	\$135	\$124	N/A
Base Plated Dinner (100 People)	\$13,800	\$16,000	\$15,458	\$13,500	\$12,400	#VALUE!
Discount Rate for Friday Night, Saturday Day, or Sunday		10%	10%	10%	10%	10%
Action Station Pasta (per person)	\$5.25	\$10.95	\$16.95	\$15.00	\$10.00	
Station Attendant Fee	\$55.00	\$85.00	N/C	\$125.00	\$100.00	
Carver Fee	\$55.00	\$85.00	N/C	\$125.00	\$100.00	
Carved Top Round Beef (per person)	\$6.50	\$8.95	\$6.50	\$18.00	\$11.00	
4 Hour Open Bar	Inclusive	Inclusive	Inclusive	Inclusive	Inclusive	.00 per person
Hors d'oeuvres	Inclusive	Inclusive	Inclusive	Inclusive	Inclusive	Inclusive
Champagne Toast	Inclusive	Inclusive	Inclusive	Inclusive	Inclusive	
Bartender Fee	\$80	N/C	N/C	N/C	N/C	\$2,100
DJ	Inclusive	\$400	\$400	\$400	\$400	\$400
Flowers/center pieces	Inclusive	Inclusive	Inclusive	Inclusive	Inclusive	Inclusive
Chair Covers	Inclusive	exclusive (\$4.50 per	Inclusive	exclusive (\$ 6.00per	exclusive (\$ 5.50 per	exclusive
for 100 chairs	\$0	\$450	\$0	\$600	\$550	
Table Overlays	Inclusive	exclusive (\$25 per table)	Inclusive	exclusive (\$25 per table)	exclusive (\$25 per table)	exclusive (\$23 per table)
for 10 tables		\$ 250.00	\$ -	\$ 250.00	\$ 250.00	\$ 230.00
Cake	Inclusive	Inclusive	Inclusive	Inclusive	Inclusive	exclusive
Specialty Cake Cutting Fee	\$2.50	N/C	N/C		N/C	
Ice Carving (minimum)	\$375			\$350		
Deposit	\$1,000	\$2,500	\$1,000		\$2,725	\$3,450
Room Rental						\$6,900
Room Extension Hourly fee	\$500	N/C	N/C			
Parking	N/C		\$17	\$21	\$7	N/C
Lodging Room rate		\$109			\$129	
Service Charge (SC) % Tue - Sat.	20%	22%	22%	22%	22%	22%
Service Charge (SC) % Sun -Mon	30%	22%	22%	22%	22%	22%
Tax %	0.000%	9% inclusive	9% inclusive	9% inclusive	9% inclusive	9% inclusive
	\$152	\$180	\$178	\$168	\$145	#VALUE!
	\$15,225	\$17,990	\$17,803	\$16,800	\$14,500	#VALUE!
			\$850	\$1,050	\$350	
Total	\$15,915	\$19,260	\$19,053	\$19,350	\$16,250	N/C
SUNDAY	\$17,507	\$17,334	\$17,148	\$17,415	\$14,625	

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❖ CONCLUSIONS

The Marriott and Hilton are very nice facilities and market to a much higher priced segment. However, Marriott and Hilton have gotten creative by adding value to their packages and flexibility in reducing pricing to obtain business. Examples of this are a complimentary honeymoon suite, Parents complimentary room, 5 hours of function time, 10% discount on Friday evenings, Saturday days and Sunday functions. The quality of food represented at the Hotel choices provided better selection and more options. At first appearance the menu pricing and add on options seems to be more expensive. But through this analysis the value the Hotel competitors are offering and the flexibility to reduce pricing has made them a premier choice. The Port Readiness Officers' club on a Sunday as a wedding choice is one of the most expensive menus in the local area. While others discount, the club increases service charges which prices them out of the market for value and location. Top of the Town does multiple Port Readiness military type weddings, they are selected mainly for the view and not for the price per person. Even though we would like to say they are not one of our competitors they do, however, book many of the Port Readiness associated events. Area service charge is consistent at 22% for the area. All Wedding packages included service charge and taxes for convenience. As appealing as it may seem, the 20% service charge is not in particular a big draw for the club. The size of the ballroom and ceiling height make the Port Readiness club an appealing and desirable location. The Marriott provided the best upscale and modern ballroom among the places visited. The Sheraton and Top of the Town Catering facility provided breathtaking views of the city and had an ambiance that is difficult for the Port Readiness Club to duplicate.

❖ RECOMMENDATIONS

- a. Increase service charge to meet the markets threshold of 22%. Keeping the 20% is satisfactory however reevaluating the Sunday and Monday 30% service charge fee is critical.
- b. Decrease Food and Beverage minimum requirements for Friday evening, Saturday day, Sunday and Monday will help keep the club competitive.
- c. Reevaluate the removal of unnecessary charges such as bartender fee, caking cutting fee or extra 5th hour fee.
- d. Review menus to insure product quality meets or exceeds that of the competition.
- e. Revisit and approach the presentation of buffets and layouts of functions to meet a more modern look with elegance. Include a way to create style and flow of our receptions to meet guest expectations.