

To study the Significance of Location for Small Restaurants Business**Ms. Mohini Rasal¹**

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Abstract

Various studies consider location as one of the important element that contributes to easy access to large number of customers, recognition of brand ultimately increasing market share and profitability for any retail business. This research work is based on the importance of restaurant's location for small business. The primary purpose of research is to provide insight on how important is the location of the restaurant by understanding the factors that influence the success or failure of the business. The study will also help to understand what factors can be ladder to success even in remote location which is not good for any business.

Keywords - Restaurant, location, success, exotic location**Introduction**

India is home to numerous food and beverage outlets selling something as simple as chai to elegant Michelin star dishes. Change in lifestyle, eating habits has made it compulsory for most of the people to either dine out or order a meal home on weekend. This further leads as opportunities created and grabbed by many. With the change, eating out is more than habit today, it has become a social and business occasion. As the number of restaurants has mushroomed, it provides a wide range of foods and services. Through evolution, restaurant business has become much more competitive. For business survival, no stones are being left unturned to provide a unique experience to the customers. Despite of shortcomings like ambience which is considered important in success of restaurant; consumers have shown acceptance towards a normal full – service restaurant. An example of this statement is city of Pune has few legendary restaurants like Vohuman café, Vaishali, Wadeshwar, Goodluck Café, Dorabjee's and sons which are not only popular amongst the locals but also a well-known tourist attraction. Understanding the acceptance, this study will help normal full – service restaurants to improve services and may be achieve repeat business. This study will give a new look and prove beneficial to new restaurant entrepreneurs, academician and researcher. (Yong,A., Muharratul, S.,2012)

Factors to be considered while choosing restaurant location

- Hygiene of the place: If the restaurant is not situated in a hygienic place, then the ample of customers will refuse to visit the restaurant. Hygiene is very important for a

restaurant's location. For example, any eatery in close proximity to any garbage disposal area is certainly not healthy and hub of various diseases.

- **Local zoning regulations:** Every city has local rules and regulations and it is essential to understand and follow the laws.
- **Size:** Space is one of the most important factors when choosing a place for your restaurant. You must decide and know how much space you require for your restaurant's operation. Based on the requirement only you should rent the place.
- **Affordability:** Capital plays a crucial role in decision making process of location. Any cost higher than the budget in terms of rent is expenditure, and if monthly profits fail to fulfil the rent is not useful for any business.
- **Security:** Secure environment is a basic need of every human being and to provide safe environment to all the customers while they are away from their homes, it is a serious responsibility that every outlet has to bear.
- **Monopoly control and cluster groups:** Any location which is center of attraction is ideal location for most of the outlets. It certainly can be favorable in terms of earning revenue as cluster of restaurant also provide variety of options to the customers.
- **Favorable popularity:** Migration for any purpose has created diversity and also acts as opportunities. For example – Pune city has wide array of restaurants serving most authentic regional cuisines like Bengali, Chettinad, to international cuisine like Japanese, Thai, and Burmese.
- **Front location:** A front location can do wonders for your restaurant. A restaurant right at the front of the building has maximum visibility and generates the highest footfalls compared to the other areas. Customers usually choose the restaurant that is right in front of them.
- **Building amenities:** You need to check whether the building that you have chosen for your restaurant has the desired amenities or not. Complete power backups must always be present in the restaurant building. Having a bathroom is also a must in the restaurant, and must not be ignored during the restaurant site selection.

Factors that can be bad for restaurant location

A restaurant location can be considered as poor if it satisfies one or more of the following conditions-

- **Low visibility-** The interior of a market or the rear of a building can make it difficult to find your restaurant thus making the site a bad location for your restaurant.
- **Poor accessibility-** Lack basic facilities like parking space or amenities like elevator can lead to unsatisfied customers, which subsequently is major loss of the business.
- **Isolated areas-** Areas with low footfall, such as residential areas make bad restaurant locations.
- **Wrong customer targeting-** Even if you have chosen an area which satisfies the criteria of a good location, however if you open the wrong type of the restaurant at a student centric area is most likely to incur huge losses and apparently shutting down of the place.

Significance of the study

Catering establishments of Pune also known as Food and beverage outlets can be classified as cafes, mid scale to fine dining restaurants, coffee houses to chai tapris. Growing market and cultural diversity due to migration for work has given Pune additional small restaurants business who are successful today by understanding and fulfilling the craving of authenticity in food of the customers. Few examples are – Dorabjee and sons, has been serving authentic Parsi cuisine since 1878 till today. (Arzan, 2018) Another popular outlet known for their excellent south indian dishes is Vaishali and Wadeshwar both located on Fergusson college road.

The results of the study would be an important contribution to current small restaurant business. The owners can use the research to formulate sound strategies for the business. Also, the study may contribute to bridge the gap of current literature as most of the previous studies have focused on importance of location for marketing purpose but very few have mentioned role of location in success or failure of restaurant business. (Phuong Nam Le, 2019)

Literature review

According to Gunasekeran, 1992 as cited by Mehta, S. & Balasundaram, M. in their research paper – a restaurant aims to fulfill following needs – Physiological need of food, social need, and provides convenience to majority of working public. Any restaurant operates on driving the simplest act of eating into a civilized ritual which involves hospitality, warmth and provides satisfaction by the means of service quality. (Mehta, S., & Balasundaram, M.2002) Also various researches state the factors like food quality, service, price fairness, ambience contribute to success and develop brand image for the restaurant. Wide range of media sources, and most important word – of – mouth help lot of small business to raise their horizon. In spite of all of the above mentioned factors, location of the restaurant also plays important role in bringing the business. And as well known, Place is one of the marketing P's, proven to be important for most of the establishments. (Mehta, S., & Balasundaram, M.2002)

Dining experience

With the development of restaurant industry, subsequently saturation also has walked in. Hence to break the monotony, each restaurant try and offer customer centric service with food quality, affordable price and strategies like discounts. It is also observed restaurants located in the hub or bustling part of city pay attention to the ambience, décor and emphasize on providing unique experience to the customers. With well – travelled and experience customers on board, the restaurant business scenario has changed and more customers are willing to pay for quality of the service and food. However, it is equally important to be considered and understand all the factors play crucial role in bringing achievement.

Restaurant Location

A suitable restaurant location can attract lot of customers, provide convenient service, build brand image and enhance customer loyalty. Location of the restaurant plays a crucial role as

it can decrease the gap to recover the invested capital amount and increase market share and profitability. According to Li, Ding, Deng, Jiang, and Liu (2015) as cited in Hanaysha, J. (2016) location can act as branding strategy and have positive impact on market performance. According to the researcher, Pune city has restaurants which act as landmark to recognize roads. For example – When a Punekar asks his / her friend to meet on FC road (Fergusson College), he / she never says “lets meet on FC road, rather it is lets meet at Wadeshwar or Vaishali or Goodluck café” and the message is clear. (Hanaysha, J., 2016)

Parsa, Gregory and Terry (2010) state that the choice of location is vital as it can affect the success or failure of a restaurant. It is necessary and expected to do the survey of the location before setting up the restaurant as it helps one understand the elements that can make them grow or make them fall. A study of the restaurant location helps one to understand the physical and demographic surroundings, making it simple to understand what type of food, service can be provided. Demographics can reveal the insights like occupation of to be customers linked with their average spending power and their preferences. (Parsa, H., Gregory, A., & Terry, M., 2010)

Location and quality of infrastructure should be benchmarked and measured against the key competitors for sustainable business. For example, any restaurant should ideally be easily accessible, provide customers with sufficient parking and also may have valet parking as special touch. (Hanaysha, J., 2016)

According to Auty (1992) as cited in Yong and Muharratul (2012) food type and food quality were most preferred by customers while deciding the restaurant and location was preferred by 32% of the respondents, which certainly has changed over the time. People today know locations because of some popular restaurants and media has made it global. For example – Moti Mahal restaurant in Old Delhi is known to be the origin place for famous dish of butter chicken. Fortunately, Pune city is also blessed with such restaurants. On the contrary, researcher feels even with prime location business can still fail due to lack of service quality, unhygienic conditions and other reasons.

Restaurant location and Brand image

Most of the research studies also state the importance of location to develop brand image of the restaurant. Being located in the good location like city area, market area leads to increase in footfall or turnover for any business, which helps to develop brand knowledge. Brand knowledge can be summed up as awareness, attributes, feelings, thoughts and image developed. All the above key dimensions of brand knowledge help to build brand image. (Kim, DiMiceill, & Khang, 2004). Brand image can be defined as unique bundle of associations within the minds of target customer. Brand image also has emotional value more than just mental image. Having brand image all works in favour, as the restaurant can generate good revenue even if located in a vicinity which has less footfall or is less crowded. A brand can be recognized for the quality of product, price fairness and consistency. For example – QSR's like McDonalds, KFC (Kentucky Fried Chicken) has record of generating good revenue in big cities like Mumbai, Delhi to small cities like Ahmednagar. (Juneja, P., 2019)

Restaurant site location

Selection of location is a very tedious multi – criteria decision – making procedure. Restaurateurs consider factors such as hygiene of the place, convenience of transportation, and parking capacity (Austin et al., 2005; Tzeng et al., 2002 as cited in (Prayag, 2011)). Competition levels, cost factors, visibility and accessibility and consumer traffic patterns are equally factors that should not be neglected. According to Smith, 1995 & Austin, 2005 as cited in Prayag, 2011, consumer's select restaurant on characteristics such as size, type of cuisine, portion, entertainment facilities, and brand name. And for personal preferences customer's think through factors of value of money, ambience, service quality, and menu variety, however, location remains central to the selection process for both customers and restaurateurs.

Research Methodology

This research is based on the study of importance of restaurant's location among consumers in Pune city which was done with the help of online questionnaire. The feedback was taken and the responses were recorded and the survey was carried out successfully.

Objectives / Research Questions

1. To understand importance of location in the success of small restaurant business.
2. To analyze the factors influencing Restaurant's Location.
3. To suggest the most prominent factor influencing a restaurants location.

Method of data collection:

Primary Data: Primary data was collected with the help of a structured questionnaire. Questions designed were to know how location is important and factors that affect location.

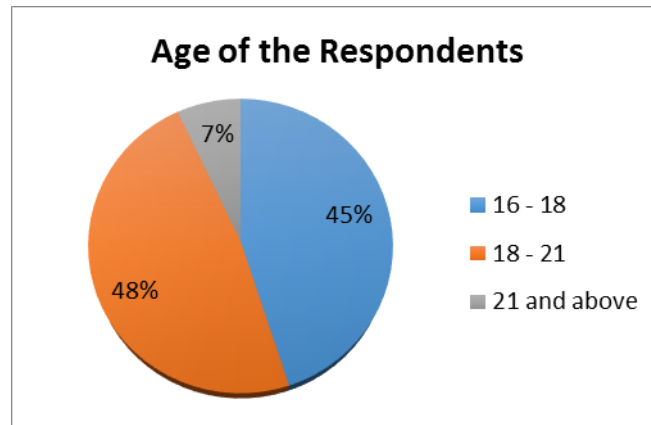
- Questionnaire: It was designed in Google docs. Using Google docs proved beneficial as – it was convenient to circulate the questionnaire and also economical. Going paperless, more than current trend is a need and hence using online method is a small step.
- Secondary Data: Secondary data was collected with help of online articles from journals, magazines, and books.

Sampling:

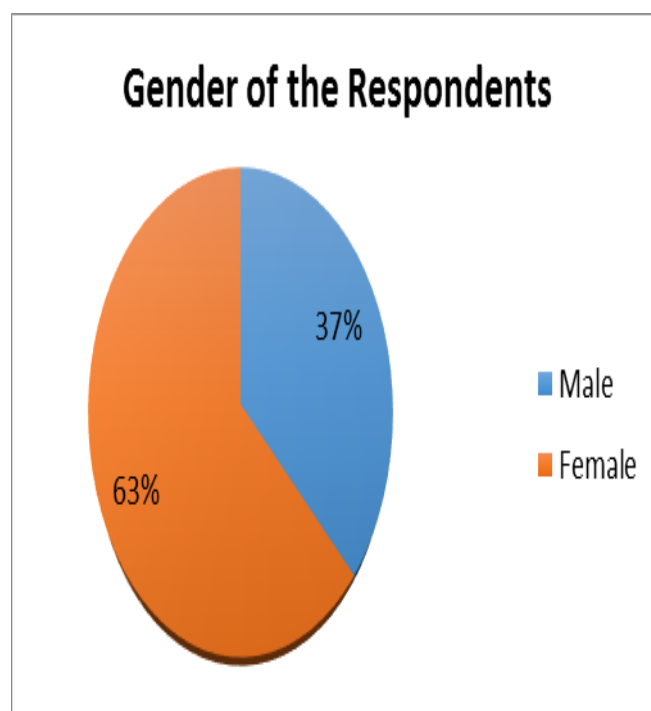
- Sampling design: The target for this research is the young generation as well as older generation residing in Pune City. So this questionnaire was made keeping in mind that each and every student must be able to understand what are they answering to and could answer all the questions correctly.
- Sampling Frame: The questionnaires were circulated to the targeted respondents and the responses were collected online through Google docs. The data was collected and used as sample for this research paper. A total of 215 questionnaires were sent and 105 respondents have been received.

Data Analysis and Interpretation:

The data collected from the questionnaires was tabulated and converted into pie charts for better understanding. The respondents include people from different age group and background. Most of the respondents have Hotel Management background and have understanding about importance of location.



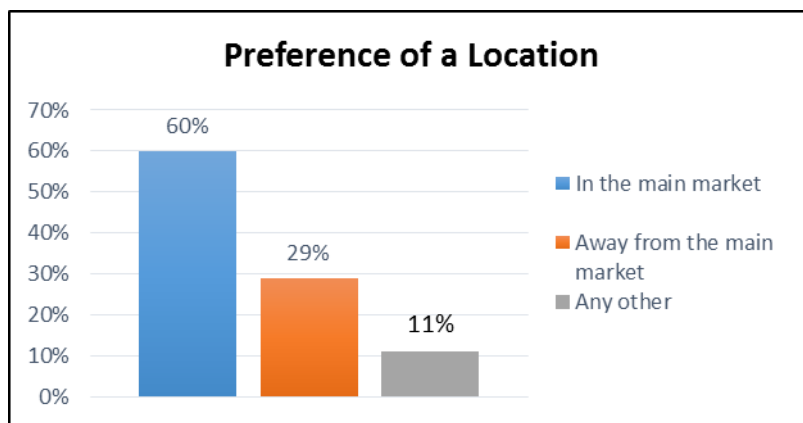
Above pie chart denotes maximum number of respondents belong to 18 – 21 years with 48% , 45% of respondents aged between 16 -18 years and around 7% of respondents above 21 years. Variation in age group helps the research to understand different perceptions about the location of the restaurant.



The above pie chart indicates 63% of females in the respondent group and 37% of male respondents. According to the researcher, females evaluates location of the restaurant while making the decision. Factors like hygiene, accessibility and safety are more important for female.

Table I – Frequency Analysis – Preferences of Location

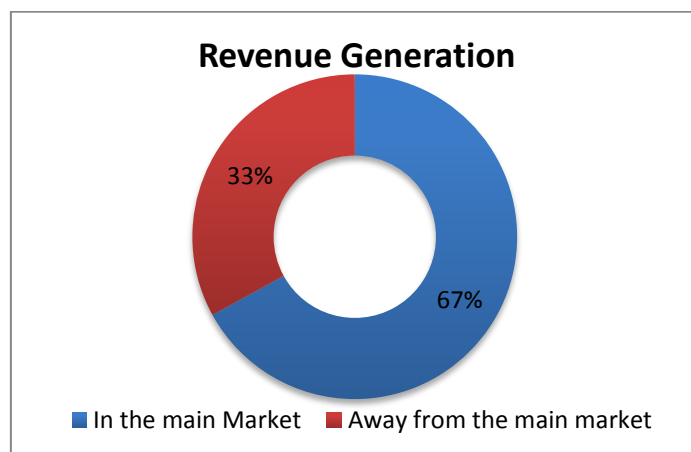
Frequency			Total
Main Market	Away from the main market	Other location	
60 %	29 %	11%	100 %



According to the above pie chart, there were three options given. The first one was in the main market, second was away from the main market and third was any other which means if the respondents had any other opinions. Considering the pie chart, 60% of the respondents think that the ideal location for a restaurant is in the main market, 29% of the respondents think that it is away from main market and 11% of the respondents have other opinions.

Table II – Frequency Analysis – Impact on revenue generation if situated away from the market place.

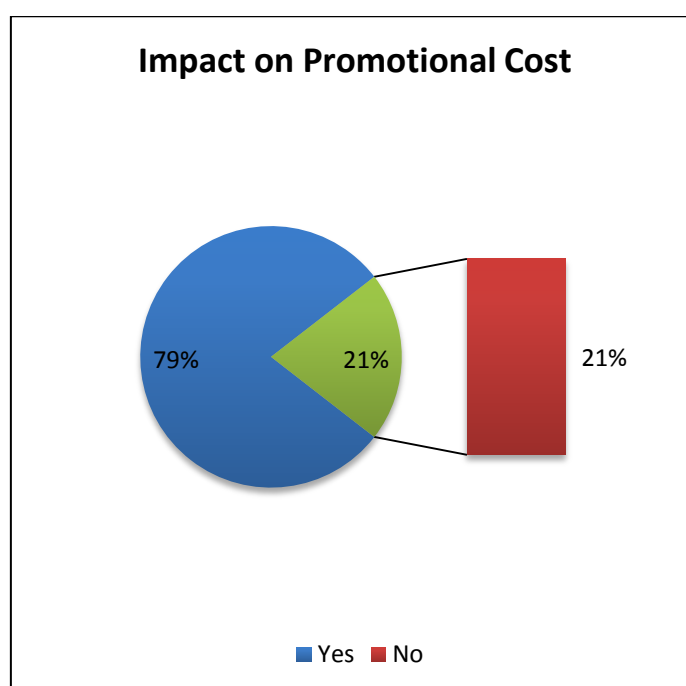
Frequency		Total
Agree	Disagree	
59 %	41 %	100 %



Inference: According to the above chart it can be stated that majority of the respondents i.e. 67% are of an opinion that if the restaurants are situated in the main market place would make a good business whereas, 33 % of the respondents are of an opinion that if the restaurant is situated away from the market place would have an impact on the revenue generation to a certain extent.

Table III – Frequency Analysis – Impact on promotional cost increase if the restaurant is situated away from main market?

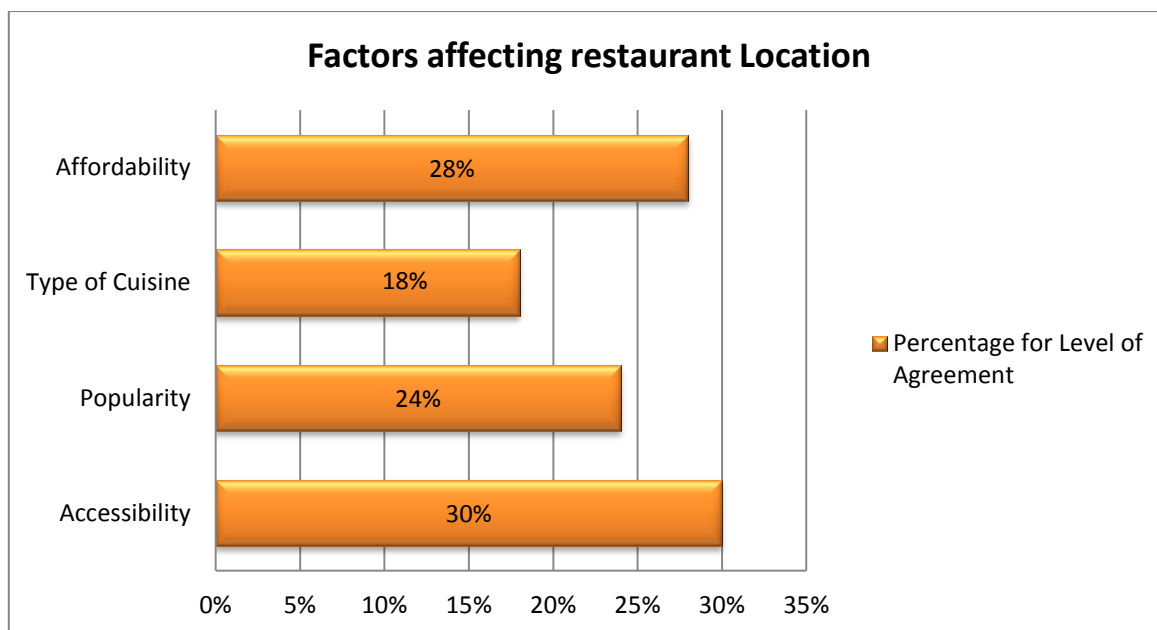
Frequency		Total
Agree	Disagree	
75 %	25 %	100 %



Inference: Around 75% of respondents feel, if the restaurant is located away from the main market, it incurs extra cost for the promotional activities of the restaurant whereas 25% of respondents disagree to the fact of increase in promotional cost, with the belief of if the quality of food, service and amenities provided by the restaurant is upscale, the restaurant will have customers.

Table IV – Frequency Analysis – Factors affecting Restaurant Location

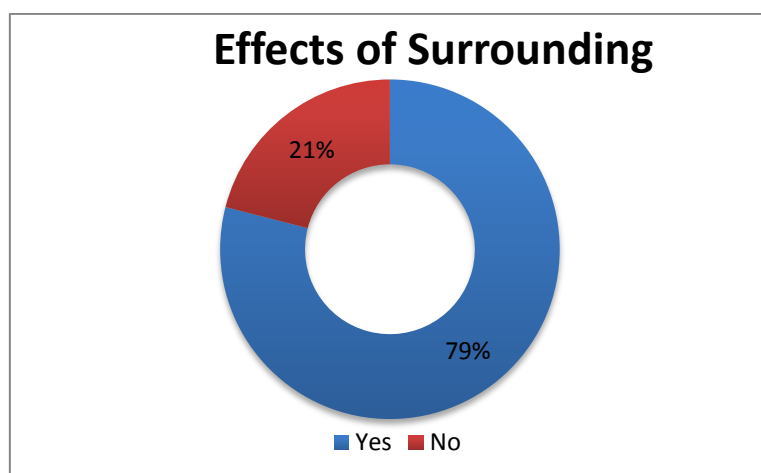
Frequency				Total
Accessibility	Popularity	Type of Cuisine	Affordability	
30 %	24 %	18%	28 %	100 %



Inference: The above question shows accessibility as the most important factor for location of the restaurant with 30% and affordability as the second highest that affect the location of the restaurant. Popularity of the location also plays vital role with 24%. The popularity of location can certainly increase the footfall and help generate the revenue. For example – Waterfall Restaurant in Philippines has recently gained popularity with the exotic location and is not only popular amongst tourists but also famous in local community.

Table V – Frequency Analysis – Effect of surrounding on the work culture of restaurant?

Frequency		Total
Agree	Disagree	
79 %	21 %	100 %



Inference: Only two options were given for the following question. First option was “yes” which is in blue colour and second option was “no” which is in red colour. 79% of the respondents think that the surrounding of the restaurant like area, cleanliness around the restaurant, ambience and standard of living affect the work culture of restaurant. 21% of respondent thinks that the surrounding does not affect the work culture of the restaurant.

Findings:

- The restaurant which is situated in the main market would make a good business as compared to the restaurant which is situated away from the main market. The location of a restaurant would play a vital role in the success.
- The location of a restaurant would have a direct impact on the revenue generation. If the restaurant is situated away from the market place would face a lot of challenges in sustaining.
- The promotional cost of a restaurant would increase if it is situated away from the main market which would have a direct impact on the total revenue.
- A bad location of a restaurant would result in having a less footfall which would affect the success of a business.
- The surroundings of the restaurant will affect the work culture of the restaurant an exotic location will affect the preference of the people to eat the food.
- The accessibility and affordability are the most significant factors that are affecting the success of a restaurant. The popularity and type of cuisine served on the other hand would become the secondary factors for successful business.

Suggestions

As per the data collected above, it is clear that 60% of people think that an ideal location and good business for a restaurant is in the main market. They clearly think that promotional cost will increase if the restaurant is situated away from main market. A promotional cost can be increased by the help of advertisements and through some websites. According to the people less footfall is the main factor that affects a bad location of a restaurant. To increase in footfall to your restaurant, you should try to understand your brand, know the benefits of great customer relationship management and should make a use of it. You should also implement social media to boost footfall. The surrounding of a restaurant does affects the work culture of restaurant is said by the people. Culture also engages employees. In an industry with such high employee turnover rates, restaurants need to do all they can to retain and motivate their staffs. Less competition affects the revenue generation. An increase in costs will decrease profits which could include labor costs, raw material costs and cost of rent. Also, the exotic location affects the preference of the people. Location is the important key for a restaurant. It is the first thing that you should look upon before opening a restaurant. Location is the first thing that attracts the customers to visit your restaurant. “It takes an army talented, creative people to execute a successful restaurant”.

- According to the researcher, if the location of the restaurant is main market or any prime area, it attracts customers increasing footfall subsequently generate more revenue.

- Researcher feels, any prime location for example – main market area, or space in the mall helps restaurant increase revenue as well as develop brand knowledge in customers. With increase in number of malls and people visiting malls, need to provide food and beverage service while shopping has become ritual.
- While choosing the location for the restaurant, it is necessary to study factors of accessibility, parking space, legal aspects, affordability in terms of the rent. However, it is equally important to study the residents of the area as they are the customers of the restaurants.
- If the location of the restaurant is away from the main market and is located in the vicinity which may have customers whose average spending power is less, the cuisine, service has to be provided accordingly.
- Authors senses, the surrounding / environment of the restaurant location needs to be hygienic place and safe as workplace is second home for the employees.
- According to researcher, clustering of restaurants in main area is not always a bad idea. It certainly can be competitive but also can be helpful to generate revenue as it is an array of options for the customers.
- Exotic location will affect the preference of the people to eat the food. People cannot eat all kind of food like some cannot eat Chinese food but can eat Indian food.

Conclusion

- As per research, the location of the restaurant can be success or failure factor. However, it can be understood from the study that main market can be a good location.
- The Location is very important to open up a restaurant including cost effect, revenue generation, quality, ambience, service and atmosphere of the restaurant. A bad location equals to less footfall an exotic location would be more preferred.
- The accessibility and affordability would be the most significant factors that would affect the success of a restaurant.

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