

Competitive Edge in the Fast Casual Restaurant Industry in Naga City, Its Correlates

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Abstract: - This study aimed to determine the influence of selected business profile on the competitive edge of selected fast casual restaurants in Naga City. Specifically the study intended to answer the following questions: (1) What is the business profile of the fast casual restaurants in the Naga City, in terms of years of operations; menu selection; number of crew; ownership; theme; average number customers per week; customer satisfaction along with efficiency, product quality, ambiance, location, and price? (2) What is the competitive edge of fast casual restaurants in Naga City in terms of five forces supplier power, threat of new entrants, buying power, threat of substitute, rivalry? (3) What is the extent of influence of the selected business profile on the competitive edge of the Fast Casual Restaurant in Naga City? (4) Problem Number 4: What management strategies may be proposed to ensure?

The respondents of the presents study included four (4) fast casual restaurants in Naga City with two hundred fifty-eight (258) total respondents. Customers of the four (4) fast casual restaurants from 5 o'clock in the afternoon to 10 o'clock in the evening were the respondents of this study. The data gathering procedure covered the month of November 2015. Survey questionnaire was used as data gathering instrument of the study. This study used the descriptive-correlational method to determine the competitive edge of selected fast casual restaurants in Naga City and the factors influencing such. The fast casual restaurants in Naga City were described in terms of its business profile along; the number of years of operation, menu selection, number of crew, ownership, theme, average number of customers per week and customer satisfaction along efficiency, product quality, ambiance, location, and price. Descriptive statistics was also employed to determine the competitive edge of the selected fast casual restaurants in Naga City along the five forces stipulated in Porter's Theory namely; Supplier power, Threat of new entrants, Buying power, Threat of substitute, and rivalry. Linear and nominal regression was used to determine the extent of influence of the selected business profile on the competitive edge of the fast casual restaurants in Naga City. A proposal for the enhancement of the competitive edge and customer satisfaction level was formulated based on the results yielded by the study. The major conclusion are the following: (1) the business profile of the fast casual restaurants in Naga City is varied. They have distinct business profile which are exclusively patronize by their customer. In terms of customer satisfaction level it is generally rated as to great extent. (2) The competitive edge of the fast casual restaurants in Naga City is on moderate extent as perceived by the fast casual restaurant owners. (3) The results indicated that the years of operation and type of ownership are not significant predictors, while the number of crew, average number of customers per week, customer satisfaction, menu served and theme are significant predictors. (4) A proposed strategic management may be employed to ensure the competitive edge of the fast casual restaurant in Naga City. Based on the findings of the study, a proposed strategic management prepared may be taken into consideration by the owners of the fast casual restaurant in Naga City. It may be used according to the need of the owners to improve its products and services. The result of this study may be consider by other restaurants to initiate similar undertakings so as to determine the level of satisfaction of its customers.

Key Words: —*Competitive Edge, Fast Casual Restaurant, Restaurant Industry, Correlation.*

I. INTRODUCTION

Food industry has become one of the most profitable industries

not only in the Philippines but in other parts of the world.

People who frequently travel would not only want to explore new places but also to satisfy the cravings of taste buds. Thus, restaurants are doubling its efforts to satisfy the demands of customers in variety of ways such as improving the efficiency, product consistency, ambiance, location, amenities and price.

Manuscript revised May 29, 2021; accepted May 30, 2021.
Date of publication May 31, 2021.
This paper available online at www.ijprse.com
ISSN (Online): 2582-7898

According to research, the global restaurant industry has been forecast to reach a value of \$2.1 trillion this year driven by increasing preference for eating out and waxing demand for takeout food among modern time crunched consumers. Robust growth in the number of franchise restaurants, especially exotic fast-food restaurants, cafés and snack bars will translate into increased revenues in the industry in the upcoming year (Mikel King, 2013).

The restaurant world is growing beyond the usual suspects like Brazil, Russia India and China - the "BRICs" get a lot of attention from the media, but there are untold stories of other emerging markets that foodservice executives should be considering. There are approximately 15 million restaurants in the world and approximately 1/3 of them are in China. Of course, the majority of these 5 million Chinese restaurants are street stalls, independently owned/operated and/or small chains. The number one "chain restaurant" market in the world is still the USA, but the largest population centers in the world are India and China. It is forecast that as consumers in China (and India and other emerging markets) continue to grow wealthier and enjoy more buying power, that big-budget Western brands will go in and win not just a share of the growth in these markets but also claw-away share of the existing market; edging out less sophisticated and well-funded incumbent enterprises (Aaron Allen, 2015).

Fast Casual restaurant concept is a mash up of fast food and casual dining which has been one of the strongest segments in the restaurant industry over the past decade. It continues to thrive, despite the recession and it continues to evolve to fit customer's needs and preferences. A fast casual restaurant offers the ease and convenience of fast food, but with a more inviting sit-down atmosphere. The menu consists of better quality ingredients that can be found in most fast food establishments (Lorri Maeley, 2014).

A growing market, going against industry trends, fast casual restaurants emerged onto the restaurant scene ten (10) years ago, generating considerable attention within the industry. Fast casual restaurants were positioned as a fresh alternative to traditional fast food, with attention placed on food quality and service. Over the years, some fast casual chains have faltered, but others have grown and supported a steady growth in the concept's market standing overall. What has been particularly impressive is the way the segment advanced through this great recession when the balance of the industry suffered traffic losses. Fast casual now accounts for five (5) percent of the QSR marketplace (Christine Blank, 2013).

Nowadays, fast-casual restaurants are taking good business in most parts of the country, including Naga City. As a result, fast casual restaurant segment has been one of the biggest trends in food service industry now. As posted in the official website of Naga City, investors are happy to locate their investment in Naga City having a predictable policy environment, and very reliable local partners.

There are more than a hundred of food establishments in the City of Naga and in the past five (5) years, 10% of its total declared bankruptcy. Most were attributed to customer satisfaction or dissatisfaction. (Office of the City Treasurer-Naga City, 2015).

In order to survive in today's chaotic business environment, small companies must find and use creative techniques as a source of competitive edge, since the rules of competitive game of business have changed significantly. Therefore, changing the ways of doing things could be considered as the only choice to become successful for entrepreneurs. From a strategic perspective, the key to business success is to develop a unique competitive edge that creates value for customers and is difficult for competitors to duplicate.

A competitive edge is an advantage gained over competitors by offering customers greater value, either through lower prices or by providing additional benefits and service that justify similar or possibly higher prices (Western Center for Risk Management Education).

The main purpose for a business to formulate and implement strategies is to gain as well as sustain a competitive edge over its competitors in the market. That is, strategies are used in order for the business to outperform competitors.

A company is said to have a competitive edge over its rivals when its profitability is greater than the average profitability and profit growth of other companies competing for the same set of customers. When compared to competitors, if business has higher profitability, it is also said to have a greater competitive edge.

Competitive edge is obtained through the business strengths and competencies, of which are not matched by other businesses in the market. Through these strengths and competencies, the business is able to differentiate its products and services, or significantly reduce its costs, in comparison with competitors (Hill and Jones, 2015).

Part of knowing the competitive edge of the business is to know the competitors profile. Profiling is important in analyzing the competitive edge of the business it involves the details and

gives you a chance to highlight the strengths. Use it as an opportunity to briefly state why potential clients should work with you, but give thorough and precise details.

A business or company profile is a marketing document designed to catch the attention of and inform potential customers about your goods or services. It must be more than just an advertisement; it must provide a convincing argument of why a potential customer should deal with your business.

Customers are one of the significant stakeholders in the restaurant. They play a very important role in the success of the restaurant. Restaurant owners must really focus on those factors that will satisfy their customers not only on the name of the restaurant but also on the price, ambiance, taste of food and others. Customer should be satisfied with the services being rendered by the restaurant until the end of their stay inside the establishment. Customer satisfaction is very important for every business. Customers are the actual and only parameters in determining the success of any product or services. Customer satisfaction plays a pivotal role in the success of every business organization whether it is meant for a product or a service. Every business needs not only to retain its current customers but also to expand its customer's base significantly and it is possible only when target customer is fully satisfied of the company on some parameters (Journal of Business Strategy, 2014).

This study will determine the level of competitive edge of the customers in the four fast casual restaurants in Naga City. The researcher believed that conducting a study on the business profile as well as the forces influencing the competitive edge of fast casual restaurants will help the business group in Naga City make its services competitive in the food industry. The researcher decided to conduct a study on competitive edge of the fast casual restaurants in order to increase the level of satisfaction of the customers and thereby improve its service. With the foregoing views, assertions and ideas, the researcher purposely proceed to conduct this study so that the findings of this may be used as academic reference.

II. THEORETICAL FRAMEWORK

The Porter's Five Forces Model explains how the competitive landscape in an industry is impacted by five prominent forces. These forces are: Supplier power, Threat of new entrants, Buying power, Threat of substitutes, and Rivalry. Five- Force Model of Competition is the most powerful and useful tool in order to diagnose the competitive pressure in the industry. It

enables to identify different parties that are involved and specific factors that bring about competitive pressures (Thomson et al., 2012).

The five-Forces Model of Competition

A. Rivalry

The upscale segment in restaurant industry is highly competitive because of slowly growing buyers' demand, no cost of choosing another restaurant to dine, substantial amount of restaurants. Customers are expecting great value of food and quality of service with respect to price and promotions. Revenues of the restaurants depend on customer traffic that can be influenced by strong and aggressive marketing. Competitive advantage can be also obtained through changing prices and differentiating strategies.

B. Threat of New Entrants

The threat of the new entrants is extremely high because of ^{low} entry barriers. Buyers' demand is in the stage of growing after the economic downturn and promises to be steady. Product differentiation is relatively weak because all the upscale restaurants are offering the highest quality product and striving to provide quality service. Capital requirements to start a new business are relatively low. The cost of opening of a new restaurant is on average \$500,000 (Restaurant Owner, 2012). That is relatively low to start up a new business. Another factor is franchise component of the industry that allows new business owners obtain equipment, premises, furniture from the owner, which lowers initial cost of a start- up (IBIS World).

C. Threat of Suppliers

Suppliers' bargaining power in upscale segment of the restaurant industry is very weak, since each company in the segment accounts for the big fraction of the supplier's sales. For example Ruth's company owned restaurants purchase more than 60 percent of their USDA Prime and Choice grade beef from one supplier, more than 80 percent of their seafood is purchased from two vendors (Ruth's Hospitality Group, Inc., 2012). The reason behind it is maintaining consistent quality throughout all the restaurants in the chain. The cost of switching to a different supplier is relatively low as well as there are good substitutes for supplier's product.

D. Buying Power

Buyers' bargaining power is very strong due to absence of switching costs when choosing different restaurant to dine. Customers are very well informed about the pricing and quality of the product that upscale segment offers as well as there is an

option existent of postponing the visit to the fine dining establishment. In today's slowly reviving economy buyer is very price-sensitive, which puts upscale segment on the spot of reconsidering their price point and offering the alternative.

E. Treat Of Substitutes

Competitive pressure from the sellers that offer substitute products goes both ways: if there is a substitute of equal quality available there is almost no difference to switch over and customers loyalty comes in to play as well, but if guest is looking for quality food with less focus on the overall experience and atmosphere that fine dining offers they switch to lower cost provider, casual dining.

The degree of rivalry is the center of this model as the other 4 forces branch off of this. Each of the forces influences the nature of competition in the industry. Additionally, organizational strategies are often impacted as companies formulate their strategies in order to respond to the dominant competitive forces in any particular industry specifically restaurant industry. The bargaining power of suppliers is a reversal of the power of buyers. This force can also be described as the market of inputs. The suppliers of raw materials, labor, and expertise services provide industries and have power over industries (Quick MBA, 2010). The bargaining power is in the price for the materials or services provided. This is one of the bigger forces within the fast casual industry. Most restaurants within the industry get their food from various butchers, farmers, and packaging companies; they don't make their own. There are many options for restaurants to choose from and this will determine the price at which they will sell their products.

As a result, this force is typically weak in the restaurant industry. Then, there should be a unique and challenging supply chain that must be established. Within the fast casual food segment, the bargaining power of customers certainly plays an important role. When buyer power is strong, the buyer can essentially set the price (Quick MBA, 2010). The customers of the fast casual markets demand high quality food and a unique experience, coupled with a reasonable price.

According to Porter's Generic Competitive Strategies, a firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above-average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to

achieve them, lead to three generic strategies for achieving above-average performance in an industry: cost leadership, differentiation, and focus. The focus strategy has two variants, cost focus and differentiation focus. (Quick MBA, 2010).

Five competitive forces that can shape every business and every marketplace and can determine the intensity of rivalry and henceforth the productivity and attractiveness of a business. To improve the position of the organization, the objective of business strategy should be modified according to five forces analysis which supports the driving forces in an industry. Management can choose how to effect or to exploit specific physiognomies of their business, based on the information derived from five forces analysis. Porter's five forces are described in details below. (RAPIDBI 2015.).

III. CONCEPTUAL FRAMEWORK

The competitive edge of fast casual restaurant in Naga City can be conceptualized by considering the research paradigm shown in Figure.1.

Figure.1. shows the conceptual framework of the study. The input plays the vital role in the process of determining the output of the study. The independent variables cover the profile of the fast casual restaurant in terms of year of operations, menu selection, number of crew, ownership, theme and average number of customers per week. Year of operation states the number of years the fast casual restaurants in Naga City has been operating as restaurant in the industry. Menu selection is being referred to list of foods offered and which can be selected by the fast casual restaurant in Naga City. The number of crew in this figure may be referred to the workforce of the restaurant who are helping in its operation. Type of ownership may be referred to incorporation, sole proprietorship and partnership. Theme refers to ambiance of the restaurant. This maybe one of the factors where customers may look into to patronize the product. The average number of customers per week may be referred to the number of customers who dine in the restaurant. These variables will explain the level of service performance of the fast casual restaurant in Naga City. In the same process, level of customer satisfaction can also be measured by its efficiency, product quality, ambiance, location and price. Business profile may be referred to the status of a fast casual restaurant in Naga City in terms of years, theme, menu and others. Efficiency it is the task to perform or too accomplished with minimum time and effort. Product quality pertains to the consistency, and characteristics of the food in the fast casual

restaurant. Ambiance referred to the overall impact of the layout, design of the fast casual restaurant. Location it is the geographical place where in the fast casual restaurant is located. Price is the cost of food or value of food in the menu.

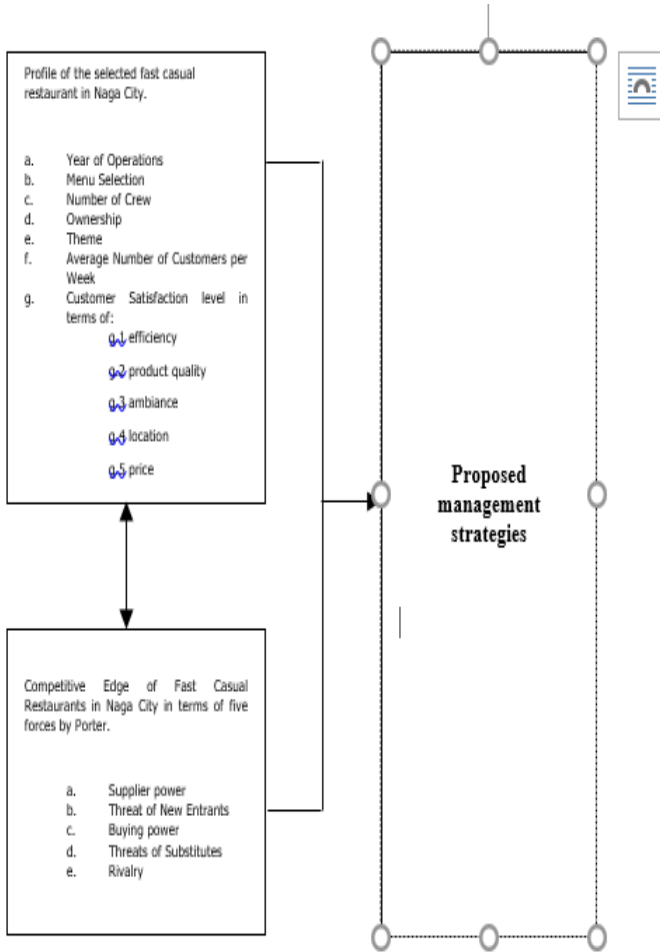


Fig.1. Conceptual Paradigm

It explains the competitive edge differentiation strategies in terms of branding, customer satisfaction, location, and quality and consistency. Competitive edge is being referred by Michael Porter’s competitive advantage among the fast casual restaurant in Naga City. Fast Casual Restaurant is referred to the restaurants operating in Naga City that provides full table service that promises a higher quality of food with fewer frozen or processed food.

This will be analyzed and explained base on the results of the data gathered to determine the competitive edge in the fast casual restaurants in Naga City.

IV. RESULTS AND DISCUSSION

Table.1. Extent of Influence of Selected Business Profile on the Competitive Edge of Fast Casual Restaurants in Naga City

Business Profile	Adjr2	T	sig.	Interpretation
Years of Operation	0.880	- 0.555	0.677	Not a significant predictor
Number of Crew		1.736	0.049	Significant predictor
Average Number of Customers per Week		- 0.226	0.029	Significant predictor
Customer Satisfaction		0.923	0.018	Significant predictor
PS-r2				
Ownership	0.937	0.092	0.275	Not a significant predictor
Menu		3.932	0.029	Significant predictor
Theme		2.773	0.049	Significant predictor

Table.1. Displays the result of the statistical test on the influence of selected business profile elements on the competitive edge of selected fast casual restaurants in Naga City. The results indicated that the years of operation and type of ownership are not significant predictors, while the number of crew, average number of customers per week, customer satisfaction, menu served and theme are significant predictors.

Among the significant predictors found is the number of crew. Restaurant customers tend to equate number of people working for a specific restaurant with visible business viability and a progressive image. This incites interest to entice them to try out the restaurant. Further the number of crew working for the restaurant may also be projecting an image of a socially responsible business entity because many people are working for them. The number of crew members may also be viewed as proportional to the number of effective business promoters of the restaurant. These would therefore redound to a better competitive edge over the other restaurants with fewer number of crew working for them.

Another factor found to be a significant predictor was the number of customers per week. The number of customers per week is indicative of a progressive business. This directly equates with a better competitive edge. Similarly, a good customer satisfaction survey result clearly leads to a better fighting chance in this business arena. The more satisfied the customers, the more patronage, and a greater competitive edge.

Theme and menu served are also among the significant predictors. These two factors are related because most often the theme dictates the menu to be served in a restaurant. It just confirms that the more acceptable and in-style the restaurant theme is, the better its chances in competition. The menu would normally be fashioned according to the theme and the more variety in the menu offered, the wider customer base can be served and the better the restaurant’s edge against competition.

These findings clearly showed that these factors relating to a restaurant’s business profile should be paid attention to by anyone in this business and the newbies wanting to gain access to this industry.

The present study used the Porter’s Management strategies proposal format to ensure competitive edge in the fast casual restaurant in Naga City.

Table.2. Proposed Management Strategies to Ensure Competitive Edge in the Fast Casual Restaurant in Naga City

Objectives	Strategic Management	Required Skills and Resources	Organizational Requirements	Persons Involved
To determine management strategies to ensure competitive edge in the fast casual restaurants in Naga City in terms of supplier power, threat of new entrants	Overall cost leadership of the restaurant owners in Naga City	Access to capital Sustained capital investment of the restaurant owners in Naga City Process engineering skills for the staff Intensive labor	Effective cost control for the ingredients, labor and distribution of the products Efficient control reports Structured organization and responsibility	Restaurant owners Restaurant staff Suppliers

and buying power.		supervision Production of products and delivering of service both for suppliers and customers Low cost distribution system.	ies in the operation of the restaurant business Incentives for the staff for the proficient performance in sales and production	
To determine management strategies to ensure competitive edge in the fast casual restaurants in Naga City in terms of Treat of substitute	Focus in the operation of the fast casual restaurant in Naga City	Strategic policies focusing on the a strategic target such as increase of customer service, cost efficiency, staff development , strategic alliance, competition, and brand name	Combination of specific policies directed towards at the regular strategic target.	Restaurant owners Staff
To determine management strategies to ensure competitive edge in the fast	Differentiation in the product and services of the fast casual restaurant in Naga City	Strong marketing abilities of the fast casual restaurants	Knowledge and skills in research, product development , marketing and promotional strategies	Restaurant owners Staff

casual restaurants in Naga City in terms of Rivalry.		Strong re-engineering of the products and services	Effective performance management system among the products, people, promotions and price	
		Creative marketing and promotional strategies	Restaurant amenities	
		Research and concept capability	Highly skilled labors	
		Business reputation for technological and quality leadership	Creative people	
		Strong and unique combination of skills among between the owners and staff		
		Strong linkages		

V. CONCLUSION

The business profile of the fast casual restaurant in Naga City in terms of the year of operation acquired by the restaurant number four (4) is twelve (12) years, restaurant number one (1) is seven (7) years, and restaurant number three (3) is four (4) years while restaurant number two (2) is three (3) years. As a whole, restaurant number four (4) has achieved the most number of years of operation as a fast casual restaurant within

Naga City. In terms of menu selection are wide and limited; number of crew, the highest is 34; ownerships are sole proprietorship, partnership and incorporation; themes are fusion, American, French country style, Asian and Western, and the average numbers of customers per week are 490, 700, 1000 and 2000.

The customer level of satisfaction along efficiency is 3.47 total average weighted mean which interpreted as moderate extent; along product consistency is 3.75 total average weighted mean interpreted as great extent; along ambiance is a total average weighted mean of 3.66 interpreted as great extent; along location is 3.07 total average weighted mean interpreted as moderate extent; along price is 3.50 average weighted mean interpreted as great extent.

The business profile of the fast casual restaurants in Naga City is varied. They have distinct business profile which are exclusively patronize by their customer. In terms of customer satisfaction level it is generally rated as to great extent.

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