

# **Strategic Food & Beverage Management**

## **Assessment-2**

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# FOOD SALES

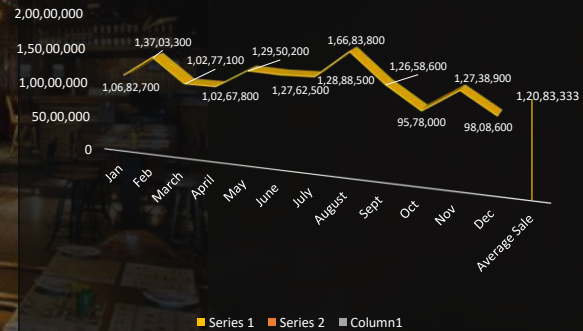
After the analysis of the food Sales, it can be observed that:

- According to (Bansal, 2016), Average Food Cost Percentage = 28-30%
- RMT Food Cost Percentage = 44.86%
- RMT overspent by ₹21,550,000

Another observation is that:

- (Thakur, 2016) states, peak months for Indian Restaurants are June-July as well as October to December because of the festivals.
- Whereas for RMT sales of these peak months are lower than the average sale (₹ 1,20,83,333) of the year.
- By following this it can be concluded that RMT earned ₹2,274,733 less in the month of December.

Chart Title



- By analyzing the food sales it can be evaluated that RMT is overspending on their food cost by ₹21,550,000 as their food cost percentage is way higher than the required standard industry food cost which is 28-30%.
- Also, the graph clearly shows an increase in food sales in the month of August rather than in the peak months which are June-July because of the vacations and October-December because of the festive seasons.

Next area of consideration is that:

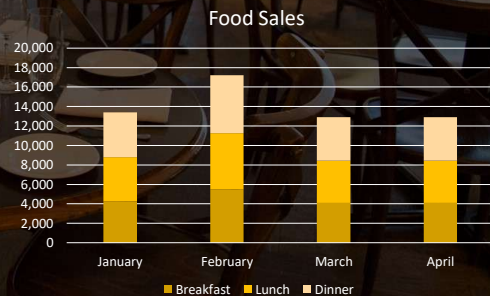
- (Prabhavathi, Kishore and Kumar, 2014) survey resulted the favorite time of eating at casual restaurant in India is dinner. ( Table 1.)
- Which implies more sales during the dinner.
- But it is observed that the percentage of covers in RMT are as the following:

Breakfast	Lunch	Dinner
32%	34%	35%

This concludes:

- There is less gap of percentage between breakfast, lunch and dinner.
- RMT should increase the sales of dinner.
- Change the restaurant timings from 7:00 a.m. till 11:30 p.m.
- This will generate more sales as the place attracts more of office workers and business people.

S. No.	Favourite Time	%
1	Breakfast	15%
2	Lunch	4%
3	Dinner	81%



- From the survey it was depicted that the highest time of sales is during the dinner followed by breakfast and lunch, but the analysis showed very less margin in the percentage of covers between breakfast, lunch and dinner.
- To increase more sales during the breakfast and dinner, RMT should change the restaurant timings from 7 a.m. till 11:30 p.m. which will increase their sales as their targeted market is business and offices workers.

# Average Spend Per Head

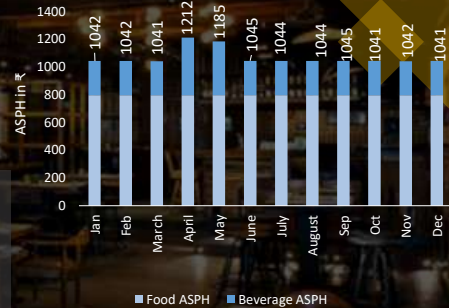
The examination of ASPH observed:

- According to (Zomato,2021) and (Dineout ,2021), ASPH of casual dining (like Chili's and Nando's in India = ₹1400- 1500 approx.
- Whereas Average ASPH of RMT = ₹1069
- This evaluated that RMT should increase its ASPH by ₹431.
- The possible reason for a low ASPH could be that the menu is poorly designed in terms of prices.

The analysis also depicted:

- High ASPH in April (₹ 1212) and May (₹1185) by ₹143.
- The high ASPH was because of the high ASPH of Beverage in these two months i.e., ₹415 and ₹388.
- Further, it can be evaluated that the ASPH of beverage was high because of the high sales of beverage in breakfast, lunch and dinner i.e., ₹143, ₹371 and ₹710 in April while ₹134, ₹346 and ₹664 in May.
- The average ASPH was ₹94, ₹243 and ₹465 and the sale was pushed by ₹49, ₹128 and ₹245 respectively for breakfast, lunch and dinner of beverage sales in the month of April and May.
- Since April and May are not the peak months and they have a high ASPH, so it can be said that other months also have the potential to earn the same.

ASPH of 2020-21



- By analyzing the ASPH it was observed that RMT should increase its overall ASPH as it is less than the average ASPH.
- The graph also shows that ASPH was high during April and May.
- This was because of the high ASPH in the beverage in breakfast, lunch and dinner during these two months.
- The ASPH of these two months were high than the average which boost the sales by ₹143.

On Further Analysis it can be observed that:

- In breakfast the minimum beverage ASPH is ₹84.
- Whereas, the minimum costs of a coffee in menu is ₹ 100.
- Which implies that in breakfast not even a single guests is consuming one portion of coffee.

The last area of consideration is:

- According to (Swiggy, 2020), the average ASPH of breakfast like of All American Diner, in Delhi is ₹500-600.
- Whereas, RMT has an average of ₹344 for breakfast which is very low.
- RMT can increase the breakfast ASPH by introducing a breakfast buffet and can increase the sale by ₹256.

Food ASPH in ₹



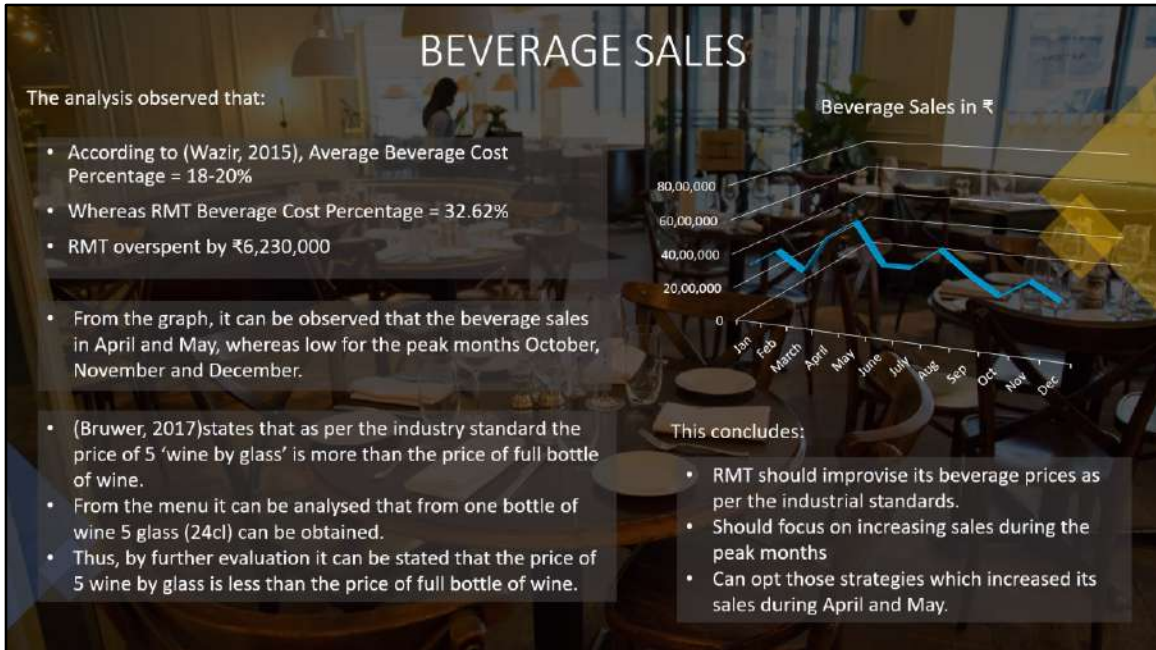
BEVERAGE ASPH In ₹



This concludes:

- RMT should maintain its ASPH like in the month of April and May.
- RMT should adopt those strategies which were used in these two months to increase the ASPH throughout the year.
- ASPH can also be increase by increasing the menu prices and through menu engineering.
- The breakfast sale can also be increase if RMT opens the restaurant from 7:30 a.m. as it attracts office people.

- From the menu it can observed that the minimum costs of a coffee is ₹100 whereas the minimum beverage ASPH of breakfast is ₹85.
- This implies that not even a single portion of coffee is being consumed by a single guests during the breakfast.
- It can also be evaluated that to Breakfast ASPH is low and that RMT should introduce breakfast buffet and open the restaurant at 7:30 a.m. to increase the sales.



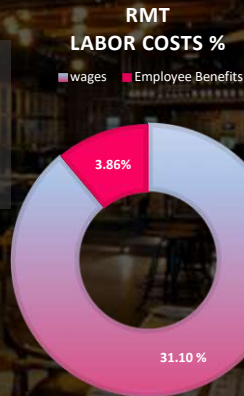
The analysis from the beverage sales showed that

- RMT has high beverage cost and is overspending by ₹6,230,000.
- The graph clearly shows an increase of beverage sales during April and May whereas a low sales during the peak months.
- Also, the menu pricing of wine is at fault. The price of wine by glass is less than the price of full bottle of wine.

# WAGES

## Analysis of wages observed:

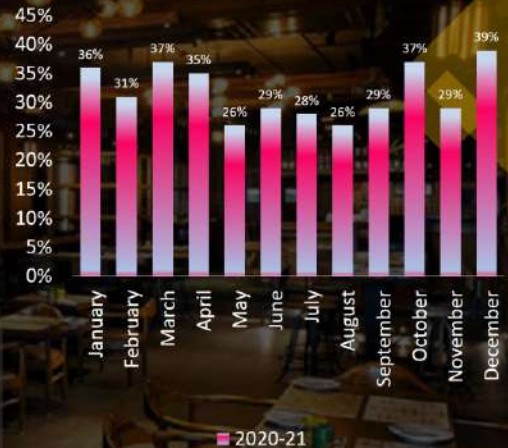
- RMT is spending 31.10 % of the total revenue i.e., around ₹6 Crore on wages.
- RMT is spending around ₹75 Lakhs (3.86%) on the employee benefits (Life Insurance, Private Medical Assurance, Dental Insurance, Childcare Vouchers).
- According to (Sitaram, 2014), average labour costs for an Indian Casual dining should not be more than 20%.
- Whereas, RMT labour costs is 34.96% ( 31.10+ 3.86).
- RMT is overspending by ₹29,086,500.



- RMT labor costs include the wages paid and the employee benefit.
- The labor costs of RMT is high than the industrial standard and RMT is overspending it by ₹29,086,500.
- RMT should decrease the labour costs to 20%.

#### Next point of consideration is:

- The graph shows that in months like January, March, April, October and December, the wages (₹ 50,65,000, ₹ 49,78,000 , ₹ 53,90,000 , ₹ 45,78,000 , ₹ 50,47,000 respectively) are too high.
- Whereas, the total sales of October (₹ 1,25,18,400 )and December (₹ 1,28,24,900) are less than the average sales (₹16,195,833).
- Which signifies that RMT has spent a lot on wages in the month of October and December despite of having low sales.
- This justifies the reason for the loss incurred.



#### This concludes:

- RMT need to cut down their labour costs.
- According to (Andrews, 2020) improper rostering can also be one of the reasons for high labour costs.
- The restaurant can also hire part time staff on weekends and can pay them hourly wages.

- It can be observed that in January, March, April, October and December the wages were paid too high.
- RMT need to cut down their wages.
- Also, RMT can control their labour costs by hiring trained part time staff on weekends which will also cut down their employee benefits.

# MARKETING

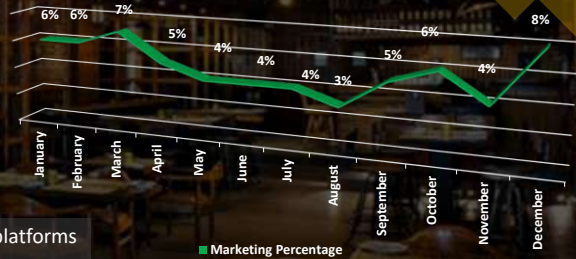
The analysis examined that:

- As per (Raul, 2016), average marketing costs = 2-3%
- RMT marketing costs = around 5%
- RMT overspent by 2% i.e., around ₹3,689,000.

- Also, it can be observed that there is no impact of marketing on the sales of the next month.
- Implied that RMT is spending high amount on marketing but the sales remains low.

This concludes:

- RMT should focus on digital marketing on social media platforms like Facebook, Instagram, twitter, google adds.
- The restaurant can also provide offers for early bird, kitty parties, birthday parties or for group of people more than 10 guests.



- RMT is overspending the marketing costs by ₹3,689,000.
- The restaurant needs to reduce its marketing costs upto 3%.
- The analysis observed that the current marketing was not helping RMT boost its sales.
- There was no relation between the amount spend on marketing and the sales of the next month. RMT needs to revamp its marketing strategies for an effective outcome.

## Profitability Evaluation

- Total Sales of 2020-21 (Y0) = ₹194,350,000
- Total Sales of 2021-2022 (Y1) =  $0.15 \times 194,350,000$   
= 29,152,500 + 194,350,000  
= ₹ 223,502,500

Net Profit/ loss = Total Revenue - Total Costs ( Total Costs of Sales + Total Operating Expenses)  
= 223,502,500 – (81,150,000 + 136,420,000)  
= ₹5,932,500

Projecting the 15% sale increase on Y0 (2020-21) for the year 2021-2022, new sales will be ₹ 223,502,500 and keeping the costs constant RMT will come into profitability of ₹ 5,932,500.

To evaluate the profitability for the next year, the first step was to determine the total sales of Y1, which was ₹223,502,500.

Next, it is necessary to consider the cost structure of 2020-2021. The cost structure includes the cost of sales of food and beverage as well as the operating Expenses. The operating expenses of RMT were of wages, marketing, entertainment, employee benefits, depreciation, direct operating costs and other miscellaneous expenses. At last by excluding all the costs from the revenue, the above calculations resulted a profit of ₹5,932,500

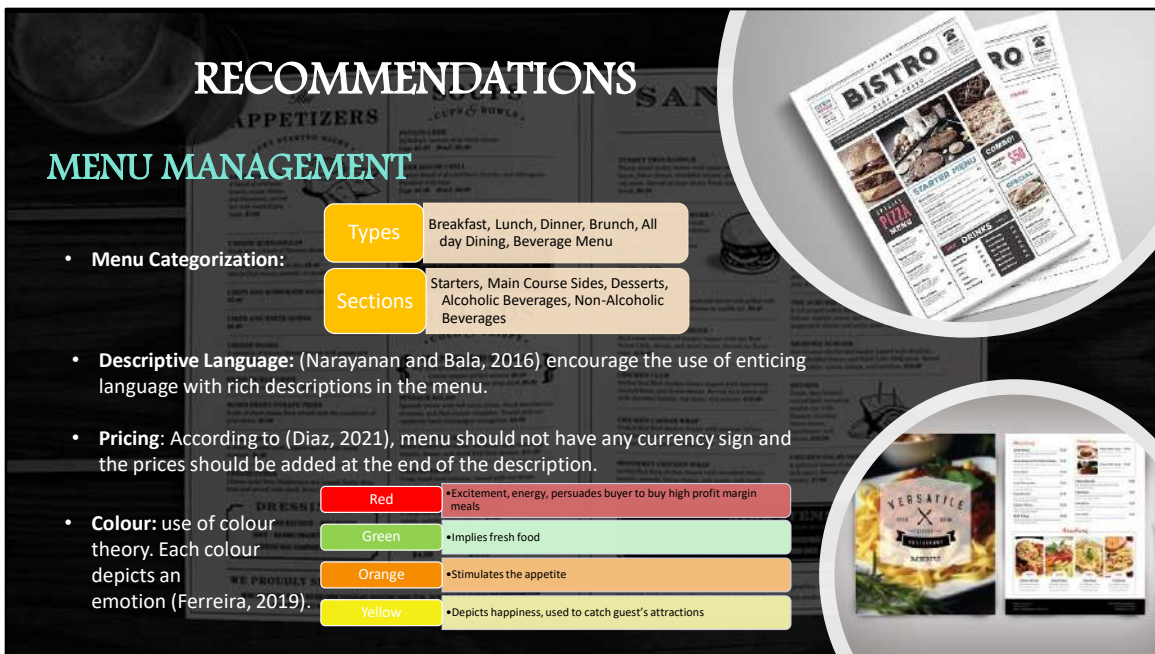
# RECOMMENDATIONS

## MENU MANAGEMENT

- **Menu Categorization:**

<b>Types</b>	Breakfast, Lunch, Dinner, Brunch, All day Dining, Beverage Menu
<b>Sections</b>	Starters, Main Course Sides, Desserts, Alcoholic Beverages, Non-Alcoholic Beverages
- **Descriptive Language:** (Narayanan and Bala, 2016) encourage the use of enticing language with rich descriptions in the menu.
- **Pricing:** According to (Diaz, 2021), menu should not have any currency sign and the prices should be added at the end of the description.
- **Colour:** use of colour theory. Each colour depicts an emotion (Ferreira, 2019).
 

<b>Red</b>	• Excitement, energy, persuades buyer to buy high profit margin meals
<b>Green</b>	• Implies fresh food
<b>Orange</b>	• Stimulates the appetite
<b>Yellow</b>	• Depicts happiness, used to catch guest's attractions



According to (Waller, 2016) effective menu engineering evaluates the pricing of the menu and encourages the sale of profitable items. RMT should redesign its menu which will create a huge impact on its sale. Qualities of a good menu are:

- **Menu Categorisation:** Different types of menu (like for breakfast, lunch, dinner, brunch) can be categorised into different sections including starters, main course, sides, desserts and alcoholic & non-alcoholic beverages.
- **Descriptive Language:** The menu should not be overfilled and should use enticing language with rich descriptions. RMT should add descriptions to their menu items.
- **Pricing:** The prices in the menu of RMT are not in the appropriate place. The prices should be placed at the end of the description with no currency sign to avoid the attention of the guests.
- **Colour:** RMT should make use of different colours in their menu as each colour signifies an emotion which attracts the customer attention.



- **Design and Layouts:** RMT should work on the structure of its menu. The menu should have a proper layout and design with the addition of illustrations and graphics.
- **Highlight Featured Foods:** RMT should highlight its golden star items through a bold and different font or colored boxes to catch the customer's eyes.
- **Photos:** There should be addition of realistic and eye appealing photos in the RMT menu.
- **Menu Modifiers:** RMT can provide sides and topping to the dishes or can also pair and add different combos to upsell its dishes.
- **Measure Profitability and Popularity:** The items in the menu should be placed in the four sections: plough horse, stars, dog and puzzle according to its popularity and profitability through proper analysis.

## Operating Costs

RMT can earn profit by controlling the following operating costs.

- As stated by (Sitaram, 2014), Average labour costs to be 20% for a casual dining restaurant. So, RMT should reduce its labour costs (wages+ employee benefits).
- According to (Raul, 2016), the marketing costs should be 3% and RMT is spending around 5%. So, RMT should reduce its marketing costs also.
- RMT has also overspend on Music and Entertainment costs as the average entertainment costs according to (Vij, 2012) should be 2% whereas RMT is spending around 4%.
- The re-assessment of the operating costs will convert the loss into profit which will help RMT to payoff the loan of ₹495,00000.
- Operating costs can also be reduced by using updated technology like digital menu, digital kitchen display systems, automated inventory systems, contactless payments (Emmy, 2021).
- RMT can also change its timing from 7 a.m. to 11:30 p.m. and can also open on Sunday morning as according to the survey (Ponnam, 2014) people prefer going for breakfasts on weekends. This will help generate more sales for RMT.



- By reducing labour costs, RMT can save around 15% of its revenue.
- By reducing the marketing costs, RMT can save upto 2 % of its revenue..
- By reducing music and entertainment costs, RMT can save upto 2% of its revenue.
- Thus, by saving these RMT can convert its losses into profits.
- RMT can pay off the loan after converting its losses into profits.
- The use of updated technology by RMT like digital menus, digital kitchen displays, contactless payments and automated inventory systems will increase their efficiency will help them control their costs. The use of automated inventory systems will reduce food wastages and costs and will make their business sustainable and efficient.
- By changing the timings, RMT can attract a lot of customers as their main target market are tourists, businesspeople and office workers.

# Marketing

- **Social Media:**

RMT can focus on platforms like Instagram, Facebook, Twitter and can actively uploading posts and pictures (Lawrence, 2019).

- **Loyalty Program**

RMT can partner with any food aggregator app like Zomato, Swiggy and dineout from where the guests can order food while earning reward points and various offers. For example, getting free updates like free dessert or any beverage (Henderson, 2021).

- **Influencer Marketing**

According to (Statista, 2018), influencer marketing is the highest effective form of marketing. RMT can collaborate with influencers who will then promote the restaurant through their social media platforms to their huge followers.



- Marketing is one of the strong elements that helps to boost the sales of any operations. RMT is already doing internet marketing but should focus more on social media platforms like Facebook, twitter and Instagram and should start posting their blogs and photos.
- In today's time, a loyal customer is all a restaurant needs. RMT can partnership with food aggregator Apps which can provide reward points and offers to guests on ordering through these apps. This will help create a strong consumer base for RMT.
- Since social platforms are a strong base, RMT can also adopt influencer marketing as it will help them capture a large market. RMT can collaborate with different influencers and can invite them for meals or can send meals to them. This way the influencers will post on their social media accounts and market the product to their large base followers.



- RMT can also do personalized marketing by sending individual email newsletter and WhatsApp promotional offers which will give a personalised touch to the customers.
- Along with running paid-adds including google ads, YouTube ads, Instagram ads. These ads could include a short survey which will help to know the customers choices and preferences.
- Partnering with local business is a win-win in nowadays. RMT can partner with any local farms and can use their fresh vegetables and fruits or can serve beer by partnering with any local brewery along with introducing brewery visits.
- RMT can also organize various special events which will attract a huge crowd and help boost the sale.

## Current Trends

- **Online Delivery**  
RMT can start online delivery which can help increase its sales during the lockdown and post Covid-19.
- **DIY Meal Kits**  
RMT can also start delivering meal and cocktail kits. These kits include ingredients required for the meal so that the customer can enjoy something fun at home while having restaurant style food (Times, 2017).
- **Host Online Cooking Classes**  
Since during the lockdown everybody is at home, RMT can host some paid online cooking classes which will help them in their marketing and increase the sales (TouchBistro, 2021).



- To keep up with the current trends and increase the sales during the pandemic RMT can start online delivery by partnering with Swiggy and Zomato.
- RMT can send DIY meal kits which will attract the consumers in buying as it will provide them with something interesting and fun.
- As people are at home during the lockdown, RMT can also start paid online cooking classes which will help benefit both the restaurant and the guests.



- **Introduce Cloud Kitchen**  
Cloud kitchen are becoming more demanding during the lockdown for the delivery and takeout's. These kitchen have minimize overhead costs, focus more on food preparations, are convenient, and meets the customer demand by using technological advancements and reaching a large market (Walker, 2020).
- **Introduce a healthy menu**  
Since people have become more health conscious. RMT can introduce a keto-diet, vegan and a gluten free menu to meet the customers current demand and increase its sale.
- **Outdoor and Terrace Seating**  
RMT is situated near restaurants and cafes having open seating. So, to be more competitive RMT should start outdoor and open seating (Emma, 2020).
- **Eat in Car Service**  
RMT can start eat-in car service by serving pre-plated meals to the guests in their cars (Smith, 2021).

- RMT can also convert some of their area into cloud kitchens which will reduce their overhead expenses, provide them with more space and will keep them focus on the preparation of the meal.
- According to the current consumer preferences, RMT can also introduce a Keto, vegan and gluten free based menu.
- Since the restaurant is situated near open-seating and outdoor seating cafes and restaurants, RMT can also implement such seating to be more competitive.
- RMT can also increase the sales by introducing eat-in car service by serving pre-plated meals while ensuring social distancing and safety protocols. As post-covid people have become more conscious they will prefer eating in their cars.



## CONCLUSION

This presentation examined the performance of RMT by critically analysing the food sales, average spend per head, beverage sales, wages and marketing costs of the year 2020-2021. The analysis determined that RMT overspent on food costs, beverage costs, labour costs and marketing costs. It also determined that RMT needs to increase its ASPH in order to increase its revenue. The presentation further evaluated the profitability for the next year. The evaluation resulted that there will be a profit of ₹ 5,932,500. At last, the presentation provided recommendation on menu management, operating costs, marketing and current trends to revamp its strategies for a profitable and thriving future.

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