

**ENTREPRENEURSHIP****STUDENT NAME:****STUDENT ID:****COURSE:****INSTRUCTOR NAME:****DATE:**

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## Introduction

An Indian restaurant called SpiceSky is situated in London. Mr. Ali Mahal has been the eatery's proprietor in the UK since 1988. SpiceSky takes pride in the caliber and variety of its Indian cuisine. The restaurant has had a history of rising sales since it first opened. This study looks into, analyses, and evaluates the factors causing SpiceSky restaurant and café's recent slow-motion sales drop. Alternative strategies or ideas were put out in work to aid SpiceSky Restaurant in regaining its competitive position in the market. We will methodically examine the difficulties (internally and externally) the restaurant is facing in the capacity of the data at our disposal.

## Overview of the industry

Eating out is a popular pastime activity in the UK, and takeout orders are frequently made. Over a third of respondents in the UK thought that once or twice per week is a reasonable number of times to dine out, while 7% stated that they eat out more frequently (Cleave, 2020). An estimated 2.7 million individuals frequent restaurants just once or less each year. London, the most populated city in England and the capital of England, is where SpiceSky is situated. Due to the large population and the fact that London is one of the most popular tourist destinations worldwide, it is evident that there is a sizable demand for their products. In addition, total consumer spending in the UK was over 77 billion as of 2017, indicating that consumers generally like to spend money at restaurants. As of 2018, there were approximately 1000 Indian eateries in London, according to the mayor's office (Conway et al., 2020).

## Current position of spice sky

Due to its long history of operation over the past 20 years, Spice Sky enjoyed a favorable position in clients' minds. However, the issue lay in the previous 12 months, when performance fell short of last year's. People view Spice Sky as a restaurant where they can eat and drink in the classic Indian style. The brand captivated clients because of its unique heritage and allure. However, spice Sky appears to have lost some of its appeal over the previous 12 months. It did away with some of its distinctive meals, some of which were well-liked by customers and had been served for the last 20 years. Doing away with certain dishes coincides with a sales fall, which will be covered in more detail in the report. Spice Sky was currently engaging in a limited amount of promotional efforts and kept its strategies the same over time. They mainly used the radio to inform the public about the restaurant, and a billboard was erected five miles away. Additionally, the restaurant has changed its staff and recruited a cost controller to aid with cost-cutting.

## Case-specific issues

### 1. SpiceSky is losing customers.

SpiceSky restaurant needs to be well-known; thus, attracting new clients takes time and effort. Most people go to other restaurants with better promotional expenditures to attract and keep consumers. Traditional advertising strategies are ineffective in today's environment. Competitors use TV to catch people's attention and position themselves in their minds. With this understanding, a restaurant's growth is expanded, and it's easier to maintain consumers. However, poor customer service makes it difficult to retain customers.

The business must utilize a current and imaginative promotional plan to attract new clients and keep them (López et al., 2019). Younger generations are influenced by new items and

enticing marketing methods like good advertising; therefore, SpiceSky must implement recent advertising efforts.

## **2. Profits trump customer delight.**

Mr. Mahal has focused more on producing money than client retention and satisfaction in the past year. Unfortunately, this strategy led to business-harming decisions. Changing suppliers to save costs and increase profits without considering the quality is a problem. Quality is vital, especially in food; choosing a cheaper source with poorer quality can impair customers' taste. Cost controllers are recruited to minimize expenses, yet they may need to pay attention to quality assurance (Mottelson et al., 2021).

## **3. Leadership/management problem**

Mr. Ali Mahal is the business owner and makes most of the mistakes. If Ali Mahal struggles, he can engage specialists or managers to help run the business and prevent removing customer-favorite dishes. We didn't know Mr. Ali's educational background, so we encouraged him to attend small business classes.

## **4. Recession**

Inflation and unemployment have recently risen. Business owners and customers are affected. Inflation has made it more expensive for firms to acquire from suppliers, which reduces their earnings. By bypassing the expense to customers by raising food costs, customers may elect to buy elsewhere or eat at home, leading restaurant sales to decline. Inflation, reduced income, and unemployment affect customer spending since they desire to save what they have and not eat out (Coibion et al., 2020).

### 5. The financial crisis affects many UK firms, not solely Spicesky.

High-interest rates and simple defaults make bank borrowing easier (Faulkner, 2020). As a tiny business owner, Mr. Ali Mahal must rely on his own money to avoid bank loans that could bring his business to its knees.

### Porter's five force analysis

Five forces in Porter a tool is used to view the environment in which a firm operates and to gain insight into that environment. The five forces are rivalry in the market, supplier power, the threat of substitutes, new entrants, and the danger of reserves.

FORCE	PARTICULARS
Buyer	Clients or customers that visit the restaurant
Supplier	Employees or other organizations that provide raw materials or goods to Spicesky.
Substitutes	Either eating at home, other restaurants, food outlets
New entrants	A new chain or a restaurant that is opening in the market.
Competitors	All such restaurants or food outlets that are serving the same food items.

1. **Buyer's power** – Buyer's bargaining power in this specific industry is considered strong enough as no added cost is attached to customers switching from one food chain to another. Numerous food suppliers in the UK restaurant business can substitute for SpiceSky's cafe and restaurant offerings. Additionally, customers are informed about the market and can dine at other establishments. Nevertheless, steps to

boost customer loyalty must be taken for SpiceSky to effectively manage the intensity of customer power and achieve a competitive edge in the market. It might be accomplished by partnering with some diners, including them in restaurant decisions, and branding products to increase their perceived worth (Distanont and Khongmalai, 2020).

2. **Supplier's power** - Several suppliers can provide food items to restaurants. However, since supplies originate from several farms and even tiny families, there are only a few sources with much clout. In addition, because switching costs are low, switching from one provider to another is simpler (Ferdinand and Tresyanto, 2020).
3. **Substitute's threats** - There are several options available on the market. The corporate solution that can be used to lessen this danger includes attempting to diversify products and more closely match them to client preferences. Examples of these are bakeries and food prepared by private individuals at home.
4. **New entrants into the market** - New competitors could reduce the market share that Spicesky currently holds. Customers are more likely to switch restaurants. Therefore, switching costs are lower. Due to the ease with which people can borrow money from banks or use their funds, more restaurants are routinely launched.

Spicesky's best course of action as a business is to market its food offerings effectively. Since Spikesky has been in the industry for a while, it can offer lower prices than those of newcomers or even create cartels with other eateries that could drive out competition from new eateries.

## A swot evaluation of spice sky

Swot analysis is a technique for determining a business's strengths, weaknesses, opportunities, and threats. Each company must be aware of the challenges it faces in the market and be able to take the appropriate actions to ensure its survival (Benzaghta et al., 2021).

### Strengths

#### **1. powerful brand**

Every business' success depends on having a good brand (Gurbaxani and Dunkle, 2019). Despite the recent occurrences, Spice Sky has relied on its strong brand for the previous two decades. Over the years, the company has served thousands of clients thanks to its strong brand and rich heritage. A strong brand also allowed the company to foster customer loyalty, which resulted in consistently rising revenue.

#### **2. Favorite place**

The company has a location in the heart of London. Since London has an eight million-person population and is the busiest airport in the world, which indicates that many tourists visit the city, it is an excellent place to run a restaurant. London, also known as the world's cultural capital, is the city that receives the most tourists worldwide (De et al., 2020).

#### **3. A large selection of good Indian food**

The restaurant serves a wide variety of high-quality food, including samosas, chicken spring rolls, pakora, tikka, and tandoori chicken, as well as uncommon drinks like Hadia, which is popular with customers. Since everyone has distinct likes or preferences, variety is crucial (Lak et al., 2020).



## Weakness

Advertising is seen as a crucial weapon for battling competition. Regardless of the kind of products or services provided, a company cannot rely solely on one-time marketing to maintain a consistent flow of clients. The sales force needs to be internally motivated and strongly committed to marketing and competing against outside rivals. In this instance, SpiceSky's advertising was inferior to or less aggressive than that of competitors. Over the years, SpiceSky has continued to use the same advertising strategy, which includes the radio, a newspaper from time to time, and a billboard located 5 miles from the restaurant.

### **1. business remedy**

Radio and newspapers were excellent advertising platforms in the 1980s and 1990s. This was because most people had more access to them than other media types, such as the internet and television. Nowadays, the internet and television are the most efficient media to employ for advertising. While simultaneously increasing their television commercials, competitors use the medium to market. I would urge SpiceSky to abandon its traditional radio advertising methods in favor of the internet and television, which can be accessible to many people simultaneously.

Additionally, television allows small businesses to express their creativity and give their company a personality. It also works well for small firms that depend on repeat business. Because television advertisements are more expensive, especially when you want to place them when most people are viewing them, SpiceSky must boost its advertising budget in this area.

### **2. Employee churn**

High employee turnover is a drawback for a company since it creates issues like new employees bringing in different cultures that could be better for the company and food that is

made that may impair the quality or flavor. In addition, employees who have stayed at the company may also be impacted by high turnover because they may get demotivated out of fear that they could lose their employment at any time, primarily if the company seeks to save costs by laying off workers.

## Opportunities

The firm has many opportunities that it can take advantage of to succeed. The first is the employment of modern advertising platforms like television and the internet. The company will be able to reach its intended market thanks to this, and since ads are simple to reproduce, they will remain in the public eye for a more extended period.

### **1. Diversifying**

There is a problem with removing some menu items, such as Hadia beverages. Some clients who enjoy those products are leaving as a result of it. The company needs to diversify further to offer a greater variety of cuisine than just deleting some items. London has seen a surge in international expatriates arriving to stay; therefore, expanding its products to accommodate foreign visitors can boost sales and revenue. The restaurant can also strengthen its menu by preparing new, non-traditional cuisine, including junk food, primarily enjoyed by young people, rather than merely sticking to traditional dishes. Young people make up most of the population; therefore, expanding into an area that appeals to them will be an excellent option to boost restaurant sales.

## Threats

There are other competitors on the market, and even worse, they provide the same meals that SpiceSky does. Intense competition can drive other businesses out of the market; thus, wise measures must be taken to combat it. London has a wide variety of small and large hotels competing with one another by providing top-notch services. Pay rate difficulties have been getting worse in London. This is bad news for Mr. Ali's little firm because it increases costs, impacting the entire operation. The existence of trade unions, which workers can freely join, gives them more negotiating power to obtain higher wages. High turnover is sometimes a result of higher salaries because small enterprises will underpay workers. In this situation, offering special prices is the best business strategy. The company can provide slightly less expensive pricing if its rivals charge high costs. It is not necessarily true that the person who sells at the most excellent price makes the most money; instead, a company may offer food at a lesser price but in more quantities, making a profit in the end. Additionally, the company might employ marketing strategies like discounts and complimentary meals to draw in customers.

## Marketing mix (4 p's) of spicesky

### **Place/distribution channels**

The strength lies in SpiceSky's location, located in the city's heart, with more customer attraction.

However, there are only so many outlets in the restaurant, which is a limiting factor.

Liverpool, Manchester, etc., can get Spicesky restaurants. This will boost income because these cities have fewer eateries than London. London rents are costly; thus, moving to cheaper places benefits the eatery.

## **Promotion**

SpiceSky's promotional techniques are not good enough. Spicesky shouldn't exclusively use radio ads. Effective new advertising methods include tv and the internet. These approaches are more enticing than radio because you can hear someone talking, which isn't excellent for eating.

## **Pricing strategy**

Spice Sky's price must be right since other restaurants will be using the same techniques to gain consumers; thus, the firm must compare their prices to those of competitors to come up with the right price while earning profits. For example, if competitors offer \$10.00 per dish, the firm might charge \$9.99, attracting customers.

## **Product**

The major strength that gained popularity to SpiceSky is its Indian dishes. It attracted not only Indians but other diverse populations, and its wide range of dishes contributes to higher sales and growth. However, it can diversify to other products, and all the dishes the restaurant prepares take a long time.

## **Pestel analysis of SpiceSky**

### **Political factors affecting the restaurant**

SpiceSky should examine UK restaurant industry politics. These are the implications of UK government action on business remotely. Thus, SpiceSky should regard the UK's effort to develop international trade agreements as an opportunity. Pending tax change should be seen as an opportunity, while shifting public health policies may be a threat or an opportunity.

SpiceSky restaurant can grow by improving international trade and strengthening supply chains. SpiceSky should modify its techniques to evade government taxation and break the

law. However, public health policy discourages people from eating at SpiceSky. The restaurant should increase its healthiness to outweigh the hazards.

### **Economic factors**

SpiceSky should evaluate the restaurant industry's economic climate. These are the implications of the UK's economy and trends on distant business. SpiceSky should consider Europe's stable but uncertain economies a market threat. SpiceSky restaurant is threatened by the weak British pound, which has caused a drop in imported produce prices. In addition, free movement limitations could reduce the European labor supply.

### **Socio-cultural factors**

SpiceSky should adjust to sociocultural shifts in its remote environment. Changes can help or hurt SpiceSky's market. SpiceSky should consider the UK's growing cultural diversity and wealth inequality as opportunities. SpiceSky's response to the UK's healthy lifestyle trend will determine its threat or opportunity. The restaurant could improve its product mix to serve more local cultures. Healthy living is a threat. Because restaurant items have adverse health effects, SpiceSky should provide more organic dishes and salads.

### **Technological factors**

Technology helps modern firms succeed (Marr, 2019). SpiceSky should investigate distant technologies and trends. SpiceSky restaurant should invest more in R&D to boost productivity. SpiceSky can increase productivity through automation. They can promote mobile offerings to get more website and app visitors.

### **Environmental factors**

SpiceSky should evaluate how UK environmental issues affect its remote location. SpiceSky could explore incorporating ecological programs in the UK, expanding CSR, and emphasizing sustainable business techniques to earn a reputation. Climate change threatens

SpiceSky's business since it affects farmers, but the company should maintain a stable supply chain.

### **Legal factors**

SpiceSky should follow remote business legal standards. Local health requirements and high minimum wage may increase SpiceSky's costs and product pricing, but the restaurant should ensure that the items and services are worth the money. Restaurants should prioritize value for money.

### **Conclusion**

The restaurant's traditional Indian meals are a big part of its being so well-liked. It has demonstrated its performance over the last 20 years by seeing year after year-to-date sales growth. However, Mr. Ali's lack of understanding of customer behavior and demographics during the past year has made decisions that have negatively impacted the company's sales and displeased specific clients. Several decisions were made, such as eliminating specialty dishes and beverages and switching suppliers and staff, but they should have considered how their actions would affect customers. Due to a lack of public awareness, the restaurant has also struggled to attract new clients. SpiceSky's competitors had a more significant edge in that they employed better advertising techniques like television and had more excellent coverage than SpiceSky's limited usage of radio and billboards.

Lastly, Spikesky must alter its marketing approach by switching from radio advertisements to television and the internet to reach more people. It must bring back its distinctive dishes to win back customers who previously enjoyed them. Finally, SpiceSky must maintain competitive prices, given the fierce competition.

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