

Lessons learned:

**A qualitative case study of restaurant
success in Auckland, New Zealand**

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Abstract

The aim of this study is to identify factors influencing the success of independent restaurants, as these restaurants appear to be an attractive entrepreneur investment option. However, these independent restaurants suffer a higher failure rate when compared to chain/franchised restaurants.

A qualitative case study research methodology was adopted to explore the factors affecting the performance of independent restaurants. The research was conducted through semi-structured interviews in Auckland, New Zealand, with 11 independent restaurant owner-operators.

Findings from the study revealed that restaurateurs have different perceptions of restaurant success, with most relating success to feelings of achievement rather than financial gain. In addition, participants show a clear difference between ‘knowing’ (having the knowledge) and ‘doing’ (applying the knowledge in practice). This behaviour could be caused by limited access to the kind of information needed in the planning stages and a lack of support from the restaurant industry. The study also suggests that the three main categories controlling the success of independent restaurants are the operational environment, stakeholders, and management factors. These factors are similar to Camillo et al.’s (2005) study that was applied as the research framework for this thesis. The researcher argues that the development of management system that consists of a standard operation manual and an extensive training programme could lead to a more efficient and sustainable restaurant operation.

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Attestation of authorship

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.

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Ethics approval

This research was approved by the Auckland University of Technology Ethics Committee on 17 May 2013. AUTECH Reference number 13/75.

Confidential Material

The restaurant owner-operators that participated in this research have retained the right to have their identities kept confidential. To maintain anonymity, all references to individual restaurateurs have been replaced with pseudonyms. Names, locations and other information that may identify individual restaurateurs have also been removed from this document.

Chapter One: Introduction

1.1 Content

‘Understanding the core issues underlying restaurant operation is important and could help to secure the success of restaurants.’ (Enz, 2010, p.316)

This study focuses on restaurants as an important component of the hospitality industry in New Zealand. It explores the perspectives of independent restaurant owner-operators with the purpose of generating an understanding of the factors that influence the performance and success of independent restaurants. The participants in this study are the owner-operators of independent restaurants recently or currently operating in Auckland city. This chapter provides background information of the restaurant industry in New Zealand, outlines the research methodology applied, and explains the purpose and significance of this study. Finally, the structure of the thesis is provided as an overview.

1.2 Background of the study

In New Zealand the restaurant industry generates over \$5 billion in annual turnover, and employs over 80,000 people. As Auckland is New Zealand’s largest city, it dominates the industry (Hospitality New Zealand, 2012). According to Auckland Region Restaurant Record (2012), it is estimated that there are 2000 restaurants in the Auckland area. As the restaurant industry is highly fragmented, it is common for small independent restaurants to be established and located close to local customer markets (Hua & Templeton, 2010). Moreover, Hua and Templeton (2010) explain that typical of a fragmented sector, the restaurant industry has a low barrier of entry and modest start-up costs which results in an industry that is easy to enter. As a result, there are different restaurant operations constantly emerging within the industry. Restaurants can offer different cuisine and concepts as well as establishment styles, and operate under different management structures. Nevertheless, while the industry is diverse, commercial restaurants all share similar attributes as they offer food and beverages to customers for consumption on the premises in return for monetary gains (Brotherton, 2003; Kiefer, 2002).

There are various establishment styles and most restaurants can be classified into one of four major restaurant types. These include fine/formal dining (e.g. Michelin-starred restaurants), casual dining (e.g. family restaurants), fast-casual (e.g. cafés) and quick-service restaurants (e.g. fast-food restaurants), all of which offer different price structures, service styles, atmospheres and experiences (Parsa, Self, Njite & King, 2005). Apart from the various restaurant types, restaurants can be classified into different management and ownership structures, including chain restaurants, franchised restaurants and independent restaurants (Parsa et al., 2005). Chain restaurants and franchised restaurants have a central management system that handles most of the needs of the restaurants (Lesonsky, 2012; Siebert, 2007). In contrast, an individual, family or a private group owns an independent restaurant and, as a result, the restaurant concept, menu and experience are not easily replicated by other competitors within the industry (Budhwar, 2004). However, Mandabach Siddiqui, Blanch and VanLeeuwen (2011) suggest that among different management structures, independent restaurants have a higher possibility of failure.

Most recent studies on the restaurant sector were conducted in the United States. Parsa, Self, Sydnor-Busso and Yoon (2011) suggest that independent restaurants tend to lose market share to other sectors, particularly during an economic downturn where customers reduce their expenditure on dining out. According to Goldman (1993), independent restaurants face multiple challenges, including, ‘market saturation, stiff competition, limited resources and consumer dynamics’ (p.59). Lesonsky (2012) explains that independent restaurants often fail to survive because of a lack of resources. Moreover Parsa et al.’s (2005) study stated that within the first three years of operation, the failure rates of independent restaurants are two to three per cent higher than of chain restaurants.

New Zealand restaurants are facing similar challenges. The New Zealand Hospitality Industry Report (2012) indicates that between 2007 and 2011 the restaurant sector lost 5.5 per cent of their market share. This share was absorbed by the takeaway food service sector, catering service sector, pubs, taverns, bars and clubs sectors. The report also suggests that the decrease in market share has largely affected independent restaurants. Therefore, it is important to examine the issues surrounding the success of independent restaurants.

In order to explore the factors affecting the performance of independent restaurant businesses, this research adopted Camillo, Connolly and Kim's (2008) study as the research framework. The influential factors presented by Camillo et al. (2008) encompass emotional factors, and operational factors. Emotional factors, which impact on the performance of restaurants, include creative emotions (for example, curiosity, love and confidence), and destructive emotions (worry, restlessness and depression). Camillo et al. (2008) suggest that emotional factors influence a restaurant operator's behaviour and attitudes which extend to their operational activities (e.g., restaurant vision and decision-making process) and further contribute to the restaurant's success or failure.

The operational issues include controllable and uncontrollable factors in the daily operation. Controllable factors are comprised of financial matters, human resource management, and product quality and price management factors (DiPietro, Murphy, Rivera, & Muller, 2007; English, Upchurch, & Willems, 1996; Parsa et al., 2005). Uncontrollable factors refer to influences outside the direct operational sphere, for example, cost index, legislation, competition and other events outside human control (DiPietro et al., 2007; English et al., 1996; Parsa et al., 2005). Camillo et al.'s (2008) study also lists the common attributes for failing and unsuccessful restaurants. For those that failed, an imbalance between family and work life, a lack of a unique concept, and a lack of strategic planning for marketing and other business functions are the most common traits (Leiper & Stear, 2009).

Having a clear understanding of the term 'success' and how it is used is critical. Parsa et al. (2005) discovered that finding a universal definition of restaurant success is difficult. Some studies have related restaurant success to financial ratios and consider success as avoiding closure or a change in ownership due to financial loss and bankruptcy (Gu, 2002; Kim & Gu, 2006; Mandabach et al., 2011; Olsen, Bellas, & Kish, 1983; Parsa et al., 2011). Power (2005) defines a successful restaurant as a sustainable operation that achieves financially, personally and socially with satisfied customers and committed employees. Also, as Goode (2013) explains, a restaurant that is operated by passionate proprietors, is appropriately busy and financially viable, and provides quality food and service (a complete dining experience) is successful.

Based on the different success measurements applied to restaurant operations, different survival rates were also presented from various studies conducted in the United States. Dun and Bradstreet (1996) claim that nine per cent of all small independent businesses only survive for two years, while English et al. (1996) found that only 64 per cent of restaurants remained open after their first year in operation; and Parsa et al. (2005) suggest a 70 per cent first-year survival rate for the general restaurant industry. Regardless of the actual survival rates, opening a restaurant and operating it successfully remains difficult.

1.3 Aims of research and significance of the study

Previous studies in the area of restaurant success have been conducted from a range of perspectives. Most research was from an entrepreneurial perspective, for example, strategic planning and implementation (Enz, 2004; Jogaratnam, Tse & Olsen, 1999b). Moreover, researchers started to discover a relationship between restaurant performance and financial management and could develop various prediction frameworks (Kim & Gu, 2006; Olsen et al., 1983; Youn & Gu, 2010). Other studies have also attempted to explore the underlying reasons for restaurant success, including franchised restaurants' success (Holmberg & Morgan, 2003; Hoover, Ketchen & Combs, 2003; Park & Khan, 2006), and independent restaurants' success (Leiper & Stear, 2009; Ohri, 2012; Parsa, et al., 2011; Parsa, et al., 2005). However, a majority of the past studies were conducted through quantitative research, and lacked qualitative evidence. As a result, Camillo et al., (2008) and Parsa et al. (2005) indicated a need to focus on the qualitative factors of restaurant success. Recognising this, Camillo et al.'s (2008) study researched nine cases of successful restaurants and nine failed restaurants in the San Francisco area. As a result of their research and extensive literature review, Camillo et al. (2008) developed a model that discusses possible factors affecting the performance of a restaurant and its success.

In summary, although numerous studies have been conducted into the success of restaurants, few have adopted a qualitative approach. In addition, these studies of independent restaurant success were conducted in a number of countries around the world, but as yet none has been undertaken in New Zealand. Therefore, this research was designed to help fill that gap by conducting qualitative research to explore critical factors for individual restaurants' performance in Auckland.

As the Auckland restaurant industry has many similarities to the restaurant industry in San Francisco — for example, cultural diversity — Camillo et al.'s (2008) Restaurant viability framework (see Figure 2.4) is used to explore success factors for the independent restaurant sector in Auckland city. Moreover, the applicability of Camillo et al.'s (2008) framework will also be investigated for the New Zealand context. To meet the aims of the research, the following three research questions are proposed:

- What do Auckland restaurateurs consider 'success' to mean?
- According to restaurateurs, what key factors influence the success of independent restaurants in Auckland?
- How applicable are the factors proposed by Camillo et al., (2008) to restaurants in the Auckland city district?

1.4 Structure of thesis

This thesis consists of six chapters. Chapter Two reviews the literature from which the research questions addressed in this thesis are constructed. It considers, from a variety of perspectives, the critical factors that affect the success of independent restaurants. Chapter Three outlines the methodological approach adopted. Research findings are presented in Chapter Four. Chapter Five includes a detailed account and interpretation of the findings of the study, with reference to each of the research questions and in relation to previous relevant research findings. Finally, Chapter Six summarises the study findings, and outlines implications of the research. Limitations of the research are discussed, and future research directions are also suggested.

Chapter Two: Literature review

2.1 Introduction

This literature review examines literature relating to the success of independent restaurants. The objectives of this literature review are to generate more understanding of the restaurant sector and its position in the commercial hospitality industry, and explore what previous studies have been done in this area. The review starts by defining the hospitality industry. The restaurant sector within the commercial hospitality industry is also discussed. Following this, different restaurant establishment styles, restaurant structures and ownership models, as well as the survival rates for restaurant businesses, are examined. The structure and dynamics of independent restaurants compared with other operation structures (chain-restaurants, franchised restaurants) are also examined.

2.2 Hospitality industry

2.2.1 Definition of hospitality

The word ‘hospitality’ is derived from *hospitare*, a Latin verb meaning to meet, greet and cater to the needs (food, beverage and accommodation) of customers (Dittmer, 2003). The *Oxford English Dictionary* provides a loose definition of hospitality as ‘the friendly and generous reception and entertainment of guests or strangers’. Huyton and Baker (2001) define hospitality as a ‘collection of businesses providing accommodation and/or food and beverages to people who are away from home’ (p.2). This definition seems to be very general and fails to capture the service aspect of hospitality, which involves emotions, mutual exchanges and human relationships. Morrison and O’Gorman (2008) go further by suggesting a working definition of hospitality as representing ‘the cordial reception, welcome and entertainment of guests or strangers of diverse social backgrounds and cultures charitably, socially or commercially with kind and generous liberality’ (p.3). Hogan (2008) provides a more comprehensive definition of hospitality. He views it not just as being ‘attentive, courteous, amiable, cordial, agreeable, gracious and welcoming’ (para.2), but also as an industry that focuses on providing places that demonstrate ‘consistent excellence and quality in people skills (staff and guests), products, and ambiance’, that allows people ‘to be exceptional individuals and extend their own personality and style’. The concept of hospitality as an industry consists of different commercial businesses that provide

products including accommodation, food, beverages and entertainment, and these transactions between the product providers and receivers involve mutually enhancing social interaction (Brotherton & Wood, 2000).

Overall, there is no one definition for hospitality and scholars have their own perspectives when studying hospitality (Brotherton & Wood, 2000). The definition of hospitality may change according to the situation and the context to which it is being applied. Researchers have also looked at the nature and scope of hospitality from different perspectives to better define hospitality.

Botterill (2000) and Lashley and Morrison (2000) view hospitality as falling into three domains: social, private and commercial. According to Lashley and Morrison (2000), the social domain encompasses social activities as acts of hospitableness that ‘take place together with the impacts of social forces on the production and consumption of food, drink and accommodation’ (p.9). Also, they consider that hospitality activities create social bonds between people and can satisfy social needs (Lashley & Morrison, 2000). Related to the social domain is the private domain, where hospitality acts as friendship, as a tie between people that ‘establishes bonds between those involved in sharing hospitality’ (Lashley & Morrison, 2000, p.11). Lashley and Morrison (2000) suggest that the commercial aspect of hospitality needs to recognise the emotional experience provided through service, and address the connection between the guest and host.

However, there is some disagreement with Lashley and Morrison’s (2000) ‘three domains’ approach. Slattery (2002) agrees with Lashley and Morrison’s (2000) inclusion of social aspects in the definition of hospitality, but argues that most hospitality activities could occur in diverse venues, such as hotel and restaurants, instead of just the domestic context. Also, Slattery (2002) emphasises that the host-guest relationship proposed by Lashley and Morrison’s (2000) social and private domains overlooks the business concept in hospitality, and that most hospitality activities involve monetary exchange for products and services (Slattery, 2002). To conclude, Slattery (2002) criticises Lashley and Morrison (2000), as their approach of three domains overlooks the contesting industrial and corporate segments and the venue diversity of hospitality.

Overall, studies on hospitality have evolved, and researchers have analysed hospitality from different and broader contexts and enriched the knowledge of hospitality (Lashley & Morrison, 2000; O’Gorman, 2010, Slattery, 2002). Adding to these debates, Wagen (2003) claims that hospitality is a ‘people’s industry’, and highlights the special attributes of the hospitality industry, noting that it cannot be defined without considering the human perspective. This perspective is also supported by O’Gorman (2010), who identifies hospitality as a key factor of human endeavour that involves human behaviour and affects the development of societies. Within these perspectives it can be seen that hospitality establishments operate based on transactional arrangements to generate a profit, but they also meet other social needs to retain customers.

Recognising the importance of these perspectives, this research focuses on the provision of hospitality within a commercial context. Commercial hospitality is not just selling products (food, beverage, accommodation and entertainment) for monetary gain, neither is it just building relationships and social connections under various contexts. It is a combination of all three perspectives to create an ‘experience’ for customers, for which they are charged accordingly (Pine & Gilmore, 2011). Apart from the actual product, the service the hospitality establishments provide is also crucial. Service, as the product of the restaurant, requires high consumer involvement where the quality of the product is measured against customers’ experience and expectations (Gronroos, 2001). Gronroos (2001) explains that customers are searching for a complete package; they care not only about the actual product they receive (for example, food and beverage), but also the process of how the company delivers the products, and the entire package decides their level of satisfaction.

The commercial hospitality industry comprises of accommodation, food services and other hospitality operations, such as leisure, and travel-related categories (Schmidgall, Hayes & Ninemeier, 2002; Ottenbacher, Robert & Harrington, 2007). However, this study focuses on the restaurant sector in the commercial hospitality context and examines it from both social and commercial perspectives.

2.3 The restaurant sector

Situated within the commercial hospitality industry, the restaurant sector provides food and beverages to customers (Ninemeier, 2010). Restaurants are generally defined in the literature as organisations providing food, beverages and services at a specific location in return for monetary gain (Brotherton, 2003; Kiefer, 2002; Ottenbacher et al., 2007). Similarly, Schmidgall et al. (2002) define a restaurant as a ‘for-profit foodservice operation whose primary business involves the sale of food/beverage products to individuals and small groups of guests’ (p.239). The above studies have defined restaurants from a transactional perspective and excluded the social perspective by neglecting a discussion of how restaurants act as social venues that build connections and relationships between people.

The industry is diverse and therefore perhaps the narrow focus of these definitions can be attributed to the need for a simple definition to cover all styles of restaurants. Based on menu styles, prices, food quality, service provided and ambience created in the establishments, restaurants can be categorized into different styles (Dittmer, 2003). Parsa et al. (2005) explain that most restaurants can be classified into one of four major restaurant types: fine/formal-dining (e.g. Michelin-starred restaurants), casual dining (e.g. family restaurants), fast-casual (e.g. cafés) and quick-service restaurants (e.g. fast-food restaurants), which offer different price structures, service styles, atmospheres and experiences.

This study includes two restaurant styles: casual and formal. A casual restaurant provides meals at moderate prices and targets family and/or middle-class customer markets (McNeill, 2000). The atmosphere is more casual, for example, the service, dress standard and atmosphere of the restaurant is casual. Moreover, the menus in casual restaurants often provide more choice than those in formal restaurants. Formal restaurants use higher-quality ingredients and enhanced cooking techniques, resulting in higher-priced menu items, targeted to an up-market customer segment (McNeill, 2000). Dittmer (2003) suggests that with food presentation as the main focus, personal service is also provided by well-trained wait staff.

2.3.1 The operating environment

Muller and Woods (1991) suggest environmental conditions have an influence on a restaurant's success or failure and as the restaurant industry's operating environment is continually changing, understanding the environment and how to react to the changes is important for restaurant survival. Slattery and Olsen (1984) consider that different sectors of the hospitality industry face different rates of environmental variability, and that the restaurant sector is more susceptible to environmental influences. Furthermore, Vasconcelos and Ramirez (2011) point out that the environment has become more complex because of enhanced competition, changes in regulation, internationalisation, and the development of technologies. Therefore, Muller and Woods (1991) suggest that 'it is of paramount importance that individual restaurant operators maintain a constant understanding of the external variables that have an effect on overall restaurant performance' (p.64). English et al. (1996) suggest that all external factors should be considered in the initial stages when opening a restaurant.

The literature also suggests a significant factor in restaurant success is the low barriers of entry, which attract inefficient operators who lack restaurant knowledge and experience (Budhwar, 2005; Camillo et al., 2008; Cooper, McNeil & Floody, 2000; English et al., 1996; Mandabach et al., 2011). As Litz and Stewart (1998) explain, owning and operating an independent restaurant is an attractive option as it provides freedom for entrepreneurs as they get to decide on most operational factors, such as location, purchasing and ordering, hiring and training staff, price and quality of products and marketing and financial control. The initial investment can also be considerably less than for other business opportunities.

2.3.2 Management/ownership structures

Restaurants vary in terms of their ownership/management models (Kotas & Jayawardena, 1994). McNeill (2000) identifies four types of ownership/ management models: sole proprietorship, partnership, corporation, and franchising. Sole proprietorship means the restaurant is run and owned by one person; partnership restaurants operate with an agreement between two or more investors who share the profits but may or may not be involved in the restaurant operations; the corporation structure means the restaurant is a legal entity in and of itself, and its operation is separate from the shareholders; franchising structured restaurants pay a percentage of

sales and fees to a parent company in return for using the name, concept and management system (McNeill, 2000). This study has focused on independently owned restaurants operated by a sole proprietor.

An independent restaurant is defined as a restaurant owned by an individual and not part of chain or franchised operation (Mandabach et al., 2011; McMillan, O’Gorman & MacLaren, 2011; McNeill, 2000). Budhwar (2004) defines an independent restaurant as one owned by an individual, family or a private group, where the restaurant concept, menu and experience are hard to replicate by other competitors within the industry. Walker (2007) further explains that the independent restaurant owner-operator is often the employer who decides on the restaurant location, recruitment and management issues. Similarly, Walker (2007) describes independent restaurants as typically owned and run by locals where the owner-operator is usually working in the restaurant either as the host, chef or in other positions.

There are advantages and disadvantages of owning and operating an independent restaurant. Owning and operating an independent restaurant provides freedom as far as the operation is concerned. Litz and Stewart (1998) further explain that the cost of opening an independent restaurant is lower as the owner-operator decides on most operational factors, such as location, purchasing and ordering, hiring and training staff, price and quality of products, marketing and financial control. However, studies suggest that the low barrier of entry and operational freedom also increases the failure rate for independent restaurants (Budhwar, 2004; English et al., 1996; Parsa et al., 2005).

Mandabach et al. (2011) suggest that among different management structures, independent restaurants have a higher possibility of failing (McNeill, 2000). Parsa et al.’s (2005) study found that within the first three years of operation, the failure rates of independent restaurants are higher than for chain restaurants. This is because chain or franchised restaurants have support for most operational needs, such as marketing strategy, concept and menu design, costing control, and brand reputation (Lesonsky, 2012; Parsa et al, 2011). This study focuses on exploring the underlying success factors for independent restaurants that are established in either casual or fine-dining categories.

2.3.3 Survival rates for independent restaurants

A number of studies examining restaurant turnover rates in a variety of geographic regions have found a restaurant survival rate as high as 74 per cent for the first year (see Table 2.1). Aiming to determine a true representation of restaurant survival rates, Hannan and Freeman (1989) checked advertisements in the local Yellow Pages telephone directory. Even including a change of ownership as a failure to survive, a relatively high three-year survival rate of 74 per cent was discovered. Using the Yellow Pages business directory, Muller and Woods (1991) obtained data of restaurant listings from 1979 to 1989 to determine a 73 per cent first-year survival rate. Similarly, English et al. (1996) used restaurant listings in the Yellow Pages from 1990 to 1994, and at the end of the first year, 74 per cent of restaurants were still in business. *Restaurant Startup & Growth* magazine (2003) calculated the appearance of restaurants in local phone books between 1997 and 2002 which indicated a 77 per cent first-year restaurant survival rate. Similarly, applying quantitative research methods and investigating the license permits that were granted from the local health department between 1996 and 1999, Parsa et al. (2005) found a 70 per cent first-year restaurant survival rate.

To conclude, studies indicate a fairly high first-year survival rate for independent restaurants. During the first year of operation, slightly less than three-quarters of restaurants remained open. However, by the end of their third year, only around 60 per cent of restaurants were still in operation. Also, according to English et al.'s (1996) study, the survival rate dropped dramatically after three years and they found only around 40 per cent of restaurants survived through their fifth year. Moreover, the overall survival rate of independent restaurants was found to be around five per cent less than that of chain restaurants (Parsa et al., 2005).

These studies do, however, have limitations. For example, the fact that a restaurant simply stops advertising in a particular publication does not necessarily mean that it has closed down; it may have just changed its marketing approach. Therefore it is possible to miscalculate some closures or opening of restaurants. Moreover, most studies applied data collected two years before their research publication date; Parsa et al.'s (2005) study has a six-year gap between when the data was collected (1996 to 1999) and when the study was published. Moreover, the possibility of a restaurant changing ownership but still advertising the business under the same name, or owner-operators deciding to rebrand their restaurant was also overlooked.

Table 2.1 Restaurant survival studies

Study	Hannan & Freeman (1989)	Muller & Woods, 1991	English et al., 1996	<i>Restaurant Startup & Growth</i> magazine, 2003	Parsa et al., 2005
Geographic region	California, US	US	El Paso, Texas, US	Dallas, US	Ohio, US
Research methods and data source	Quantitative study using local Yellow Pages (1974 to 1985)	Quantitative study using local Yellow Pages (1979 to 1989)	Quantitative study using local Yellow Pages, (1990 to 1994)	Quantitative study using local phone book appearance, (1997 to 2002)	Quantitative study involving license permits that were granted from local health department (1996 to 1999)
Key findings	Restaurants are highly dependent primarily on their local consumer market and secondly on a transient or travelling marketing for their business.	The success of restaurants relies more on environmental conditions than individual management practices, especially for independent restaurants; restaurant closing is hastened more by external factors.	Development of strategic plans in different products/services is crucial to restaurant survival. Porter's strategic planning is crucial for restaurants before and during operation.	The number of new restaurants starting up each year averaged 13%. Inversely, the three-year average failure rate overall was 10% per year. However, large jumps in the failure rates were seen in 1998 and 2000 respectively.	Failure rates were notably higher for small independent restaurants than for large franchised restaurants. A clear concept is crucial. A viability model was presented.
Survival rate	74% of independent restaurants remained open after three years (14% closed, 12% changed ownership).	73% of independent restaurants survived through their first year.	74% first year; 67% second year; 60% third year; 56% fourth year, 40% fifth year.	77% first year, and 61.36% of independent restaurants survived through their third year.	70% of independent restaurants survived through their first year.

2.4 Restaurant success

2.4.1 Definition of restaurant success

There is a large volume of published studies which discuss how to open and operate a successful restaurant. However, there are few definitions of restaurant success, a point noted in Parsa et al.'s (2005) discussion of the difficulty in finding a universal definition.

Several studies have suggested that restaurant success equals profitable financial rewards. Kim and Gu (2006), Gu (2002), and Olsen et al. (1983) consider the success of a restaurant is staying in operation and avoiding bankruptcy. Parsa et al.'s (2011) study measures restaurant success against the length of operation. Goode (2013), on his restaurant management website, defines successful restaurants as having the following characteristics: they provide a seamless dining experience, including quality food (style and taste) and service, they are appropriately busy, financially viable and have proprietors who are passionate about their work.

Apart from the literature on restaurants, the business literature provides different perspectives on success. For instance, Camillo et al (2008) adopted Dun and Bradstreet's report's (1996) definition as a measurement of success and agree that a restaurant which avoids closure with losses to creditors and shareholders can be counted as successful. Power (2005) argues, however, that business success should not be limited to financial aspects, and he lists six different success categories for businesses. They are: personal success, such as satisfaction and personal progression; financial success, which includes substantial return on investment and monetary reward; social success, which represents the relationship established between the business and society and environment; longevity success, which represents the business's ability to sustain success in the fast-changing industry environment; customer success, which is the satisfaction level of customers and the number of loyal customers; and employee success, which considers the commitment of employees to the organization and the turnover rate.

2.4.2 Studies of success of restaurant

Many studies have focused on the relationship between the success of a restaurant and financial figures, such as ratios of leverage, liquidity, solvency, activity and profitability and bankruptcy rates (Kwansa & Cho, 1995; Olsen et al., 1983; Schmidgall, Hayes & Ninemeier, 2002). Further, different financial ratios have been combined and developed into models to predict the success of restaurants (Gu, 2002; Ohri, 2012; Youn & Gu, 2010). Gu (2002) developed a multiple discriminant model comprising of 12 financial ratios, measuring liquidity, solvency, profitability and operating efficiency. Building on this model, Kim and Gu (2006) developed a more accurate model. In this model, they grouped ratios into three categories: current ratio, quick ratio, and liabilities, to measure the ability of a restaurant to meet its short-term or long-term obligations, degree of debt use, and the coverage of total liability provided by the net operating income. Research also focused on specific financial management components, such as cost and revenue, and found that different styles of restaurant businesses need to have different pricing strategies which are strongly related to the cost and revenue (Bertagnoli, 2005).

Apart from the financial perspective, studies on how the external environment and uncontrollable forces influence the success of restaurants have also been conducted (Hua & Templeton, 2010). For instance, Nyheim, McFadden and Connolly (2005) investigated how the development of technologies could improve the efficiency of restaurant operation, such as the online ordering system. Furthermore, Keifer (2002) studied the influence of economics on the performance of restaurants.

Customers and their relationship with restaurant performance have also been researched. Peppers and Rogers (2004) suggest good customer relations are the foundation of every restaurant business. Wood (1995) emphasised the importance of generating a comprehensive understanding of the client base and developing an appropriate marketing strategy. According to Charise (2010), the client base, also known as the customer base, is a company's primary source of sales. It consists of current customers as well as potential customers.

Shriber, Muller & Inman (1995) focused on how changes in demographics, such as population, could impact on the restaurant business. According to Sim, Eng & Schmidbauer (1999), the demographics of customers affect their behaviour and their

decision-making processes when choosing a restaurant to dine at. The influential demographic variables they identified are age, gender, income, social class, nationality and perceptions. Customers' influence on the restaurant industry was also studied, for example, why restaurants need to observe customer behaviour and why they need to provide products that meet customers' expectations (Budhwar, 2004; Johns & Pine, 2002; Kwun & Oh, 2004; Ryu & Heesup, 2010; Soriano, 2002). According to Otto, Davies, Chater & Stott (2009), different customer segments vary in their 'purchasing frequency, retention, or customer loyalty' (p.11), and their spending.

Organisational structure, establishment styles, and management structure are also common foci of restaurant success studies. Studies have analysed and compared the success rate of multi-unit restaurants (franchised and chained) to independent restaurants (Covin & Slevin, 1998; Umbreit, 1989). Some studies have focused on the restaurant styles and their success factors (Muller & Woods, 1994; Wakefield, 2004), for example, Wakefield (2004) conducted research on the success factors for fast-casual pizza restaurants.

Walker (2007) emphasises the importance of management to the success of restaurant businesses by showing that restaurants which operate with frequently absent and inexperienced management have less chance of success. There have also been a number of studies that examined the relationship between types of management and restaurant success (Enz, 2010; Mandabach et al., 2011; West & Olsen, 1990), for example, how the design and implementation of strategies can enhance restaurant performance (Hambricks & Crozier, 1985; Jogaratnam et al., 1999b; Olsen, Tse & West, 1998; West & Olsen, 1989). Research has also related successful restaurant management to the restaurant owner-operator's personal abilities (Enz, 2004; Jogaratbam et al., 1999a; Reynolds, 2000; Sutherland, 2011). Enz (2004) indicates that the restaurateur's ability to recruit and retain skilled employees, negotiate the uncertain economic environment, increase sales, manage financial factors, react to changes, and operate in a highly competitive environment are critical to the success of a restaurant. Moreover, Clifford, Nilakant and Hamilton (1991) point out that for an independent business, the owner-operator's ability to meet the demands of the role, overcome the stresses of operation, and derive the appropriate satisfaction and financial rewards decides whether the business is successful or not. They further explained that to be able to achieve a

sustainable and larger scale of success, the owner-operator should be able to change his/her role from owner-operator to owner-manager or even owner-director when expanding the business, and be able to delegate the operation instead of spending all his/her time and effort in carrying out the operating tasks of the restaurants.

However, most research has been conducted on chain and franchised restaurants or the overall restaurant industry and there is limited research on independent restaurants and their performance. Leiper and Stear's (2009) case study indicates multiple factors affecting the success of independent restaurants, including marketing, management, restaurant strategy, lack of professionalism and financial management. However, this study only involved one case so generalisability is very limited. Budhwar (2004) conducted quantitative research on 60 independent restaurants in the Delhi-Gurgaon region and found that factors such as operators not fully understanding what their customers wanted, a tendency to underestimate the competition, and failure to set and maintain product and service standards were the main obstacles to restaurant success. However, limitations to this study include lack of generalisability due to the small samples, and geographical restrictions. A number of studies have attempted to identify key factors influencing success through presenting a success framework for restaurant businesses (Camillo et al., 2008; Parsa et al., 2005; Mandabach et al., 2011). The section below presents a discussion and comparison of three key studies

Table 2.2: Restaurant success studies

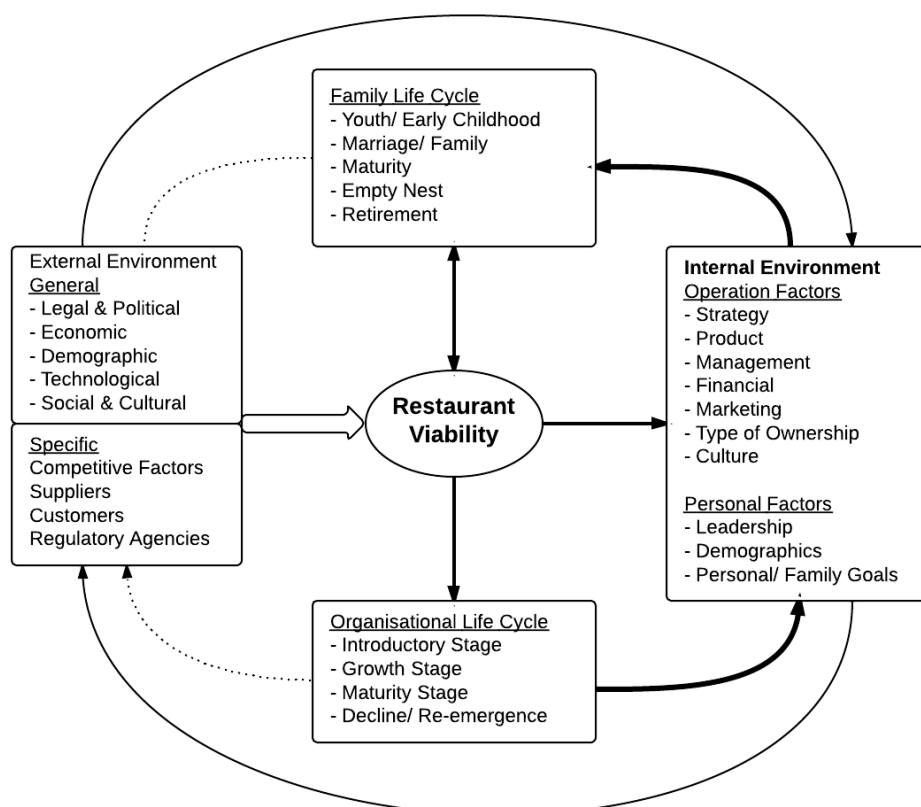
Date	1987	1996	2005	2007	2008	2009	2011
Author	Lee	English, Upchurch and Williems	Parsa, Self, Njite and King	Di Pietro, Murphy, Rivera, Muller	Camillo, Connolly, Kin	Mamalis	Mandabach, Siddigui, Blanch, VanLeeuwen
Perspectives	Examine factors that foster the growth of restaurant companies	Address the importance of having appropriate information surrounding the reasons for success	Explore the qualitative aspect of restaurant success	Determine characteristics/ key success factors in casual dining restaurants	Examine success factors for independent restaurants	Critical success factors of the food-service industry	Investigate restaurant operators' opinions regarding the degree to which several factors contributed to the success of the operation
Methodology	Longitudinal study	Longitudinal study	Mixed research: investigation and interview	Case study	Mixed research: investigation and interview	Empirical study	Survey
Key findings/factors	Product quality, standardisation, franchising, adaptability, marketing driving, critical mass, management, consumer income, transportation, inflation, marriage statues, population, eating habits	Strategy posture, financial control, marketing, customers, training, supplier, investor,	External: legal and political, economic, demographic technology, social and cultural, competition, suppliers, customer, regulatory agency Internal: strategy, product management, financial, marketing, type of ownership, leadership, demographic, personal or family goal, family lifecycle, organisational lifecycle	SOP, strategy planning, interpersonal or social responsibility, human relations leadership, financial	Uncontrollable: food and beverage cost index, utilities cost index, size of business, location, local legislation, competitors, acts of God Controllable: payroll, food and beverage costs, recruitment, product quality, product consistency, price, customer relations, security Emotion of restaurateurs: destructive and creative emotions	Adaptability, service, ambience and facilities, quality and taste of food, pleasure of visiting, marketing	External: customer location, suppliers, competition, local economic and national economic. Internal: management and product, personal goals and philosophy of restaurant owner-operator, family lifecycle
Limitation	Research on single area	Lack of actual research	Geographically limited	Lack of generalisability due to the case study method	Geographically limited	Lack of reliability and validity	Lack of generalisability due to the scope of the study

2.4.3 A discussion and comparison of three key studies

2.4.3.1 Parsa et al. (2005)

Parsa et al. (2005) conducted a research study on restaurant viability. Firstly, they conducted a quantitative investigation on operating license permits issued by a government agency to calculate restaurant ownership turnover from 1996 to 1999 in Ohio, United States. They considered the license permits a more valid source of data compared to telephone directory business listings or bankruptcy data, which previous studies had relied upon. They also adopted a qualitative approach and interviewed 20 restaurateurs to discover factors affecting restaurant viability. In the end, they presented their research results through a framework that divided influential factors into four main categories: external environment, internal environment, family life cycle, and organisational life cycle, as shown in Figure 2.1 Restaurant viability framework.

Figure 2.1 Parsa et al. (2005), Restaurant viability framework



Adapted from Parsa et al. (2005, p.319)

Factors in the external environment can be further categorised into general and specific. General environmental factors include factors that influence all businesses within different industries, and include legislation or government intervention, national economic performance, demographic trends, technological development, and social and cultural influences. Specific environmental factors include factors within the restaurant industry that are important to the success of a restaurant. Examples are competition within the industry, suppliers, customers, and regulatory agencies.

While recognising the influence of external factors on restaurant success, Parsa et al. (2005) argue that internal management issues have a greater influence on the success of a restaurant. The internal factors are composed of operational and personal categories. Operational factors are related to the restaurant operation and management. Examples are quality control, the development of management strategy, design of marketing plan and implementation, and budgeting and cost control. Operational factors are closely related to the operator's ability to run a restaurant. As the owner-operator plays an important role in the success of restaurant they need to be able to lead the restaurant, plan and implement strategies carefully, react to changes and overcome challenges. Also, Parsa et al. suggest that they need to maintain a balance between their time and restaurant work and their family and social life.

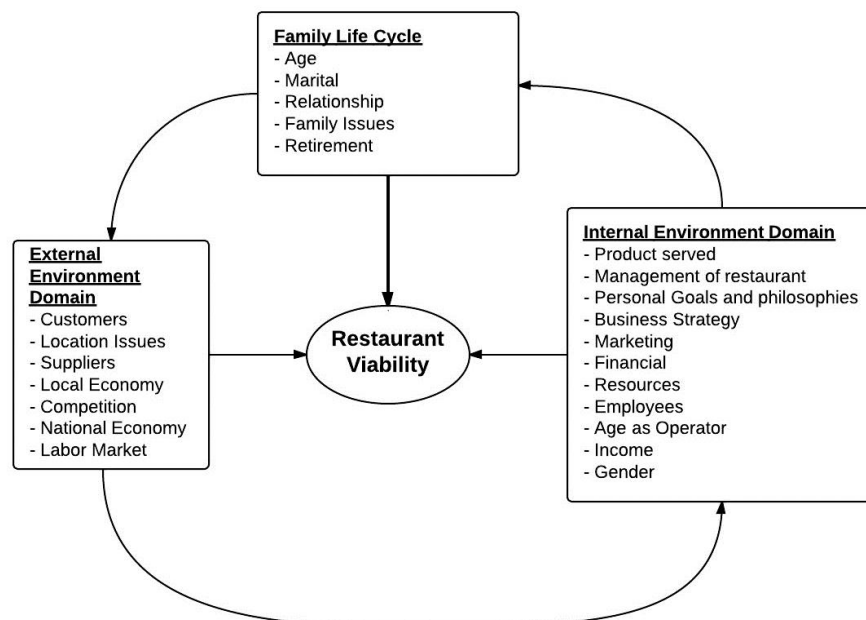
Compared to previous studies, Parsa et al., (2005) emphasised the role different stages in life and family issues play in the growth and development of a restaurant business. The family life cycle, defined as the emotional and intellectual stages passed through from childhood to retirement as a member of a family, is said to be another influential factor. They also noted that family members influence the decisions of restaurateurs.

However, there are some limitations to Parsa et al.'s (2005) study. Firstly, the research was conducted without a clear definition of success of independent restaurants. Moreover, although the research indicated a correlation between the family life cycle and the organizational life cycle and the performance of the restaurant, it did not elaborate on the degree of influence of both factors.

2.4.3.2. Mandabach et al. (2011)

Mandabach et al. (2011) recognised the importance of the restaurant industry and used a quantitative survey of 110 restaurateurs in southern New Mexico in 2005. The sample was chosen from the New Mexico Department of Health data. The survey questions were developed to verify the applicability of success factors proposed by Parsa et al., (2005). The research results were similar to Parsa et al.'s findings (2005) and they also presented a new hypothesized model for variables that contribute to restaurant success. The model categorised possible success factors into external environment, internal environment, and family life cycle, as shown in Figure 2.2 Mandabach et al., (2001) Restaurant viability framework.

Figure 2.2 Mandabach et al. (2001), Restaurant viability framework



Adapted from Mandabach et al. (2011, p.79)

The external environment domain includes factors that are not within the owner-operator's control. According to Mandabach et al. (2007), factors such as the customers, location of the restaurant, quality of products and services provided by suppliers, uncertainty in terms of the local and national economy, competition in the industry, and the skills and knowledge of the labour market all have a major influence on the success of independent restaurants. Out of all of these external environment factors, the customer is the most important factor in contributing to the success of a restaurant. However,

because these external environment factors are uncontrollable by the business, the study suggests entrepreneurs consider them in the planning stages before opening a restaurant (Mandabach et al., 2011, p.80).

Mandabach et al. (2011) indicate that effective internal environment factors provide more positive influences on the success of independent restaurants compared to external environment factors. Internal environment factors include what products the restaurant is offering, the business strategy developed, and the marketing plan. Moreover, the internal domain also relates to the restaurateurs, for example, their gender and age, their personal goals and philosophies, as well as how they manage their restaurants, which decides the viability of the restaurant, what business strategy is implemented, what marketing is developed, the control of financial aspects, and how they manage employees. Overall, the research recommends that restaurateurs focus on improving factors that are in their control.

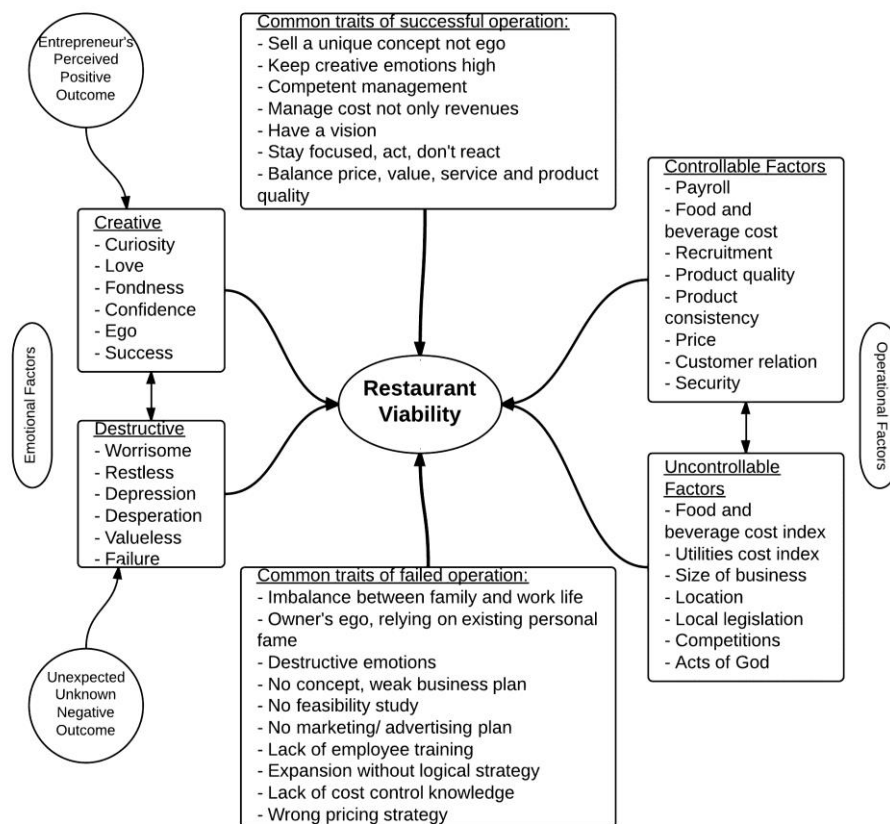
Similar to the findings presented by Parsa et al. (2005), Mandabach et al. (2011) view family as a major factor in restaurant success. Their research indicates that restaurateurs usually take family into account when making business decisions. Moreover, family members are also often involved in restaurant operations to various degrees.

Differing from Parsa et al.'s (2005) study, Mandabach et al. (2011) did not examine the organisational life cycle's influence on restaurant performance because all the restaurants involved in the study were at a mature stage. The findings presented in Mandabach et al.'s (2011) research were limited to the geographical area studied.

2.4.3.3 Camillo et al., (2008)

From 2003 to 2007, Camillo et al. (2008) conducted both questionnaires and interviews on 18 restaurateurs (from nine successful and nine failed restaurants) in San Francisco, United States, to discover factors affecting the performance of independent restaurants. The San Francisco area was selected due to its high density of restaurants and its dynamic operational environment. Two questionnaires were given out to investigate factors that influenced an entrepreneur's decision to enter the restaurant industry, and to collect information on the respondents' restaurant operations. As a result of the results obtained through the first stage of research, one-on-one interviews were then implemented to collect more in-depth answers. The research results indicated that restaurant viability is affected both by operational factors and restaurateurs' emotions, and a framework was also presented — see Figure 2.3 Camillo et al., (2008) Restaurant viability framework.

Figure 2.3 Camillo et al. (2008), Restaurant viability framework



Adapted from Camillo et al. (2008, p.363)

The operational factors including both controllable and uncontrollable factors affect independent restaurants' daily operation and their success (Figure 2.3). The concept of controllable and uncontrollable operational factors was also presented by other studies (Mandabach et al., 2011; Parsa et al., 2005). However, factors were varied among different studies, with some considered more important than others.

According to Camillo et al. (2008), the uncontrollable factors are factors in the external environment, such as the food and beverage cost index, utilities cost index, size of business, location, local legislation, competitors, and acts of God. They further suggest that the influence of uncontrollable factors on restaurant performance can be minimised through close observation of the industry trends and economic changes and by making regular operational adjustments.

On the other hand, the controllable factors are closely related to restaurateurs' ability to manage the quality and price of products, the management of customer relationships, and the recruitment of employees. For instance, Camillo et al. (2008) identify that a successful restaurant usually has a well-developed marketing and business plan. The restaurateurs of successful operations have knowledge and experience in managing a restaurant business and know they should focus on the restaurant operations instead of gratifying their own egos. Moreover, restaurateurs' ability to find the balance between their family and the hard physical working environment could also decide the success of the restaurant. Apart from their ability, restaurateurs' emotions are also influential in a restaurant's performance.

Camillo et al. (2008) consider emotional factors fundamental to restaurant success. They suggest that emotional factors influence a restaurant operator's behaviour and attitudes, which extend to their operational activities. The emotion of individual restaurateurs influence a restaurant's performance; restaurateurs with creative emotions have a greater likelihood of operating their restaurants successfully, and destructive emotions might lead to failure. However, Camillo et al. (2008) did not explain clearly what was meant by creative and destructive emotions. Moreover, some things, for example, 'success' and 'failure' are listed as emotions in the framework, but these are not emotions. Moreover, the degree of influence of restaurateurs' emotions on the performance of restaurants is also not clear.

Overall, many of the proposed influential factors were related to restaurateurs' abilities, personalities, and emotions. Camillo et al. (2008) noted that 'successful restaurateurs include the application of differentiation strategies, good customer relations, and honest, dedicated, and determined leadership', and their 'positive emotions and feelings towards their employees and their customers contribute immensely to their restaurants' success' (p.372).

To conclude, Camillo et al.'s (2008) framework was considered as the most suitable framework to be applied in this study. First of all, it conducted an extended literature review of successful and failed restaurant businesses. Although the research is geographically limited and the small sample size constrained the generalisability, it was conducted in the San Francisco Bay area, which has many similarities to Auckland's restaurant industry, including the culture and diversity of restaurants. Camillo et al.'s (2008) study sets the groundwork for this study.

2.4.4 Critical success factors

The literature presents different factors that claim to affect the success of restaurant businesses. Factors contributing to restaurant success can be broadly classified into three main categories: external or environmental, internal or management and stakeholders (see Table 2.3). Within each category, there are various factors that are presented by different studies as being influential to the success of restaurant businesses. There is also disagreement on whether a factor exists in an external or internal environment, for example, the location of the restaurant.

Table 2.3 Summary of critical success factors from literature

<i>Critical success factors</i>	<i>Supporting literature</i>
External/environment	
Competition	Camillo et al. (2008); English et al. (1996); Enz (2004); Jogaratnam et al. (1999a); Kottler, Bowen & Makens (1996); Mandabach et al. (2011); Olsen et al. (1998); Parsa et al. (2005); West & Olsen (1990).
Supply and demand	Jones (1999); West & Olsen (1990) — demand and supply.
Location issues	Camillo et al. (2008); Jogaratnam et al. (1999a); Kottler et al. (1996); Mandabach et al. (2011); Parsa et al. (2012) — multi-unit presence.
Economy	Enz (2004); Jogaratnam et al. (1999a); Jones (1999); Mandabach et al. (2011); Ottenbacher et al. (2007).
Labour market	Budhwar (2005); Mandabach et al. (2011); Parsa et al. (2005); Camillo et al. (2008); Jogaratnam et al. (1999a).
The low entry barrier	Budhwar (2005) Camillo et al. (2008); English et al. (1996); Jogaratnam et al. (1999a); Mandabach et al. (2011); Parsa et al. (2011).
Political/legal	Ottenbacher et al. (2007).
Technology	Jones (1999); Camillo et al. (2008); Mandabach et al. (2011); Parsa et al. (2005).
Social and cultural	Parsa et al. (2005).
Development of industry	Parsa et al. (2005).
Tourism	Jogaratnam et al. (1999a); Jones (1999).
Academic	Ottenbacher et al., (2007).
Internal/management	
Financial (cost control, payroll)	Budhwar (2005); Camillo et al. (2008); Diepietro et al. (2007); Jones (1999); Mandabach et al. (2011); Parsa et al. (2005); Olsen et al. (1998).
Resources management	Mandabach et al. (2011).
Business strategies	Mandabach et al. (2011); Parsa et al. (2005); Lee (1987) — adaptability; Budhwar (2005) — flexibility.
Management of restaurant	Camillo et al. (2008); Jogaratnam et al. (1999b); Mandabach et al. (2011); Parsa et al. (2012); Lee (1987); DiPietro et al. (2007).

Product (quality, consistency, price, value)	Enz (2004); Camillo et al. (2008); Lee (1987); Mandabach et al. (2011); Parsa et al. (2005).
Marketing	Budhwar (2005); Camillo et al. (2008); Kottler et al. (1996); Lee (1987); Parsa et al. (2005).
Organisational culture	Parsa et al. (2005).
Management and ownership structures	Camillo et al. (2008); Parsa et al. (2005); Parsa et al. (2012) — multi-unit presence.
Size of restaurant	Parsa et al. (2012)
Concept	Budhwar (2005); Camillo et al. (2008); Mandabach et al. (2011); Parsa et al. (2012).
Design and décor	Budhwar (2005).
Accessibility	Budhwar (2005).
Stakeholder	
Restaurateurs/operator (emotions, goals/ego, demographic, balance between life and work)	Camillo et al. (2008) — emotions; DiPietro et al. (2007) — leadership; Goldman, (1993); Jogaratnam, (1999a); Lee (1987) — personality, knowledge, experience; Mandabach et al. (2011) — goals/philosophies, demographic; Parsa et al. (2005) — goals/philosophy, demographic, leadership; Olsen et al. (1998) — vision; West & Olsen, (1990).
Suppliers	English et al. (1996); Jogaratnam et al. (1999b); Mandabach et al. (2011); Parsa et al. (2005).
Customers	Camillo et al. (2008); DiPietro et al. (2007); English et al. (1996); Jones (1999) — supply and demand; Jogaratnam et al. (1999a) — customer preference; Mandabach et al. (2011); Parsa et al. (2012).
Employees (recruitment)	Camillo et al. (2008); Enz (2004) — training, relations, retention and recruitment; Mandabach et al. (2011); Parsa et al. (2005) — internal relationship
Community	Camillo et al. (2008); Kotler et al. (1996); Parsa et al. (2005).
Family life cycle	Mandabach et al. (2011); Parsa et al. (2005)
Organisational life cycle	Parsa et al. (2005)

2.5 Summary

The hospitality industry consists of various businesses providing products like food, beverage, accommodation, and entertainment. The restaurant sector is a highly fragmented industry that suffers from intense competition and many uncertainties. Compared to chain or franchised ownership/management structures, independent restaurants have a lower survival rate. Therefore, investigating influential success factors could be beneficial for independent restaurateurs. The success of restaurants has been studied from various perspectives, but there is little that represents restaurateurs' perspectives.

In addition, there are few qualitative studies to have investigated restaurant success. Most of the current studies on restaurant success used secondary data or were conducted through a quantitative approach. Nor are there any studies in Auckland or across New Zealand. Also, most studies in this area were conducted from a business perspective instead of the restaurateur/operator's perspective. These studies explain how the external operational environment and internal factors could affect the performance of a restaurant. Moreover, there is lack of clarity in the definition of success within the restaurant businesses. As a result, this study took a qualitative research approach to explore the underlying factors affecting restaurant success from the restaurant owner-operators' perspectives.

Chapter Three: Research Design

3.1 Introduction

The purpose of this study is to explore the issues which appear to influence the success of restaurants. This research analyses the key factors that contribute to the success of independent restaurants in Auckland by adopting Camillo et al.'s (2008) Restaurant Success Model. This qualitative research study employed a case study approach to explore the insights and opinions of restaurant owners/managers as to what affects the success of restaurants in Auckland. The following questions guided this research:

- What do Auckland restaurateurs consider 'success' to mean?
- According to restaurateurs, what key factors influence the success of independent restaurants in Auckland?
- How applicable are the factors proposed by Camillo et al. (2008) to restaurants in the Auckland city district?

The research project was given ethical consent by the university's ethics committee.

3.2 Qualitative research

This proposed research adopted a qualitative research paradigm. Creswell (2003) views qualitative research as 'a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem' (p.4). According to Patton (2002), 'qualitative research often emphasises words instead of figures in the data collection and analysis process, and research findings are obtained through real-life settings where the phenomenon of interest unfolds naturally' (p.39). Therefore, a qualitative research approach was employed as the research seeks to generate an understanding of independent restaurant owners/managers' thoughts and opinions regarding the success of restaurants. Qualitative research is specifically focused on rich descriptions that will help to clarify or extend the researcher's knowledge of the phenomenon. According to Myers (2009), qualitative research is designed to help the researcher understand people and the social and cultural contexts in which they live and work. Such an approach allows 'the complexities and differences of worlds-under-study to be explored and represented' (Philips, 1998, p.267).

There are both advantages and disadvantages to the qualitative research approach. As Merriam (2009) points out, the strength of qualitative research is that it is able to include different paradoxes and acknowledge complex situations. However, when compared with quantitative research, qualitative research might be seen to lack accuracy in its data collection, construction, and analysis of the empirical materials (Merriam, 2009).

A number of different paradigms exist within the qualitative research framework and, according to Mackenzie and Knipe (2006), the choice of paradigms influences the research's intent, motivation and expectations. Paradigms can be considered as researchers' basic beliefs (Guba & Lincoln, 1994), also defined as thinking systems, which form the foundation of research and theory (Grant & Giddings, 2002). The methodology of this study reveals the researcher's fundamental interpretivist perception that knowledge and reality are socially constructed and there are multiple interpretations of events (Merriam, 2009). Guba and Lincoln (1994) indicate that interpretativists believe findings and knowledge can be obtained through an investigation process, which relies heavily on qualitative research methods, such as interviews and observation.

3.2.1 Case study

Merriam (2009) argues that a case study is not so much a choice of methodology as a choice of what is to be studied. In this research project 11 restaurants in Auckland city formed the case study. Yin (1991) defines a case study as 'an empirical inquiry that investigates a contemporary phenomenon within its real-life context' (Yin, 1991, p.23). Merriam (2009) explains that a case study enables the researcher to investigate complex social units consisting of multiple variables of potential import in understanding the phenomenon. Merriam (2009) notes that a case study is an 'in-depth description and analysis of a bound system' (p.40). The bounded system refers to the selected independent restaurants in Auckland that participated in this study. However, knowledge obtained through case study research has its limitations. According to Merriam (2009), results in case study research rely on a researcher's interpretation of a limited population, and this can result in a lack of 'reliability, validity and generalizability' (Merriam, 2009, p.52).

3.2.2. Data collection instruments

The primary data collection instrument was semi-structured interviews. Exploratory face-to-face semi-structured interviews were used in this study. Interviews allow the researcher to explore participants' perceptions and experiences, and serve as an important source for case study research (Yin, 2003). Semi-structured interviews consist of a set series of questions, but the researcher has the ability to adjust these according to the situation (Bryman & Bell, 2011). The researcher conducting semi-structured interviews can ask further questions and probe more deeply if he/she feels this is appropriate. Myers (2009, p.125) notes that the semi-structured interview provides consistency and allows room for 'researcher improvisation' at the same time. Moreover, within a limited timeframe, the interview enables the researcher to collect extensive information from the participants (Iacobucci & Churchill, 2010). However, Gibson (1998) feels that one drawback of the semi-structured interview is that it does not obtain data as rich as that gained in unstructured interviews. Also, possible bias from the researcher influencing participants' responses could occur during the interview, and important participants' comments may be ignored (Patton, 2002).

In this research, interviews were conducted at individual participants' restaurant premises. The consent form and the interviewing questions were sent to participants before the interview. The interviews were recorded and the researcher also took notes. The researcher then prepared a transcription of the audio record within 48 hours. The transcribed interviews were returned to participants for checking. The interview length per participant was an hour on average.

As indicated the interviews were recorded but in addition the researcher made notes during and immediately after the interviews. Merriam (2009) indicates that field notes compliment the interview transcript and assist the analysis of the data. In addition documents such as the menu or promotion materials, such as brochures or flyers were also obtained to provide background knowledge of the individual restaurants.

3.2.3 Data analysis

As mentioned above, after the audio record was transcribed, manual coding data analysis was then applied. The recorded interviews were transcribed into a Microsoft Word document using Express Scribe software. Data was reviewed with significant sentences

and words highlighted to help generate themes for coding. Coding the first few interviews made it easier to identify emergent themes during subsequent interviews. Different highlighted codes gave rise to the themes; further actions such as renaming, combining and adding new themes were also employed. According to Harwood and Garry (2003), coding helps researchers to generate comprehensive understanding of social interactions, relationships and causes and effects in order to discover deeper 'values, intentions, attitudes and cognitions' (Duriau, Reger & Pfarrer, 2007, p.6). In the end, important themes were extracted and compared to Camillo et al.'s (2008) restaurant success study, and they were organized and are presented in Chapter Four.

3.2.4 Participants

In order to participate in this study the participants needed either currently to be or to have been owner-operators of independent restaurants in Auckland. Also, these owner-operators needed to work, or to have worked in an independent restaurant located in Auckland city. The restaurants were either casual/formal-dining or styles in-between. They provide, or provided, dinner service and table service to their customers. Initially, contacts of one of the researcher's supervisors were used. In addition, the researcher consulted the Restaurant Association of New Zealand, which holds current information about the restaurant industry in New Zealand.

These contacts were approached to check their willingness to participate and the research aim was explained to them. A time and place was then scheduled to conduct the interview with those who accepted the invitation. People contacted in this way were then asked to refer the researcher to other owner-operators who might be willing to participate in this research.

This approach is a purposeful snowball sampling method. According to Merriam (2009), the advantage of purposeful sampling is its ability to give researchers an option to select information-rich cases to extend their study. Similarly, Patton (2002) explains that compared to randomly selected samples, purposeful sampling enables participants to obtain comprehensive insights into the phenomenon being studied. With this technique a basic contact list is built up by the word of mouth; the approach is then made to these

potential participants and further referral of owner-operators of independent restaurants will be requested from them.

3.3 Limitations of the study

This study had a number of limitations. First, there was a small number of participants from a limited geographic area. Also, due to the nature of this thesis study, the research questions cannot be investigated from a longitudinal aspect. The purposeful snowball sampling technique employed limited the selection of interview participants. These factors affected the generalisability of this study. Moreover, according to Golafshani (2003), the ability of the researcher to design the study and to analyse the findings determines the validity of the qualitative research. Therefore, because English is the researcher's second language it may have compromised her ability to comprehend and interpret research-related information, especially during the data-collection and analysing processes. It may also have affected her ability to fully express her understanding and knowledge of the study.

Chapter Four: Research findings

4.1 Introduction

The purpose of this qualitative case study was to explore the factors that contribute to the success of independent restaurants from the perspective of restaurateurs. In this chapter, findings from the semi-structured interviews, field notes and other case-related documents are presented. Firstly, a description of the individual case context is provided. This includes a background to the restaurant operation and the participants (11 restaurant owner-operators). After this, restaurateurs' perspectives on success in the restaurant business are discussed. The factors affecting success are presented and categorised according to the identified themes. Finally, the findings are briefly summarised.

4.2 Findings from the semi-structured interviews

4.2.1 Individual participants

The profiles of individual participants are presented below and summarised in Table 4.1 and Table 4.2 with pseudonyms used to protect the identity of the participants.

Matthew

Matthew, a chef lecturer, has a culinary qualification and practical experience working as a chef in the industry. He was influenced to enter the industry by his parents who have a motel business. He owned two casual dining establishments for four years, located in different areas of the North Shore in Auckland. He and his wife managed both restaurants, with him focusing on the kitchen operation and his wife running the front of house service. In his role as chef/owner, he obtained numerous culinary competition medals. He bought his first restaurant as an ongoing business. The restaurant operated for six nights a week with two full-time staff and four casual staff. With the experience gained from his first restaurant, he started the second restaurant that was bigger in scale with a brand-new concept. The restaurant could accommodate around 200 customers and was open for seven nights a week and provided lunch on Sundays. There were 65 staff members in total. Both restaurants were fully licensed, and the first restaurant provided a bring-your-own (BYO) wine service. Both restaurants had à la carte menus and the second restaurant provided a wider range of food and beverage selections.

Jack

Jack, who is now working as culinary lecturer, has a qualification in cookery and has worked as a chef in different countries for more than 20 years. To date, he has owned three restaurants for varying durations, ranging from one and a half years to four and a half years. Jack observed the market and found a niche, which gave him the motivation to open his current restaurant. The other trigger was his personality, as he loves to try new things and challenge himself in different areas. Jack says that he 'didn't want to get to forty years old and say I wish I had done that'. He added that he quickly becomes bored and likes to move on to new challenges. The restaurant he currently owns was started from scratch with his designated theme and concept. He works as chef/owner and employs two full-time chefs, one full-time manager, and five part-time wait staff. This restaurant is considered an up-market bistro with 85 seats that operates five nights a week and caters private lunches, if required. The restaurant is fully licensed with no BYO service. The menu is à la carte, and products are mainly produced in house.

Henry

This participant has academic qualifications in both the culinary arts and business, and he has also worked as chef for four years in different food service organisations. With what he learned from his qualifications and his working experience, he then opened a restaurant of his own. He noted that he's 'always wanted to own a restaurant'. The restaurant operates six days a week and provides European food with an Asian infusion. The concept and theme of the restaurant was developed from scratch by the participant and features a Southeast Asian formal dining atmosphere. This is because Henry has a Vietnamese background and is interested in creating Asian infusion cuisine. He also considers the restaurant to be a destination restaurant as there is no similar business around. The restaurant is owned and operated by the participant and one active partner who focuses on the front of house service. Apart from the two of them, most employees, including three chefs and four service staff, are employed on a part-time basis. The restaurant has the capacity for 44 customers. The restaurant is fully licensed with no BYO available.

Chloe

Chloe has a business degree and restaurant operation experience. Including her current restaurant, she also owns two other restaurant/bar establishments and one hospitality-related business. She entered Auckland's restaurant industry because of her experience as a restaurateur in other countries and because she could not find a suitable job when she graduated from university. As a result, her first restaurant was opened in Ponsonby,

Auckland, and it was sold after Chloe bought her current business. The first restaurant was smaller in scale compared to her current business. In the current restaurant, Chloe continues the previous concept featuring up-market dining. She considers her restaurant to be a destination restaurant because it is far from the CBD area where most restaurants are located. She has always been a working owner and mainly controls the front of house service and other operational issues. However, she also relies on managers for front of house, and employs eight full-time and two part-time staff, including a chef and service staff. The restaurant has two floors and can seat 105 customers in total. It offers various menus, from à la carte to degustation, set menu, and special occasion menus. The restaurant opens for dinner from Monday to Saturday.

David

David does not have an academic hospitality qualification, but has a great deal of experience in the hospitality industry, and has owned more than 20 restaurants in New Zealand. He is passionate about wine and this brought him into the restaurant industry. David aims to spread knowledge about wine to more people in Auckland and New Zealand. As a result, the concept for his current casual-formal dining restaurant is '60 per cent wine, 40 per cent food', aiming to provide wines that people cannot find elsewhere. As the working owner of the restaurant he is in charge of the wine service with assistance from the maître d' who looks after the front of house. Three full-time chefs work in the kitchen. This four-year-old restaurant opens five nights a week for dinner, and has a maximum capacity of 36 customers. The menu is à la carte, and European cuisine is served. Also, due to the wine focus concept, no alcoholic beverage is provided in the restaurant apart from wine and no BYO service is available.

Ethan

When Ethan entered the industry, he had neither prior relevant experience nor qualifications. He claims that he learned from his mistakes on the job. After 30 years in the industry, he has owned four hospitality-related businesses. He entered the restaurant business because there was a recession and he had difficulty securing a job. Therefore, with his redundancy payment and staff management skills, he decided to open a restaurant with his partner who has experience in the café businesses. His position in his restaurant was chef/owner and he controlled the kitchen operation. He became the sole owner of the restaurant after its second year of operation because he and his partner separated. He considered his business a destination restaurant located in a regional park away from all the other restaurants and cafés. The restaurant style was more casual

dining for breakfast and brunch, and formal dining for diner. The operation hours were seven days for breakfast, lunch and dinner. The numbers of seats were 65 indoor, and about 18 seats on the deck. It employed 25 part-time workers for both front of house and kitchen. The menus he provided included breakfast, brunch, dinner, a children's menu, and drinks. It was fully licensed and provided BYO service as well. He sold his business a few years ago and no longer works in the industry.

Anna

Anna obtained a qualification in science; however, her passion is cooking and entertaining people. She immigrated to New Zealand in 1996 and, after observing the restaurant industry, decided that the food quality was not up to world standard, and the cuisines provided were limited. As the result, she decided to enter the restaurant business. She has owned two restaurants so far. However, it has not been an easy for her especially without any relevant knowledge and experience, and she commented, 'I made all sorts of mistakes, and I learned from them.' She has now been in the industry for 10 years and considers she has finally become a chef, a restaurateur, and has built up a reputation. As the working owner, she is involved in most of the work in her restaurant, including cooking, serving, cleaning and bookkeeping. Apart from her, the restaurant is run by three full-time chefs, three part-timers and two full-time front of house employees. The restaurant operates Monday to Friday 7 a.m. to 2.30 p.m., and Tuesday to Saturday for dinner. This participant plans to extend the opening hours to seven days in the future because she can foresee the potential of the area. The restaurant has 50 indoor and 12 outdoor seats, and the outdoor seating could be expanded in the future. Her restaurant operates as a casual dining bistro, providing Middle Eastern cuisine from an à la carte menu. The cuisine provided in the restaurant is affected by Anna's personal background. The restaurant is fully licensed but without BYO service.

Emma

With a business qualification, Emma opened her restaurant with her husband who has 20 years' retail business experience. Their love of food and cooking was the motivation for them to open and operate their current restaurant. They observed the market and decided to buy an ongoing business. They gave it a new concept, changed the menu and extended the operation hours. Both Emma and her husband work in the business; her partner oversees the business side, such as accounts, wages and purchasing, while Emma supervises the kitchen operation and participates in baking and cooking. Apart from the two of them, the business employs 28 other staff members, including full-time chefs and

casual wait staff. Two bookkeepers are also employed to manage the accounts off-site. The style of their restaurant is casual dining providing breakfast, lunch and dinner from an à la carte menu. The concept is to create a place that customers can visit anytime to enjoy large selections of honest, fresh homemade food using New Zealand-sourced ingredients. The operation hours are 6 a.m. to 11 p.m. seven days a week. The capacity of the restaurant is 60 indoor seats and 20 outdoor seats. To date, the restaurant only offers non-alcoholic drinks, but Emma plans to obtain the relevant license and start to serve alcoholic beverages to accommodate customers' needs, and BYO service will also be included.

Daniel

Daniel started his hospitality career in 1981 without an academic qualification and so far he has owned various hospitality businesses, including a bistro, a bar, a lunch bar, restaurants, a franchised café, and a catering business. His interest in customer service keeps him in the industry. He considers his current four-year-old restaurant a family business that is operated and owned by him, his wife and their two daughters. Daniel considers the location of his restaurant a bonus because it is away from other restaurants and has a unique sea view. Because of its beachfront location, the theme of the restaurant is the sea with all decorations related to the sea. The restaurant opens from 7 a.m. to 3 p.m. for breakfast and lunch, and from 6 p.m. onwards it serves dinner. It has 65 seats indoors and 30 seats outdoors. Daniel employs three full-time and other casual staff. The restaurant is a more casual formal-dining style providing an à la carte menu featuring European cuisine. It is fully licensed with BYO available.

Olivia

Olivia sold her restaurant a few years ago, and is now a lecturer in hospitality management. On top of her academic knowledge, she also worked for various restaurants and obtained a great deal of experience. She owned a restaurant in the North Shore area for four years with her husband. She was the front of house manager and he was the head chef, looking after the kitchen operation. The other employees were hired on a part-time basis. Without any designated concept, the restaurant provided Kiwi/Pacific-style food in a semi-formal dining style. Due to her expertise and interest in hosting functions, the restaurant also catered for different events either on-site or on the beach close by. The restaurant was open six days a week, and also provided corporate lunches on request. The restaurant had 80 seats. The restaurant was fully licensed and encouraged customers to bring their own wine.

Jacob

This participant started his hospitality career in the hotel sector in Europe before he immigrated to New Zealand. He did not have any academic qualifications. Because of his passion to provide a good time for customers, he decided to open his first hospitality business. His current restaurant is his second self-owned business in the industry. He started this restaurant in the style of a cocktail bar but soon changed the style to a casual up-market restaurant during the day and bar at night. The concept of his restaurant was designed around a tropical beach. His role in his restaurant was chef during the day and front of house at night. However, he is planning to open a second business so has removed himself from the owner-operator role to a managerial role that oversees the operation of the restaurant. There are always around 15 to 20 employees on site, depending on demand. The business opens five days a week. Because of its location near the Vector Arena stadium, the restaurant also caters for events and concerts. With a large outdoor dining area, the restaurant can accommodate up to 70 customers. The restaurant has a full liquor service license and provides an extensive range of alcoholic drinks, and BYO service is not available.

Table 4.1: Profile summary of research participants

Participant	Operation structure	Education	Training	Years' experience in restaurants	Years in ownership	Number of restaurants owned	Style	Number of seats
Matthew	Sole owner	Culinary degree	Culinary	10	5	2	Formal/ casual	200
Jack	Silent partnered	Culinary degree	Culinary	15	8	3	Casual	80
Henry	Partnered	Culinary diploma and masters business degree	Culinary	Nil	6 months	1	Formal	40
Chloe	Sole owner	Business diploma	Restaurants and bars	13	10	5+	Formal	100
Ethan	Sole owner	Nil	Hotel and wine	30	20	10+	Formal/ casual	30
David	Partnered then sole owner	Nil	6 months staff management	20	15	3	Formal/ casual	80
Anna	Family restaurant	Science degree	Nil	Nil	8	2	Formal/ casual	60
Emma	Sole owner	Business degree	Administration	Nil	Nil Partner — 20 years +	1	Casual	80
Daniel	Family	Nil	Culinary	30	30	10	Formal	95
Olivia	Family restaurant	Hospitality degree	Restaurant	20	4	1	Casual	80
Jacob	Partner	Nil	Hotel	Nil	3	2	Casual	50

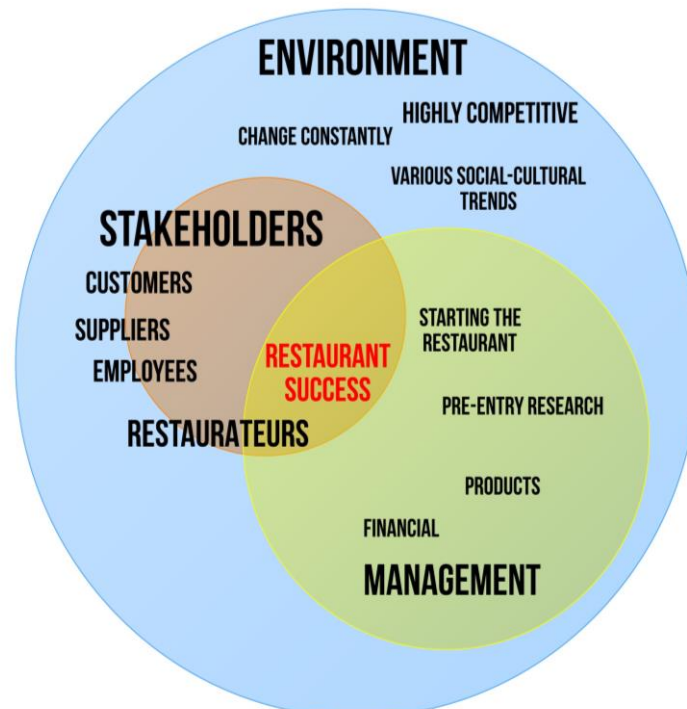
Table 4.2 Summary of operational decisions made by participants

Participant	Economic forecast	Business plan	Feasibility study	Professional help (before open)	Professional help (during operation)	Market research	Budget control/cost control	Employee training	Marketing (in-house)
Matthew	N	N	N	Y	Y	N	Y	Y	Y
Jack	N	N	Y	N	N	N	Y	N	Y
Henry	N	N	Limited	N	N	Informal	Y	N	N
Chloe	Y	Y	Y	N	N	Y	Y	N	N
Ethan	N	N	N	N	N	N	Y	N	N
David	N	N	N	N	N	N	Y	Y	Y
Anna	N	N	N	N	N	N	Y	Y	Y
Emma	N	N	Y	N	N	N	Y	Y	Y
Daniel	N	Informal	Y	N	N	Y	Y	Y	Y
Olivia	N	Y	Y	N	N	N	Y	Y	Y
Jacob	N	N	N	Y	Y	N	Y	Y	Y

4.3 Factors that influence the success of independent restaurants in Auckland

A number of themes emerged from the coding of the participants' interviews. These themes were then classified into three main categories: environmental issues, stakeholders, and management. The findings are discussed under these three main categories. As Figure 4.1 illustrates, the relationship between the three main categories is interrelated; the environment influences the performance of the restaurant; stakeholders situated within the environment, including customers, suppliers, and employees, also affect the restaurant operation. All together, they share in the success of independent restaurants. However, the influence works both ways; the success of the restaurant affects the environment as well as all stakeholders. All these different categories will be discussed in detail in the following section.

Figure 4.1 Organisation of findings



4.3.1 External environment

As discussed in Section 2.3.1, the external environment is made up of factors that are beyond the control of restaurateurs. For the purpose of this thesis, the external environment is considered to be the environment the restaurants operate in. Participants all agreed that it had a major impact on their restaurants' operation and success. The environmental category consists of factors existing in the external environment, as identified by participants; environment-related issues include fast-changing industry trends, low barriers of entry and intense competition.

4.3.1.1 Industry trends

Participants indicated that trends in the industry are affected by changes in customer preference, the economy, the intensity of industry competition, the development of technologies and many other factors existing in the environment (Section 2.4.2). Anna noted that 'a restaurant is more fashionable than other businesses, and the trend is very fast-changing', and trends also vary from place to place. For example, Anna mentioned that in the United Kingdom customers tend to spend more on lunch, whereas in New Zealand, customers spend more on dinners. Because of this, she changed her restaurant's focus from breakfast and lunch to the dinner market to generate more sales. Chloe also mentioned that people today prefer a more casual dining environment where they can wear jeans and T-shirts and that this was the reason she opened her bistro restaurant.

A number of participants believed that the ability to keep up with trends in the fast-changing restaurant industry decides the success of a restaurant. Jack noted that following food trends is very important, because 'you could fail just doing things at the wrong time'. Some participants noted that they observed trends through travelling to big cities such as New York or Sydney, trying new foods, and learning new information. However, other participants disagreed and Matthew said that following trends does not guarantee success: 'Of course, you have to make yourself new to the industry — new food, new theme — but you need to get to the core, which is to define yourself and do what you are good at.' However, most participants acknowledged the need for a detailed understanding of the restaurant industry and regularly updated their knowledge and skills to be able to react to changes. They argued that being creative and responding quickly to changes is necessary for success. Apart from the constantly changing trends, the intense competition caused by the low entry barriers of the industry also impact on the success of restaurant businesses.

4.3.1.2 Low entry barriers lead to intense competition

On the whole, interviewees believed that it being very easy to open a restaurant in Auckland has a major influence on the industry's success. Daniel concluded that the low entry barrier attracts people without knowledge and skill to the restaurant industry. He explained, 'Because it's so easy to do it in New Zealand, there's no restrictions; you don't need qualifications, and anyone can do it.' Anna echoed this concern and said 'People consider opening a restaurant as an easy option without knowing how much money and effort needs to be put in and they fail within a very short period.' Moreover, she commented that most of these restaurants cannot survive for more than a year; however, during this period they increase the competition and make it harder for other restaurants to survive.

A number of the interviewees considered the restaurant industry in Auckland highly competitive. This affects the chance of success in the restaurant business. Daniel described Auckland as 'having too many restaurant businesses; restaurants have to fight for customers'. Jake agreed with this statement and mentioned 'There are so many new places opening up, I really think that even if you have got regular customers, they still want to try other things.'

4.3.2. Stakeholders

4.3.2.1 Restaurateurs

According to the participants, it is important that restaurateurs have knowledge of restaurant operations, are physically and mentally fit and can manage their business and personal lives.

Henry suggested that, 'the success of the restaurant relates to the mindset of the owner as well as his/her personality and knowledge'. Overall, success factors dependent on restaurateurs include restaurateurs' prior knowledge of restaurant operations, physical and mental wellbeing, personal characteristics, and the management of their personal lives. Restaurateurs also need to be able to manage the operation of their restaurant, overcome challenges in the environment and build a solid relationship with stakeholders.

Jacob asserted the importance of restaurateurs having extensive industry knowledge, commenting that simply being passionate about the industry was not enough 'because it is a very competitive game with lots of money. It is harder and harder to open a restaurant

or bar — passion doesn't pay the bills.' Henry noted, 'At the end of the day you will exit the business just because you don't have that knowledge yourself.' Participants' feedback indicated that this knowledge included cost control, staff management, concept design and strategic planning.

All participants acknowledged the importance of constantly improving their knowledge and skills in cooking and restaurant operations. Anna noted that, 'You have to read, have to research, have to see what the trends are; you have to see what's really there, you have to update the technique. You are lucky if you keep what you have today for tomorrow, if you don't improve it with the times, when everyone is moving forward, you are the one moving backwards so that's what you have to do.' However, only two participants have attended marketing courses, finance management courses, and workshops to enhance their skills and knowledge in restaurant operations.

Apart from knowledge, participants also considered the health of the owner-operators as a factor affecting the success of the restaurant. Daniel mentioned that restaurateurs have to be 'mentally and physically strong' while Anna said, 'As a restaurant owner, you have to be a very energetic person both physically and mentally.' She commented that many people enter the industry without knowing 'how much effort they need to put in, how many things they need to worry about, and especially how many hours they need to spend to operate their restaurants'. She argued that this group might exit the market after a while because they could not handle the stress and the physically demanding workload.

Daniel argued that although the personality of the owner-operator is a 'huge factor, it cannot be faked and not everyone can successfully run a restaurant'. The findings indicated that restaurateurs agree strength is a desirable characteristic in a restaurateur and they believe their personalities contributed to their success. Participants indicated that determination and drive were important. As Henry said, 'At the end of the day, it's your place, and you have to believe in what you are doing, you have to have the guts to do it, and then you need to motivate your employees, fix problems, overcome challenges and move forward.' However, it was also acknowledged that negative emotions had a role to play. Chloe said that fear of failure made her think carefully when making business decisions and this was one of the reasons for her restaurant's success.

Whether restaurateurs managed to achieve a successful work-life balance influenced the success of their restaurant. Different stages in their lives have influenced their business decisions, for example, two participants decided to close their restaurants because their wives were pregnant. The relationship status of restaurateurs also affected the successful running of restaurants in different ways. Ethan mentioned he started the business with his partner but they separated after a year and he became the sole owner of the restaurant, and this was difficult to handle. Olivia decided to close her restaurant when her friend who was same age died. Other participants commented that they would like to step back more from the operation and enjoy life at their age. Jacob thought the solution was for the owner-operator to shift from the role of entrepreneur to manager, thus taking a step back and letting the employees run the restaurant with direction from the owners.

However, it was generally acknowledged that reaching and maintaining a work-life balance was difficult. Daniel said, 'The restaurant takes over your life, and you lose your social life and your balance between life and work.' Anna agreed, noting 'You find it hard to socialise with normal people because you are not normal; you don't have a nine-to-five job, you live at a completely different speed than everyone else.'

4.3.2.2 Customers

'Customers are an important asset. Listening to their feedback and making changes accordingly is the only way to retain them.' (Matthew)

The term 'client base' was mentioned several times by different participants as a way to refer to their customers (see Section 2.4.2). As discussed in Chapter Two, a client base, including both current and future customers, is a company's primary source of sales. There was a general acknowledgement among participants that New Zealand has a small client base and its population is spread out. Also, these customers seem to prefer to eat at places located within their area of residence instead of making an effort to visit a restaurant as a destination. Chloe mentioned that the customer demographic in Auckland has changed over time therefore restaurateurs need to pay close attention to the dynamics of their restaurant's client base and adjust their products and marketing strategies accordingly.

The importance of generating an enhanced understanding of customers was addressed by interviewees, and most of them considered customers the main factor affecting the success of restaurants. Emma commented, ‘You couldn’t continue your business without the customers’ support; you need to have a group of loyal customers, and a solid customer base.’ Jack also emphasised the importance for restaurateurs to be prepared to adapt to changes in customers’ demographic, and to social and cultural trends.

It was generally acknowledged by participants that customer demographics play an important role in the restaurant business. Anna commented on her decision to open her restaurant in a business area because she thought office workers would have more disposable income and would be willing to spend it on food. In Section 2.4.2, groups of customers are defined by variables such as age, income and gender.

Participants also identified the existence of different preferences between customer segments. For example, student groups love to try new foods and they tend to follow trends while more senior customers prefer classic cuisine and a comfortable dining environment. It is not easy to satisfy and attract customers, and Chloe mentioned that this is when regular research and good communication are essential.

Other participants also said capturing suitable customer segments was not easy. Some of them admitted that they did not get it right first time, and four of them (David, Anna, Emma and Jacob) made changes to their restaurants’ concepts and cuisine to better capture their customers. For example, Daniel and Olivia mentioned that they introduced a BYO service, even though they knew this would decrease their profit, because 90 per cent of their customers bring their own wine to their restaurant. Emma expanded her menu from more limited café catering to a wider range of food selections in her restaurant because she wanted to change the customer demographic from mainly students to a broader cross-section of customers.

All participants considered loyal customers as an important asset for restaurants as these customers repeat their visits with friends and family members, and their word of mouth is a free marketing tool. Anna noted that ‘to turn a normal customer into a loyal customer is the most important thing and it doesn’t matter what you do to achieve that, and it’s what you must do otherwise you have failed.’ Moreover, Henry and Anna pointed out

that supporting the local community is important, as they are the potential customers for their restaurant businesses. Some participants also commented that because they built up their customer base from their previous restaurant or other hospitality-related businesses, they do not need to worry about new customer sources because customers are loyal to them and will follow them. Overall, a loyal customer base is considered very important, and a solid relationship between the restaurant owner-operators and customers is necessary for the success of restaurants. Aside from customers, participants also mentioned suppliers as important to their restaurant operations.

4.3.2.3 Suppliers

There was a general acknowledgement that a solid relationship between suppliers and restaurants is beneficial for restaurant operation. However, one point of disagreement among participants was whether suppliers affect the success of a restaurant. Some interviewees believed that suppliers could affect the quality of restaurant products, as well as the costs and thus the operation. As a result, participants mentioned certain standards when choosing the suppliers for their business, including quality and price of products, and the service provided. They mentioned that the quality of supplied goods affected the quality of restaurant products, and the price affects cost control.

However, there were participants who held a different point of view and thought that suppliers do not have an effect on a restaurant's success. David noted, 'I am not worried about suppliers. There are plenty of them out there, and if one fails to supply me with the products I want, I change.' Daniel agreed, saying 'There are so many choices out there so if the suppliers fail to meet my expectations, I will change them without hesitation.'

Although changing suppliers was considered easy, most participants tried to avoid doing so. This is because often a win-win relationship is created when a restaurant works with certain suppliers over the long term. Where restaurants support the suppliers, suppliers return the favour with quality products, competitive prices and service. However, Henry is the exception — he mentioned that he tends to change suppliers constantly to control the food costs. Another important factor in restaurant success is employing good staff.

4.3.2.4 Employees

Jack commented that ‘staff members are the biggest asset as well as the biggest liability’. Employees are considered to be the most difficult factor to control in the restaurant business by most interviewees. Chloe explained, ‘Because staff are people, they are human; they have good moods, bad moods, they forget things, and they make mistakes.’ This participant said it was important for restaurateurs to manage and motivate employees, and to provide training.

The participants indicated that recruiting skilled staff was very difficult. More than half the participants complained that they found it hard to recruit quality and experienced staff both for front of house and back of house. As Matthew noted, ‘It’s not hard to get the staff, it is actually hard to get staff with the right skills for the job.’ Chloe agreed that it was hard to recruit employees with the skills required for the industry. Emma stated, ‘New Zealand’s chef quality is not good; New Zealand’s customer service quality is not good; New Zealanders do not view hospitality as a career.’ There was general consensus that most staff employed in the restaurant industry did not have the relevant qualifications and work experience. Emma argued that ‘They think it’s easy and they can get a chance to immigrate to New Zealand and, of course, with this group, they are not passionate about the food or the service, [it’s]not their focus.’ Olivia also noted that ‘People see hospitality as a job for when they are studying or doing something else because they think it’s easy and everyone is doing it.’ As a result, some participants mentioned that they preferred to hire more mature staff.

Participants considered the difficulty in finding experienced skilled staff was caused by low pay, long working hours, including night and weekend shifts, and a hard working environment that required constantly standing and walking and lots of physical input. Matthew noted that ‘the biggest problem in New Zealand’s hospitality industry is employers driving the staff hard, but we cannot reward them as much as we would like to reward them.’ Chloe tried to resolve this issue through the hiring of staff with ‘personality’ instead of skills or experience. She hired graduates with a ‘can do’ attitude and trained them with the basics. Similarly, Olivia hired part-time staff and provided training and education. According to her, staff members grow their knowledge and skills through the training provided by her restaurant and, at the same time, loyalty is generated.

Most of the participants provided internal training. Usually the training was offered to front of house staff and not kitchen staff. This was because the kitchen staffs (chefs) were recruited with more extensive skills, whereas the front of house staff are often more inexperienced and need to learn about food items, beverages and customer service. As Chloe noted, customer service training is important because ‘front of house staff are the first contact with customers, and bad service will upset customers’.

Apart from internal training, some participants mentioned that they sent their staff out for professional training, such as coffee courses, food safety courses and wine courses. Half the participants said they kept up with training regularly to maintain and improve food and service standards. Overall, restaurant employees are extremely important because they have face-to-face contact with customers and control the quality of products (food and beverage).

Situated in a highly competitive and fast-changing environment, with many important stakeholders influencing the operation, the management of a restaurant business becomes extremely important. Management is discussed from several perspectives.

4.3.3 Management

Participants considered management of their restaurant the core for independent restaurant success. Emma said, ‘It all comes down to management and how the owner reacts to different situations. Good management equals a successful restaurant.’ Also, Jack felt that, ‘It all comes down to how you manage your resources and, from time to time, how you see things and control things.’

Participants have identified key factors they feel contribute to the success of their restaurants. These include thorough pre-entry research and careful decision-making processes, a well-planned start to the business, tight financial control, an effective marketing approach, and a well-designed management system.

4.3.3.1 Pre-entry research

On the whole, participants acknowledge the importance of pre-entry research and believed that accurate market research, detailed feasibility studies, and a well-designed

business plan will lead to restaurant success. However, while they acknowledged the importance of such research, only Chloe actually conducted research and commissioned a report before she started her current restaurant. The remainder of the participants opened their businesses relying mainly on their instincts and hoping for the best. They justified this lack of research by blaming the difficulty they encountered when conducting this research.

Although most participants appreciated the importance of a feasibility study, only Matthew actually carried out a study before he entered the market. Matthew commissioned a feasibility report and projected the possible turnover on a spread sheet, commenting, 'You need to at least work out how much for your lease you need to pay, for power, rates, insurance, phone, and other expenses, so you can see if your restaurant is worthwhile or not.' Although other participants did not conduct a feasibility study, they did, however, consider the costs and likely revenue, and thought through the entire process a few times before they actually went into business.

There was an equal lack of interest in developing formal business plans, and only Chloe developed a formal business plan. Jack commented that he created an informal business plan for his restaurant because 'you still have to have something to make sure that you're heading in the right direction'. Overall, participants had a general idea in their mind about how they wanted their restaurants to be. However, instead of drawing up a business plan, they just opened their restaurants and hoped they would succeed.

Ethan explained that thorough research would have been very beneficial when deciding on the restaurant style, the concept, the cuisine and the location. He said that he did not study the market carefully and overlooked the winter affect, which caused him real problems. Similarly, Anna, who undertook no prior research, commented that after the restaurant opened she soon found out that the market is actually very small and highly competitive so she learned from mistakes by losing a large amount of money. She commented that 'with the experience of this restaurant [...], I will do things differently next time with other businesses; I will bring in planning and research.' Participants generally considered conducting research and studies difficult because of the lack of information. Chloe experienced difficulty when researching the market and preparing her business plan because it did not appear that information and figures were available.

Similarly, Anna mentioned that she tried to conduct a feasibility study for the restaurant prior to opening, but found little relevant information available.

Overall, participants indicated that more extensive research might have been more beneficial for the operation of their restaurant. Participants also indicated that such research needs to be carried out continuously, with constant updating and adjusting of the business plan also necessary. Most participants agreed on the importance of conducting market research before and during the operation to find out what the market wants. Henry noted in support of the idea of constant updating, that ‘the business evolves, the client base and the environment evolve, the fashion changes’.

Location

Participants considered a number of factors when choosing the location for their restaurant, including the external environment (it is hard to get a lease when opening a first restaurant): where they lived, their familiarity with the environment, financial considerations (capital limitation), and potential future development. A restaurant’s location also decides whether a restaurant is viewed as a destination restaurant or not. According to the International World Food Travel Association (n.d.), a destination restaurant is defined as a restaurant that is special and different from other restaurants and people travel to dine there. Destination restaurants should be able to provide a unique experience, quality food and service, cultural or authentic cuisines, and local or community-integrated products. Most participants identified their businesses as destination restaurants and indicated that location was important but not essential for the success of their restaurant business. Daniel said that his market is the local market and he only needs to worry about the change in population of that particular area. Most participants considered a prime location as a plus, but not a major issue. Henry commented that ‘an area could’ve been busy ten years ago and go quiet ten years later’, and that ‘location is no longer an issue if you have good marketing, a good PR person and money’. According to Chloe, location is not important when compared to accessibility, as long as there are car parks, and the restaurant is easy to access. Moreover, Jacob claimed that as long as the restaurant provides quality food and service and has a unique concept that attracts customers, the location issue could be overcome. Jack also said that marketing or promotion needs to be implemented to bring customers to restaurants that are not in a prime location.

After the pre-entry research, restaurateurs can then start their restaurants. However, there are many decisions that need to be made when starting a restaurant business.

4.3.3.2 Starting the restaurant business

Participants pointed out the success of restaurant is related to a solid management and ownership structure, clear objectives, a suitable establishment style, quality products (food and service), and a unique concept.

Suitable management and ownership structures

There was a general acknowledgement that the success of a restaurant is influenced by the management and ownership structure. In this study, six of the restaurants are/were owned by one owner, two have silent partners and three have family member involvement. Participants find it hard to work with active partners and commented that disagreements and arguments with partners often impact negatively on the business. Jack noted that ‘the business will self-destruct when it has more than one owner and they are all involved in the operation and decision-making process’. However, Anna held a different point of view and argued that a restaurant operated under a partnership has a higher possibility of success than a restaurant run by a sole owner. She remarked that ‘working with a partner is the best operational style because you can support each other both financially and for the operation’. Anna, Daniel and Olivia all operated their restaurants with family members’ involvement, either front of house or with respect to financial management. They consider this family management structure beneficial. Anna explained that when family members are involved in the operation, they feel they are part of the business and they work hard to make the business better. Daniel believes that when family members are involved, they tend to understand the hard work and the time restaurant businesses require the owner-operators to put in. Olivia enjoyed operating her restaurant with her family, and through this structure she found her balance between work and family life. To conclude, there is no one structure better than the other, and individual restaurateurs tends to work differently under different structures. Therefore, to achieve success, restaurateurs need to find a suitable structure and efficiently operate the restaurant. When the structure of the restaurant is decided, objectives need to be prepared.

Clear objectives

Participants indicated that clear objectives need to be generated to drive the restaurant's operation. As identified in the review of the literature, a vision and/or mission statement as a way to set up objectives is important for the success of a business operation. Only Henry and Chloe generated written vision and mission statements. Henry stressed their importance: 'Without a vision and mission, how do you know where you are heading?' Although the other nine participants did not develop an official vision or mission statement, they did have objectives in mind for their restaurants. These objectives needed to be flexible. Jacob commented that 'my vision and mission are on hold due to the changes of regulations that will affect my restaurant operation'.

The style of a restaurant was also considered important to its success. It needs to target the right customer segment. Participants commented that they observed the restaurant industry, the operational environment, and the market demand before they decided which competition level they wanted to enter. However, their observation and study were informal without any figures or data analysis. The results of their observations were that the high-end market in Auckland is very limited due to the small population. Therefore, instead of joining the competition of formal dining, casual dining is more attractive. Henry noted that people today do not want to dress up to go out for a meal — instead they want to have food in a casual and relaxed environment.

Quality products

There was general acknowledgment that good-quality products are essential if the restaurant wants to achieve success. The quality of products relates to the flavour and consistency of food and beverages that are provided by the restaurant. Participants emphasised the importance of product quality. Olivia mentioned 'consistent quality food'. Jack explained that as head chef he controls every dish that goes out from the kitchen to make sure customers get a consistently high standard of food. He commented, 'My job is to make the product better through maintaining a consistently good quality.' Henry stated that 'food is the backbone of the restaurant. In a restaurant, you have the service, the food, and other things as a whole package, but food is more than fifty per cent of everything.'

Apart from food, service is another factor affecting restaurant success. All participants commented that maintaining a high standard of service is always the goal. Ethan considered service as being a communication tool with customers. Chloe stated that ‘good service can make average food great, but great food will become bad because of bad service’. David emphasised the importance of service and said ‘good service turns customers into loyal customers for your restaurant business’. Chloe also suggested that service standards need to be maintained, and this can be done through staff training and management. Apart from good-quality products, a restaurant also needs a unique concept to distinguish itself from the market.

Unique concept

Interview results found that, generally, participants considered that a unique concept that differentiated their restaurant from its competitors was essential to their success. According to research findings, the concept of a restaurant is the overall package presented to customers formed by the product (food, beverage and service) offered, the decor, the music played, and the ambiance created. A number of participants were aware that having a unique selling point is an important factor for a restaurant’s success. Ethan noted that ‘uniqueness is the key that attracts customers to come to you instead of going to your competitor because your place can provide things they cannot get from other places’. This uniqueness of concept can be achieved, Henry noted, through a ‘self-definition of what the restaurateurs want to do, what they are good at, and how to present it to customers’. Anna argued that a restaurant would be able to survive if it had something special to attract customers. David remarked that ‘there is so much competition out there now; you need to have something unique that people go for’. Jack, Ethan and Emma also agreed that in order to be successful, restaurants needed to be different from other competitors. However, participants also pointed out that although a unique concept is important, restaurateurs still need to pay attention to trends and changes in the market, and the food and service needs to be good enough to meet customers’ requirements.

Overall, a well-planned start gives the restaurant businesses a better chance of success. However, there are many costs when starting a restaurant business. Participants considered the control and management of costs essential to the successful operation of the restaurant.

4.3.3.3 Operating the restaurant

Once the restaurant is up and running, there are many additional factors that restaurateurs need to pay attention to in order to achieve a better restaurant performance. Participants identified three main areas: overcoming financial challenges, designing and applying marketing, and implementing or developing an operational system.

Financial challenges

Financial management is a vital part of restaurant operations, and participants relate restaurant success to its financial performance. Supporting this, Matthew stated that, ‘You’ve got to have an idea of what you want to do, how much you need to break even, and if you cannot meet the break-even point, then you know you have problems.’ As Olivia commented, ‘restaurant owners need to be wary of financial issues’. Participants have also identified that restaurants with good management of financial issues, including cost control and capital maintenance, have a better chance to achieve success.

All participants considered cost as the major factor affecting the success of a restaurant. Anna noted, ‘restaurants failed to succeed simply because they did not watch the costs’. The costs for a restaurant operation include food and product costs, labour costs, and fixed costs, such as rent and insurance.

Participants addressed the importance of having a thorough understanding of pricing, for example, ‘It is important to know the costing of food.’ Chloe keeps records of food costs and makes a comparison between different seasons and years. The control of food costs is tied closely to the restaurant owner-operators’ knowledge and experience in stock turnover, ingredient prices and suppliers. Anna said she controlled food costs through maintaining a minimum stock level in her restaurant. This ensured quality of products and avoided food wastage. Henry mentioned that he controls costs through constantly sourcing new suppliers who offer competitive prices.

Anna considered that ‘staff costs shouldn’t exceed one third of the turnover’, and thought this ratio critical to a restaurant’s success. Overall, interviewees considered good control of labour costs as an important success factor. One participant explained that restaurants ‘have to keep wages as low as possible’. Matthew mentioned that he

sold his restaurant after his wife (work partner) got pregnant because employing a new front of house manager with the proper skills and knowledge would be too expensive.

There are certain fixed costs in the operation of a restaurant business, including rent, employees' salaries and insurance, and participants indicated that not taking these costs into account could have serious consequences. Restaurants need to at least cover fixed costs to survive. Accordingly, some participants offered discounts or deals to fill the restaurant in order to meet the break-even point and make sure all fixed costs were paid. Henry admitted that he opened his restaurant in a rush — 'because of all those fixed costs we had to open quickly'. A reasonable rent was seen as important. Jack, Henry and Daniel all mentioned that they closed or moved the restaurant to another location due to a rent increase. Anna said that increased insurance fees added pressure to her restaurant operation.

Participants also considered the amount of capital as an influence on restaurant success. Five participants (Chloe, Ethan, Anna, Emma and Daniel) used their own capital for their restaurants. Jack and Jacob had partners' investment for capital, and one had initial financial support from his parents. Henry, David and Olivia borrowed money from the bank to start their restaurants and acknowledged that cash flow was always a challenge. Daniel addressed the importance of being self-financed and having sufficient cash flow; he explained this by saying borrowed money becomes an overhead and makes it more difficult for restaurants to reach the break-even point. Daniel revealed that because he was self-financed he was able to streamline operations as decisions and changes could be made quickly. Henry mentioned that the amount of capital affected their decisions on restaurant size and location. In general, participants believed that in order to be successful, restaurateurs should maintain a sufficient amount of capital during operations.

Participants also noted that in order to achieve success restaurants not only need to control costs, but increase revenue at the same time. Jack pointed out that once costs were under control, restaurateurs needed to implement marketing to increase sales and revenue. Marketing as a factor influencing the success of restaurant business is examined below.

Marketing

Participants acknowledged that marketing is vital for today's restaurant success. David remarked that 'in the good old days, with good food and service and without fit-out or location you could still succeed, but today you need marketing no matter how good your food and service is'. Jack also referred to marketing as a tool to overcome the intense competition that restaurants face. As a result, more and more marketing tools have been developed to communicate and capture the various customer segments. Due to the operation structure, most participants conducted marketing in-house to save costs. They marketed their restaurants through newspapers, magazines, the internet (restaurant websites, restaurant information websites), discount booklets (entertainment books), brochures, special menus, and promotion letters to customers in their databases. Henry and Anna mentioned that they conducted marketing through supporting local communities. They were involved with social functions and donated money to charities. Additionally, the rise of new technologies has meant that word-of-mouth promotion through digital marketing has become extremely important.

With the development of technology, related marketing tools have also been developed, for example, the deal websites, and social media panels. The most recent restaurant marketing trend is the application of deal websites. Deal websites provide customers with different deals each day, with the deals coming in different forms, such as discounts, or a package deal such as set three courses for a set price. Participants felt that there were advantages and disadvantages to deal websites. Overall, participants were positive about this type of marketing because they now have more options to make their business more competitive in the market. Chloe noted that 'it's better to spend money to bring people through the door with deals than spend money on magazine or newspaper advertising'. David mentioned that the use of this marketing tool helps the restaurant fill tables quickly. Chloe viewed this as a trend: 'The whole market is doing deals — if any restaurant is not involved, they will lose market share.' On the other hand, some participants acknowledged the harm it could do to restaurants. They argued that customer loyalty is destroyed because customers will just go to the restaurant that has deals. Anna noted, 'This is bad for the industry overall because the restaurant running the deal is losing money and pressuring their staff, while other restaurants are losing customers because they all go to the restaurants that have deals.' Also, Jack considered running deals 'will cheapen your brand, damage the restaurant image and reputation'.

Nine participants have set up websites for their restaurants and provide information such as menus, maps, opening hours and special offers. Mobile phone apps and social media channels have also become popular marketing tools for restaurants to communicate with their customers. Similarly, the Hospitality Industry Report (2012) produced by the Restaurant Association New Zealand also acknowledges the importance of social media marketing in that it is low cost or has no cost and broad coverage. However, Anna argued that although the social media channels work as a marketing tool, the actual effects vary according to the age and other attributes of the targeted population. Moreover, Emma noted that she lacks knowledge in social media channels, and said that if she wants to use social media for her business, professionals are needed to set up and maintain them.

Three participants showed a lack of knowledge about how to apply marketing for their business. The fast-changing trends and the development of technologies have all influenced marketing tools. Olivia commented that because she did not have marketing knowledge she spent a large amount of money to advertise her restaurant but the result was not impressive.

Restaurant operating procedures

There was general agreement about the importance of installing operating procedures in the restaurant operation. Jacob said, 'I don't know that many business fail from just bad luck; most businesses fail because of poor direction by the manager or the owner.' Participants believed that restaurants operated better with a well-developed system. Jacob made ongoing improvements to his restaurant so the operation could be more efficient. Some participants relied on technology to build systems in their restaurants. These systems, as identified by participants, were not limited to installing technology or computer software; is the systems actually related to delegation and empowering staff and assigning tasks. Participants also related this delegation of tasks to implementing Standard Operation Procedures (SOP), and claimed that through this system the quality of products can remain consistent, staff training is easier to conduct and the business can remain in operation even when managers or restaurateurs are absent. Chloe acknowledged that creating and implementing operating procedures for restaurants is not easy, 'you need a staff training manual, you need an operation manual, you need to have standard receipts, and it takes time and money to standardise everything'. Jacob

acknowledged the hard work involved in installing standard operating procedures for his restaurant, but he considered the results worthwhile and he can ‘oversee the operation, take a step back and think about future development, and I also have more time for my personal life [...] the staff feel empowered and become more productive [and] the overall performance of the restaurant is enhanced’.

4.4 Restaurateurs’ perceptions of success

Participants related the success of their restaurant to its financial performance and pointed out that being financially viable is the measurement of success. Henry said, ‘the first thing is being viable and making sure that you can pay yourself enough money’ Jack made a similar comment: ‘You have to be financially viable and at least make money to pay the bills, pay your rent, your staff, your suppliers, and yourself.’ However, participants considered the success of restaurants could be measured in different ways. Chloe commented, ‘You can measure success in different ways, for example, how many customers you have, how many happy customers you have, how many good reviews you have, or how much money you have got in your bank.’ Also, Anna pointed out that ‘survival is an absolutely measure of success — if they [restaurants] last for ten years and they are not dying and they keep going, that’s good.’

In general, interviewees agreed that success in the restaurant business is not easy to achieve. Participants explained that the experience customers have during their visit is crucial to the success of the restaurant. Furthermore, they noted that the experience is created by the restaurant’s food and service as well as the other operational elements. Anna commented that ‘the restaurant has to get everything right to be able to succeed. This formula includes cost, research and observation which relates to the location, customer base and the products produced, the knowledge regarding the food and service, the reactions to market changes and the environment, the experience created which relates to the décor, the music and other things.’

4.5 Conclusion

According to the participants in this study, factors affecting the success of restaurants can be classified into three main categories: environment, stakeholders, and management. There is an overall sense here that the environment and market is becoming more sophisticated and complex. Participants consider that Auckland’s restaurant industry is constantly changing and highly competitive. Within the

environment, there are key stakeholders that affect the operation of restaurants to various degrees. The participants all emphasised the importance for restaurateurs to have knowledge of restaurant operation, to be physically and mentally fit and be able to manage their business and personal lives well.

Customers are considered by all participants as an important asset to their restaurants. However, they noted that demographics are dynamic, and targeting the suitable customer segments is difficult. Suppliers, however, were not considered significant as they can be replaced anytime. However, participants all agreed that a solid relationship with suppliers is beneficial to their restaurant operations. Also interviewees expressed their concern over the difficulty of recruiting employees with relevant knowledge, and they proposed the solution as to provide staff training.

The knowledge of the restaurateurs and management of the restaurant is considered by the research participants to be at the core of independent restaurant success. In general, they associated the success of a restaurant business to detailed pre-entry research. However, although participants acknowledged the benefit of pre-entry research, most of them had not conducted any studies before they opened their restaurants. Additionally, a well-planned start gave the restaurant more chance to succeed; factors in this category included choosing a suitable restaurant style, setting clear objectives, providing quality products, and creating a unique concept. Once the restaurant is up and running, increasing the revenue was a priority for the participants. Participants explained that to achieve this, financial controls and marketing are essential. It was thought that a tight control on financial issues ensures the operation is cost-efficient and marketing increases the sales. In the end, participants suggested a management system could help restaurants achieve success in the long run as it transforms restaurateurs into managers and instead of involving themselves in the daily duties they are able to oversee and direct the restaurant operation. Participants considered this transformation of roles beneficial not only to the restaurant but to the restaurateurs.

Overall, challenges emerging from the environment can be overcome, stakeholders can be managed, and operations can be controlled, but it all comes down to the knowledge of individual restaurateurs. Moreover, this knowledge needs to be constantly updated. The respondents' rankings of success factors are consistent with the research results in other studies and the similarities and differences are discussed in the next chapter.

Chapter Five: Discussion

5.1 Introduction

This chapter presents a discussion of the research findings. Firstly, a general background of the restaurant industry and its operational environment is presented as the context for this discussion chapter. Following this, factors affecting the success of independent restaurants in the Auckland context are discussed. Restaurant owner-operators' perceptions around the success of restaurant businesses are then identified.

5.2 Key factors influencing the success of independent restaurants

5.2.1 The restaurants' operating environment

The Auckland restaurant industry environment provides an important background that may further explain the relationships between factors influencing the success of restaurants. The participants identified key factors in the operating environment that influenced restaurant success. These included intense competition, a constantly changing environment and changing consumer trends. In particular the intense competition was considered by the participants to have a significant impact on the success of restaurants. This is also highlighted in the literature by both Camillo et al. (2008) and Muller and Woods (1991), who suggest that the success of restaurants is impacted on by environmental conditions.

All participants pointed out the intense competition they experienced in Auckland's restaurant industry and considered this to be a key factor affecting their success. The impact of competition was also emphasised by Mandabach et al. (2011) and Parsa (2011) as having a significant influence on restaurant success. Some participants attributed the intense competition to Auckland's small population spread across the city, resulting in a difficulty retaining customers.

Participants argued that the low entry level to the industry was the reason for the intense competition. This view is supported by the World Bank Group's (2012) economy rankings results, which ranked New Zealand as the easiest place to start a business. Moreover, New Zealand Immigration places few restrictions on establishing, owning and operating a business in New Zealand, and applications to start a new business may take only three days to process (New Zealand Immigration, n.d.). Additionally,

participants identified the low level of initial investment required as being attractive to entrepreneurs. This is supported by Litz and Stewart (1998) who found that when compared to other industries the cost of entry into the independent restaurant market is low. Moreover, participants also considered that the public perceive that opening a restaurant is an easy option that does not require qualifications or knowledge.

As a result of the easy entry criteria, the restaurant industry often attracts operators with minimal funds and a lack of relevant experience and knowledge, which increases the intensity of competition by undercutting other restaurants. It was also suggested that instead of building relationships with customers and creating a loyal customer base, inexperienced restaurateurs tend to undercharge and/or provide discounts to attract customers. It is this behaviour that the participants believe initiates price wars and drives prices down and negatively impacts on the industry. This finding is supported by much of the literature, for example, see Budhwar (2004), English et al. (1996), Jogaratnam et al. (1999a), and Parsa et al., (2005) who all highlighted that low barriers of entry and operational freedom attract unqualified restaurateurs who lack experience and knowledge of restaurant operation and therefore decrease success rates for independent restaurants. Moreover, participants identified that, apart from the restaurant market being affected by this phenomenon, the stakeholders of the failed restaurants are also affected as investors lose money, the staff lose jobs and the suppliers lose customers.

The participants believed that intense competition could be overcome through competitive tactics, including marketing, offering a unique concept, and exceptional food and service. One participant extended café operating hours until 11 p.m. to attract customers wanting coffee and light snacks late at night, and another claimed that his restaurant provides menu items customers cannot get elsewhere. Through these strategies, participants tried to differentiate their restaurants from other competitors by offering a clear market position or providing an experience that customers could not get elsewhere, which is in line with the concepts highlighted by Grönroos (2000). This finding is supported by Budhwar (2004), who indicates that restaurants can achieve success through differentiating themselves from other competitors through well-developed business strategies, including marketing and offering a unique concept. Similarly, English et al. (1996) suggested that to survive among extreme competition,

restaurants should strategically develop products to differentiate themselves from the market.

Findings also indicate that in order to develop competitive tactics restaurateurs need a good understanding of their competitors. The participants indicated that they studied their competitors, both before and during their restaurant operation. This study included identifying competitor restaurant focus, trying the products they offered, observing the targeted customer segments, and sometimes comparing competitor performance to their own. These strategies are in line with Budhwar's (2004) recommendation suggesting restaurateurs generate a better understanding of their competitors, and recognise that they are not only competing with restaurants that offer the same food at similar prices.

Although the competitive environment identified by many of the participants was viewed as having a relatively negative impact on restaurant success, some participants acknowledged that competition can be a positive force which assists their restaurants to succeed. They indicated that a positive competitive environment can motivate restaurant owner-operators to continuously develop their business operation, which in turn further helps to improve product and service standards of the industry. This interesting finding was not revealed in the literature reviewed for this study.

The participants recognised that the restaurant operating environment is constantly changing and acknowledged the importance of reacting to changing customer trends. Different trends experienced by the restaurateurs included the changing eating habits of customers, a growing demand for organic foods, and the growing popularity of different cuisines. Jones (1999) acknowledges that the constant change creates difficulty for identifying customer preferences and future trends. Most participants indicated that these changes could be caused by globalisation that brings different cultures to New Zealand, along with the development of technologies that enhances communication and information exchanges. This finding is similar to Parsa et al.'s (2005) results that indicated restaurants' failure to 'understand, adapt to, or anticipate' (p.307) market trends is one of the main reasons preventing success.

5.2.2. Stakeholders' influence on restaurant success

Freeman (1984) defines stakeholders as a groups or individual that 'can affect or are affected by the achievement of an organisation' (p.46). According to Phillips and Freeman, (2010) stakeholders may include directors, government (regulatory agencies), owner-operator/director, suppliers, and the community, and they may all have influence on organisational direction, objectives and policies (Camillo et al., 2008; Mandabach et al., 2010; Parsa et al., 2005).

Four key stakeholders were identified as influential in restaurant success: restaurateurs, customers, suppliers and employees. The positive association between stakeholders and a restaurant's performance is also acknowledged in the literature — see, for example, DiPietro et al. (2007), Goldman (1993), Jogaratnam, (1999a) and Lee (1987).

The participants were all clear in the belief that they (the restaurateurs) are primarily responsible for the success of their restaurant. It is clear that it is important for the participants to develop a good understanding of the restaurant industry and operation because this relates directly to how the restaurant is managed. These findings were also identified by Camillo et al. (2008), who found that restaurateurs equipped with a sound knowledge of restaurant operation have a high probability of success. However, the literature overlooks the importance of continuously developing and enhancing knowledge and skills to stay competitive and connected with the fast-changing industry.

Furthermore, it was identified that most participants are very entrepreneurial in their approach to the restaurant business, and are usually working owners that have high involvement in the operation process. This is also recognised by Litz and Stewart (1998), who commented that owner-operators of independent restaurants decide on most management factors, such as location, purchasing and ordering, hiring and training staff, price and quality of products, and marketing and financial control.

As indicated by English et al. (1999) and Parsa et al. (2005), management plays an important role in restaurant success, and its level of influence is greater than solely on the external operational environment. Similarly, Enz (2010) and Mandabach et al. (2011) discuss how effective management leads a restaurant to success. As it is clear that there is a positive relationship between the management ability of restaurateurs and

restaurant success, these issues will be discussed in more detail. Delaney's (1984) three phrases of management, including planning (start-up), organising (carried out), and directing and controlling are used as a framework to discuss these management factors.

5.2.2.1 Pre-opening planning (start-up)

Delaney (1984) explains that the start-up as the first phase of starting a business consists of planning and organising activities. The participants emphasised the importance of obtaining comprehensive knowledge of the market to better prepare their restaurant business prior to opening. Camillo et al. (2008) also stressed the importance of developing a business plan and conducting a feasibility study. Surprisingly, participants demonstrated a difference between 'knowing' and 'doing', and they acknowledged the importance of pre-entry research, however, only a few participants conducted any research. Some participants said that they conducted informal observations to find a gap in the market, while some just decided the styles according to their own preferences. Participants also underlined the importance of finding a suitable style of restaurant because this decides the segments of customers the restaurant wants to attract, the food to offer, and the concept to be implemented. However, most of participants opened their restaurant relying on their intuition and experience and, it would seem, just hoped the restaurant would succeed. The reason provided for their lack of research was the lack of available information (figures and reports). Participants further related this issue to a lack of engagement between them and the Restaurant Association and restaurant industry. This issue was also highlighted by Camillo et al. (2008), who argued that the restaurant industry is not institutionalising and communicating relevant knowledge which could help improve restaurant success. However, it is possible that the information and data is available but participants had difficulty accessing it or did not know where to find it.

Because they had not adequately researched the market before opening their restaurants, participants admitted they learnt from mistakes, lost money and struggled to succeed. The difference between the development of a business plan and feasibility study compared to just undertaking informal competitor analysis is highlighted by one participant who successfully operates three independent restaurants, a spa business, and plans to open another restaurant in the near future. This participant undertook market research prior to opening each business. Other participants regretted not conducting

more research prior to opening their businesses and said that if they were to open another restaurant, they would definitely spend more time on pre-opening planning. The participants also commented that the operation could be more efficient if more formal studies were conducted. It is evident that detailed pre-opening research can benefit the operation of a restaurant.

5.2.2.2 Organising (carried out)

Delaney (1984) describes the second phase of establishing a business as ‘carried out’, which includes undertaking most of the work that was planned and organised in first phase of planning. The findings indicate that this phase, which includes establishing a suitable establishment style, a solid management structure, and well-defined products that satisfy customers’ needs and wants, is important.

The participants all considered that restaurateurs need to develop a clear concept for their restaurants which is in line with Goldman’s (1993) emphasis on how a clearly defined concept of a restaurant generates successful performance. Relating to the concept of the restaurant, participants also believe that a suitable establishment style that compliments the concept can be important for success.

Some participants believed that the development of a vision and a mission helped them achieve success, following Camillo et al. (2008) and Olsen et al.’s (1998) recommendation that to achieve success, restaurants need to have a clear vision, mission and financial goals. However, the participants in this study did not capture their mission or vision in writing; instead they generated a sense of purpose concerning what they wanted to achieve. With this understanding of purpose, they then verbally communicated their vision and mission to their stakeholders so that together they could achieve them. Therefore the study identified that most participants have a clear idea about the purpose of their restaurant, but did not put it down on the paper. However, these unwritten mission concepts and vision still drove them to manage and operate their restaurants.

The capital structure of the restaurant was also seen as important. Most participants opened their restaurants with limited capital and needed to borrow money from the bank. These restaurateurs pointed out that they suffer from repayment pressure if they open

and operate their restaurant with a loan. However, the advantages are that decisions can be made quickly, and the potential for conflict with a partner can be avoided. This finding correlated to Kwansa and Cho's (1995) study on the significance of capital structure, which found that capital structure decisions have an influence on survival.

The literature indicates that location is another important factor when starting a restaurant business. Some studies (Jogarathnam et al., 1999a; Kottler Brown & Makens, 1996; Mandabach et al., 2011; Parsa et al., 2005) argue that location is situated in the environment and cannot be controlled by restaurateurs, while Camillo et al. (2008) view location as an internal management factor controllable through detailed pre-entry research. The finding from this research found support for both views as some locations that were previously busy could quieten down after one or two years. As Smith (1983) explains, location is a key strategic decision which has operational implications.

The literature (see, for example, Smith, 1983) suggests that choosing a location is an important factor when starting a restaurant business. Parsa et al. (2005) indicate that independent restaurants experience a lower survival rate compared to chain or franchised restaurants that were opened after research and a location had been strategically chosen. However, some participants believed that the location of their restaurants did not influence restaurant success. Nevertheless, there is a possibility for participants to perhaps underestimate the influence of location as most restaurants they operated were either in a prime location or the restaurateurs had a good reputation that helped attract customers.

5.2.2.3 Directing and controlling

Directing and controlling, Delaney's (1984) third phase, is usually carried out when Phase Two is near completion. This phase includes a careful review of costs, looking at maximising profits and minimising cost overruns. Delaney (1984) also points out that this phase requires the manager to work closely with stakeholders to deliver quality products and resolve any emerging problems. In keeping with this, the research participants indicated that once the restaurant is up and running, effective directing and controlling of the operation is critical for success. Specifically, the interviewees discussed financial control, cost reduction, increasing sales and the need to implement a

management system to direct restaurant operations, as important issues for sustainable success.

To be able to succeed, tight financial control was considered vital by research participants. Financial control involves closely observing and controlling costs. The importance of cost control was also pointed out by Bertagnoli (2005). Correspondingly, Camillo et al.'s (2008) and Parsa et al. (2005) studies have all indicated the cost control is critical to the success of restaurants. The participants identified the three main costs as food, labour and fixed costs. All interviewees expressed their concern about finances, and highlighted that if restaurants can keep their expenses low, their chance of success will be high.

Increasing sales was also an important factor to generate better revenue. Participants all agreed on how efficient marketing can increase sales in their restaurants and this is supported by Mandabach et al. (2011) and Parsa et al. (2005). This study found that due to limited budgets, restaurateurs usually applied in-house marketing, which cost less, and was able to be undertaken by the restaurant itself. The participants also discussed the trend of employing social media and group purchase deal websites. Furthermore, they emphasised the importance of conducting formal research before implementing any marketing strategies.

Moreover, participants have also recognised the importance of implementing a system to achieve efficient operation and sustainable success. While many of the participants were heavily involved in their business, a couple installed a system that allowed them to be less involved on a daily basis. They explained that with a system directing the business, the operation would become more efficient without the restaurateurs' presence. Moreover, one of them reapplied the already implemented system to expand his restaurant business.

All participants were passionate about food and beverage, entertaining and serving customers, and had a clear goal of what they would like to achieve and how they were going to develop their restaurants. However, a couple of the participants also focused more on business issues. This evidence correlates closely with the work of Mandabach et al. (2011), Parsa et al. (2005) and West & Olsen (1990), who found that the common

attribute of successful restaurateurs is that they have a clear vision and predetermined goals they wish to achieve. Moreover, findings also indicate that successful restaurateurs usually have stamina and are highly energetic. Participants all agree that their passion, interest and desire to create and develop are the drivers for their restaurant operation. They also mentioned that managing a restaurant requires them to be energetic both physically and mentally. However, these characteristics need to be maintained in the long term in order to achieve sustainable success.

Apart from the sustainability of effort, energy and passion that is required, the emotional state of restaurateurs was also found to be important. Camillo et al.'s (2008) study emphasised that restaurateurs' emotions influenced the operation and success of restaurants. However, this current study found that not only did restaurateurs' emotions influence the restaurant operation, but that their emotions were in turn influenced by their restaurants' performance. Moreover, although participants commented that positive emotion drives them to work hard and open their restaurants, they also thought that to succeed, personal emotions need to be separated from the operations. Nevertheless, similar to the findings of Mandabach et al. (2011) and Parsa et al. (2005), this research found that the different stages of a restaurateur's life, for instance marriage or starting a family, would change the way they managed their restaurants and could in the end influence their success or failure.

Moreover, as identified earlier, participants who had a high involvement in their business acknowledged that their business consumed their personal life and impacted on their family life. Most participants considered they sacrificed a great deal of their personal life when they started their restaurant, and at the same time their family members needed to make changes in their lives to accommodate the restaurant operation. It is hard to compromise between the restaurant business, and personal life and family. However, in contrast to what Camillo et al., (2008) and Parsa et al. (2005) found, the findings suggest that individuals in this study reacted differently to the challenges of running a restaurant. Some changed the way the restaurant operated, others sold the business or changed career paths. . A minority manage to integrate their lives with their business by involving family members in the operation, inviting friends to join them at their restaurants, having social activities in their business, or making adjustments to their lifestyles to work around their restaurant. However, one participant did not integrate his

life and his restaurant; instead he applied a management system to ensure the restaurant could operate efficiently in his absence.

Overall, an important finding from this research was that restaurateurs seem to have difficulty moving from entrepreneurial activities to managerial activities. Efficient management would allow them to move from high involvement in operational activities to an environment where they no longer needed to be involved in daily operations. One particular interviewee commented that he changed his position from that of a working owner to simply an owner and is only involved in decision-making, management and overseeing the operation. By doing this, he was able to balance his work and life, expand his restaurant business, and take a step back to evaluate and analyse his restaurant's performance. He also said that because of his decision to remove himself from the operation, he implemented a system in the restaurant to streamline the operation. This finding is similar to Jogaratnam et al.'s (1999a) study that found restaurateurs who 'evaluate, access and reconcile their restaurant performance and institute a control system' (p.133) for their business operation may have a positive effect on the performance.

Apart from restaurateurs, the participants identified other stakeholders, including competitors, suppliers and customers, as having an influence on success. This was also found in Camillo et al.'s (2008) study in San Francisco and English et al.'s (1996) study in Texas where they found suppliers, customers and competitors had important roles in restaurant success. This also confirms English et al.'s (1996) study that applied Porter's five forces framework to analyse possible factors affecting restaurant performance and confirmed that the customers and suppliers have a significant impact on restaurant performance and success or failure.

Camillo et al. (2008) indicate that a good relationship with customers is beneficial to a restaurant's operation, and can help to generate loyal customers. However, participants said that they experienced difficulty capturing and building relationships with suitable customer segments. These difficulties were attributed to customers having significant bargaining power in the restaurant industry. All of the participants were aware of a large group of transient customers, who are highly influenced by trends and prices. This resulted in restaurateurs providing discounts to attract the transient customer segment,

even though they acknowledged the side effects of undercutting each other would lead to price-based competition and a lack of customer loyalty. As one participant explained, despite knowing that it is harmful to customer loyalty they were forced to market through deal websites to maintain the restaurant's market share. Another participant claimed that they did not want to apply any deals or discounts but ended up marketing the restaurant with deal websites to fill the tables. For restaurateurs in Auckland, the difficulty seems to exist in how to break the discount cycle, retain customers and build loyal relationships with them.

Similar to how many transient customers seek the best deals, restaurateurs also seek the best price when purchasing from suppliers. Although the interviewees recognised the importance of building a solid relationship with suppliers as it could benefit their restaurant operations, it is interesting to note that many of the restaurateurs said they would not hesitate to switch between suppliers to reduce their costs.

However, one of the participants argued that a well-established relationship with suppliers could benefit the restaurant and help it achieve long-term success. Instead of switching between suppliers to reduce costs, she remained loyal to her suppliers and focused on quality, even though it could cost more. Through this approach, her restaurant remained busy and has been successfully operating for more than 10 years. Her suppliers at the same time generate better sales and they succeed together. These approaches are in line with the findings of Mandabach et al. (2011) and Parsa et al. (2005) that highlight the importance of the quality of product and service provided by suppliers and suggest it can influence a restaurant's performance.

The participants also stressed the level of influence employees have on the success of restaurants. This finding tallied with Budhwar's (2004) finding that the quality of labour influences the performance of restaurant establishments. However, the participants all acknowledged the difficulty in sourcing staff from the current labour market, and commented that the labour force lacks relevant knowledge and skills. This phenomenon was considered highly related to the fundamental problem of the working environment of restaurant — the pay is usually low, often the minimum wage, and the working hours are long, including weekend and night shifts. Therefore participants have proposed a solution for this issue: they tried to hire for personality and invest effort and funds in training

programmes to make sure their staff members perform up to the standard they expected. This practice is also stressed by Camillo et al.'s (2008) study.

Consistent with Enz's (2004) findings, management of employees is crucial for restaurant operation, with management consisting of recruitment, retention, training and relationship-building. Most interviewees conducted training internally due to the size of the business and limited financial budget. Moreover, they considered that internal training could help shape employees to meet their particular standards. It is evident that management of employees, including communicating and motivating, is closely related to the knowledge of individual restaurateurs (Mamalis, 2009). However, the fundamental need of developing a skilled workforce for the hospitality industry remains unresolved. This needs the entire industry's attention.

5.3 Definitions of restaurant success

The findings revealed mixed responses from the participants when asked about their perceptions of success. Most of the participants took a while to answer this question with some commenting that 'This is a difficult question ...', or 'Should I talk about what I think about success, or the success of a general restaurant business?' This hesitation and confusion indicates the possible existence of different views of success, which reflects Parsa et al.'s (2005) discussion of the difficulty in finding a universal definition of restaurant success. Most participants related restaurant success to financial performance and staying financially viable, which is consistent with Gu (2002), Kim & Gu's (2006), and Olsen et al. (1983) studies, which pointed out that restaurants avoiding bankruptcy are successful. Alternatively, three interviewees considered success as equalling the achievement and satisfaction they gained during the operation of their restaurants, for example, a good reputation (good customer reviews), public awareness of their restaurant generated through publicity or media, and gaining industry awards or winning medals at a culinary competition. Two other participants measured their success against the length of time their restaurants had stayed in operation, and they believed that success is to be able to maintain a restaurant for a long period of time. Furthermore, one participant considered that for a restaurant to simply survive in the highly competitive hospitality environment is a form of success on its own.

However, one point worth noting is that almost all participants commented on how their work became their life and that there was very little work-life balance. They considered this imbalance between personal life and work life the norm when operating a restaurant business. This was highlighted by one participant who had worked in his restaurant 15 hours a day, from opening to closing, for eight years, and had no personal life, had lost his partner and family, and yet he still considered his restaurant operation successful. Participants explained that their high involvement was a result of not being able to afford to pay the salary required to hire a front of house manager or head chef. Additionally, many participants indicated that they were not earning a full wage and did not take their own labour costs into consideration when defining success. From these findings, it would seem that achieving success for many of the participants comes at a high personal cost. However, the participants excluded these costs when discussing their perceptions of success. Judging from this, it is possible that the participants' definition of success is based on personal achievements and satisfaction rather than the financial criteria for success discussed in the literature (Gu, 2002; Kim & Gu, 2006; Olsen et al., 1983).

5.4 Conclusion

This study found that although the 11 participants were equipped with experience and knowledge of the restaurant industry, they still experienced difficulty operating their independent restaurants successfully. The findings and discussion also reveal answers to the research questions. The first question asked what success meant in terms of restaurant success. From the research it is clear that the concept of success in the eyes of the participant varies from the way success was defined in previous studies. Previous studies focused on the financial success of a restaurant operation. Interestingly, apart from the financial performance, participants also mentioned different criteria that they applied to measure their operations' success. However, they clearly outlined their perceptions of success, including name recognition of both themselves and the restaurant within the hospitality industry, the period of time the restaurant operates for within such a competitive market, and their own personal satisfaction.

Also, although most participants considered their restaurants successful, many of them had closed or were planning to close their restaurants and change their careers. This raises the question that if the restaurants are considered successful, then why would the participants decide or plan to end their businesses? Moreover, in contrast to advice in

the literature that recommended restaurateurs should balance their life and work, most participants admitted that their restaurants had become part of their life, and instead of finding a balance between their work and life, they were fitting their personal life into their work. Whether this integration allows restaurateurs and their restaurants to achieve success in the long term is still undetermined. Therefore it is possible that the way success is identified in this study is limited. This could be explained by the small sampling of this study, which may not necessarily be representative of the restaurant industry.

However, there are some common criteria that participants identified as influential to restaurant performance, and these identified factors answered the second research question: what are key factors influencing the success of restaurants in Auckland, New Zealand? Participants suggested that Auckland's operational restaurant environment has a relatively low barrier of entry that increases the intensity of competition. However, participants also considered that action can be taken to react to changes in the operational environment, and this action relies heavily on the individual restaurateurs. Within the environment, there are key stakeholders who influence the restaurant operation, and restaurateurs are considered as the foundation of restaurant success. In order to succeed, restaurateurs need to have an in-depth understanding of the restaurant industry, and be equipped with the ability to manage and operate the restaurant. At the same time, they need to manage their personal lives, including family and any other life-related events. Restaurateurs establish relationships with other key stakeholders, such as customers, suppliers and employees. Their management of restaurants includes attracting and retaining customers, establishing a relationship with suppliers, and recruiting and training employees. To attract and retain customers it is necessary to provide a whole dining experience, including quality products, décor and music that match the design concept. Also, different kinds of relationships were established and it is recognised that having a stable and solid relationship with suppliers might be more beneficial for a restaurant's operation but its effect on restaurant success is questionable. With regard to employees, the current Auckland restaurant industry lacked skilled employees and suffered from fundamental problems, such as low pay and long working hours. However, it was suggested that employees' skills can be enhanced through staff training. Restaurateurs' knowledge and skills were considered influential and the research also emphasised that their knowledge and skills need continuous development.

The last research question asked how relevant the factors proposed by Camillo et al., (2008) are to restaurants in the Auckland city district. It is interesting to note that there are similarities and differences when comparing findings in this research to Camillo et al.'s (2008) research. Overall, Camillo et al.'s (2008) study is applicable to Auckland's restaurant industry and it could be useful for restaurateurs when starting a new restaurant. The similar factors include the operation environment, management and restaurateurs, and important stakeholders, such as customers and employees. However, some factors proposed by Camillo et al. (2008) as influential to restaurant performance were not indicated, at least in this study, as important in the Auckland restaurant industry. For instance, the emotion of restaurateurs, the law and legislation, and the location of restaurants were considered less important by participants of this study.

These differences in findings can be explained. The two studies were conducted in different geographic regions. Camillo et al.'s (2008) study was conducted in San Francisco, in the United States, and this study was conducted in Auckland, New Zealand. Therefore the operational environments and the customer demographics may have some differences from each other in relation to compliance requirements and the size of the market. Further, this study's research scale is smaller with a more limited sample size, time and resources. As a result, this study has limitations, such as a lack of longevity and generalizability, and factors reflected as not significant, such as restaurateurs' emotions, location of restaurants, and legislation, may be important under different management or in a different operational environment. Moreover, the findings indicate different perceptions of success, including financial performance and personal achievements.

One significant contribution of this study was the finding, in agreement with Camillo et al.'s (2008) model, that a restaurant could achieve success but it could be a rather short-term success or financially limited. In order to stay viable in the long term a management system is necessary. A management system consisting of a standard operation manual and an extensive training programme could allow efficient restaurant operation without the restaurateur's continued presence. It is suggested that restaurants tend to achieve sustainable success and have a higher possibility of expansion when restaurateurs oversee and direct the restaurant with less direct involvement in the daily running of the business.

Chapter Six: Conclusion

The research adopted a qualitative case study approach and interviewed 11 restaurateurs in the Auckland context to investigate the factors affecting restaurant success. So far there has been no research exploring the success factors for independent restaurants in Auckland or New Zealand. Therefore this study adds to the understanding of restaurant success and possible factors that affect the performance of independent restaurants. The aim of this chapter is to discuss the implications of the research. In addition, the limitations of this research are raised and suggestions made for future research.

6.1 Implications of the research

6.1.1 Restaurant success

This study provides a more in-depth understanding of the success of restaurants, especially from the restaurateur's perspective. Previous literature has related success to financial performance, maintaining restaurant operations and avoiding bankruptcy. However, this study discovered that the definition of success depends a great deal on individual restaurateurs' perceptions (personal success), which did not necessarily involve commercial success (financial performance and reward). Findings indicate that compared to the literature which measures success heavily against financial aspects, restaurateurs in Auckland also value their personal satisfaction and sense of achievement. Also, some considered the longevity of their survival in the market as a measurement of success without regard to financial performance.

Also, this research found that because the participants in this study had different ideas of success, they conducted their business differently. Instead of following suggested best practice recommended in prior studies, the majority of participants rolled out their restaurants without undertaking formal market research or feasibility studies, and/or business plans. Moreover, most participants are equipped with restaurant knowledge and experience, but they operate their restaurants relying mainly on intuition. It was found in the study that the cost of this 'knowing but not doing' behaviour could be high and could affect restaurant survival.

Regardless of different perceptions of success, various common factors were identified that need to be taken into account in the running of a restaurant. These include paying

attention to the environment and changes within the environment, good management of the restaurant, and maintaining a good relationship with key stakeholders.

Independent restaurants tend to be smaller in size, and the owner is usually the operator with a high level of involvement in the operation. It appears that either the restaurant is very successful and the restaurateur has no personal life, or the restaurateur makes changes to his/her restaurant operation. These changes can be as dramatic as closing down and/or moving into a different career, or implementing a system to make sure the restaurant can operate efficiently without their presence. In this study, some restaurateurs decided to sell the business and change their career paths when facing a decision between work and personal life while some participants adjusted their personal life in order to balance their restaurant work.

6.1.2 Fundamental issues exist in the restaurant operational environment that need attention

The current Auckland restaurant operational environment is highly competitive with fast-changing trends emerging all the time, and individual restaurants need to fight to survive. Also, the ongoing development of new technologies has impacted heavily on the operational environment — for example, the popularity of smart phones and social media websites. As a result, there is evidence to suggest that there are fundamental issues in restaurants' operational environment that need more attention (Camillo et al., 2008; English et al., 1996; Mandabach et al., 2011). Participants in this research have identified issues such as low entry barriers, low pay, long working hours and a hard working environment, and a lack of support from the industry in regard to education and communication as being relevant. These issues require not just restaurateurs' attention but the entire industry's attention.

Low entry barriers result from the level of regulation and compliance entrepreneurs are required to comply with, and the amount of capital needed. This issue is also influenced by people's perceptions of the how difficult opening and operating a restaurant is. Auckland's restaurant industry is considered relatively easy to enter. This low barrier of entry has caused several problems for the industry. It is noted that the low entry barrier attracts inexperienced and unqualified entrepreneurs who cannot overcome the challenges and obstacles and close down after a short period of time. During this time,

the level of competition is increased and, because of a lack of knowledge and skills, the competition tends to encourage price-cutting wars with the outcome negative as overall revenue for the industry is reduced.

Also, it is suggested that the skill of the current labour market for the restaurant industry is not up to standard, and turnover is very high. This phenomenon is caused by a difficult working environment, consisting of long working hours, physical effort and low pay. Although the nature of the job cannot be changed, studies have found that restaurateurs are making efforts to provide a better working environment for their employees through reward and training. However, it was also acknowledged that restaurateurs struggle to increase salary levels and this is closely connected to the price competition mentioned above.

Furthermore, there was considerable evidence to suggest that there is lack of support from the industry for restaurateurs, especially those who operate independent restaurants. They found it hard to conduct research independently and they could not find information regarding restaurant performance, for example, restaurant sales and turnover rates. Also, some participants had difficulty identifying the demographic segment of their restaurants. As research results reflect, this lack of information could be an obstacle for entrepreneurs when they start their restaurant businesses. The unavailability of information decreases a restaurant's chance of success as it means the restaurateurs have to learn from their mistakes. Also, participants felt that Auckland's restaurant industry did not provide enough support to restaurateurs in Auckland with regards to professional development, such as management or financial control training.

6.1.3 Restaurateurs and customers

Restaurateurs have a responsibility to react to or resolve issues in the environment through management skills. As a result, restaurateurs' knowledge needs to be extended to the wider environment, and the restaurant industry. This knowledge is complemented by experience, according to research participants. An academic background is not regarded as being as important as experience, and this lack of academic knowledge can be filled by training and self-learning. However, it is evident that a restaurant cannot succeed if restaurateurs are not equipped with knowledge and experience. Also, the continuity of professional development and learning for restaurateurs was also

highlighted as essential to restaurant success. One of the key components in management is to establish good relationships with stakeholders. It is suggested that a solid relationship with stakeholders enhances the chance of success for a restaurant business.

The development of new technologies provides the public with opportunities to learn more about food, cooking methods and nutrition. It is evident that customers are equipped with a reasonable knowledge of food and beverage products. There are many factors affecting individual customers' decisions regarding restaurant selection. Demographic factors such as age, income level and population were identified as having a strong effect on the performance of restaurant businesses. Also, there was considerable evidence to suggest that the uncertainty in the economy has not only decreased the numbers who dine out, but also made customers put price as the priority when deciding which restaurant to patronise.

As identified above, communicating to the right target market is extremely important for restaurant businesses. This communication relates to marketing techniques developed by individual restaurateurs. Similarly, the Hospitality Industry Report (2012) produced by the Restaurant Association of New Zealand also points out the importance for a restaurant of communicating to current and potential stakeholders the unique benefits that the business offers; this can be done through marketing strategies and marketing mix (product/service, price, place and promotion strategies). Social media marketing is the trend, and its low cost or no cost and broad communication coverage have attracted restaurateurs in Auckland to join the trend.

Restaurateurs are aware that using and applying social media to their operation is important. Facebook and Twitter were mentioned many times. However, managing and maintaining the different social media tools can be difficult, as they must be continuously updated to interact with the public. Also, a strategy needs to be developed to make sure the restaurant expresses the information to the right audience. As a result, some restaurateurs have considered outsourcing their social media marketing to ensure its efficiency and effectiveness.

6.2 Limitations of this research

There are two noteworthy limitations of this study: generalisability and longitudinal affect. As mentioned in Chapter Three, findings in this research are not generalisable as they were obtained through an exploratory qualitative approach. Compared to hypothesis testing studies that examine relationships between certain factors and the research object, the intention of this study was to explore possible factors affecting the success of independent restaurants. Moreover, time and budget limited the access to long-term data collection and it is very possible that this could lead to missed insights. Collecting longitudinal data was beyond the scope of this study, and further studies might investigate the Auckland restaurant market using a longitudinal approach. Furthermore, that possible bias might have occurred during the research process should be acknowledged as a limitation. As Patton (2002) explains, qualitative research requires the researcher's involvement, and his/her opinions and perspectives may influence the research results. Only successful restaurateurs were approached through purposeful sampling, and this selection of participants meant research outcomes only reflected their limited views and perceptions. It would be beneficial to hear from restaurateurs who experienced failure with regard to what they considered important factors in restaurant operations. Moreover, customers' perspectives were also excluded which further limited the insights from this research.

6.3 Recommendations for future research

The investigation raises the need for more extensive research on restaurateurs' definitions of success to be undertaken. It might also be beneficial to conduct research on customers' perspectives to find out what they believe are the factors contributing to a successful restaurant. Also, future research can expand the research area and increase the number of participants, as this research only studied a small sample in a limited geographical area. Moreover, a longitudinal study could observe the changes that affect restaurant success over time. Furthermore, this study found that restaurateurs in Auckland showed a difference between 'knowing' (the knowledge) and 'doing' (putting knowledge into practice) when establishing and operating their businesses. Therefore, a larger research project could focus on what restaurateurs *think* they know, compared to what they *actually* know. In addition, how they apply or do not apply this knowledge to their practice could be investigated. Future research might investigate how relevant information could be made more easily available to restaurateurs.

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Appendix 1: Participant Information sheet

Participant Information Sheet



Date Information Sheet Produced:

16 April, 2013

Project Title

Factors affecting the viability of independent restaurants: A qualitative case study in Auckland city.

An Invitation

My name is Shih Yun (Beverly), CHEN. I would like to invite you to participate in this research project, which I am undertaking as part of my studies for the Master of International Hospitality Management qualification at AUT. Your participation is voluntary and you may withdraw at any time prior to the completion of data collection without being disadvantaged in any way.

What is the purpose of this research?

I am interested in exploring the factors affecting the viability of independent restaurants. Literature to date has identified various factors that affect this viability but there has been little research on this issue in New Zealand. Therefore, I would like to explore the key factors contributing to the viability of independent restaurants in an Auckland context.

This research will underpin my thesis for the ~~masters~~ masters qualification. The results of this research will hopefully be written up as a journal article and presented at a suitable conference.

How was I identified and why am I being invited to participate in this research?

You have been identified from a contact list provided by Restaurant Association of New Zealand. You have been invited to participate in this research because you meet the criteria of being an independent restaurant owner/ manager in Auckland city.

What will happen in this research?

During an approximately 45-60 minutes interview, you will be asked a number of questions. I will invite you to share perceptions and experiences about your management/ ownership of an independent Auckland restaurant. If for any reason you feel any discomfort during the interview, you can either choose not to answer a question or choose to withdraw from the interview. When the interview has been transcribed it will be sent to you. You can make any changes you like, and will, of course, be able to withdraw from the project at this stage.

What are the benefits?

Benefit for participant: This study will explore key issues relating to the viability of independent restaurants in Auckland, which could be helpful/interesting for you as restaurant owner/ manager.

Benefit for researcher: This project will enable me to obtain my Masters degree.

How will my privacy be protected?

I cannot guarantee that you as participant will not be identified but as none of the restaurants will be named and no identification of location will be given this is not likely. In addition the research focuses on concerns regarding viability, and as such will be focusing on patterns and trends rather than on individuals.

What are the costs of participating in this research?

There will be no cost to you for participating in this project apart from 45-60 minutes you will be spending in the interview.

How do I agree to participate in this research?

You will be provided with a Consent Form that you need to complete and return to me before the interview.

Will I receive feedback on the results of this research?

Yes, a summary of the results will be sent to you if you wish to see it.

What do I do if I have concerns about this research?

Any concerns regarding the nature of this project should be notified in the first instance to the Project Supervisor, Assoc Prof Pat Strauss pat.strauss@aut.ac.nz 09 921 9999 Ext 6847 and Warren Goodsir, warren.goodsir@aut.ac.nz +64 9 921 9999 Ext: 8374

Concerns regarding the conduct of the research should be notified to the Executive Secretary, AUTEK, Dr Rosemary Godbold, rosemary.godbold@aut.ac.nz , 921 9999 ext 6902.

Whom do I contact for further information about this research?

Researcher Contact Details:

Shih Yun (Beverly), CHEN beverly761112@hotmail.com

Project Supervisor Contact Details:

Assoc Prof Pat Strauss, School of Language and Culture, AUT University, Private Bag 92006, Auckland

Warren Goodsir, School of Hospitality and Tourism, AUT University, Private Bag 92006, Auckland

Approved by the Auckland University of Technology Ethics Committee on 28 May 2013 AUTEK Reference number 13/75.

Appendix 2: Consent Form

Consent Form

For use when interviews are involved.



Project title: Factors affecting the viability of independent restaurants: A qualitative case study in Auckland city.

Project Supervisor: Associate Professor Pat Strauss and Warren Goodsir

Researcher: Shih Yun (Beverly) Chen

- ☐ I have read and understood the information provided about this research project in the Information Sheet dated 16 April 2013.
- ☐ I have had an opportunity to ask questions and to have them answered.
- ☐ I understand that notes will be taken during the interviews and that they will also be audio-taped and transcribed.
- ☐ I understand that I may withdraw myself or any information that I have provided for this project at any time prior to completion of data collection, without being disadvantaged in any way.
- ☐ If I withdraw, I understand that all relevant information including tapes and transcripts, or parts thereof, will be destroyed.
- ☐ I agree to take part in this research.
- ☐ I wish to receive a copy of the report from the research (please tick one): Yes ☐ No ☐

Participant's signature:

Participant's name:

Participant's Contact Details (if appropriate):

.....
.....
.....
.....

Date:

Approved by the Auckland University of Technology Ethics Committee on 28 May 2013
AUTEK Reference number 13/75.

Note: The Participant should retain a copy of this form.

Appendix 3: Interview questions

Interview questions

Location: Menu: Food/ Beverage

Short introduction of the owner and the restaurant:

Demographic questions:

Your position: Owner/manager; working owner/ manager or not

What knowledge and experience did you have prior to owning this business?

Is this your first restaurant? If not, how many have you owned?

About the restaurant:

Years in operation:

Restaurant style:

Restaurant classification: casual/ fine-dining

Days and Hours of operation:

Number of meal periods:

Restaurant size (number of seats):

Outdoor dining area: yes/ no

Number of employees:

Staff Schedules (number of shifts):

Are you fully licensed:

Is this restaurant family owned or involves family members? In what degree are they involved?

The legal form of the business: corporation/ partnership/ sole proprietor/

Before the business:

Why did you decide to go into the restaurant business?

- What is the motivation?
- How did the business start? (New/ existing/ conversion/ buy-out)
- What was the original idea? (New concept/ kept concept/ current trend/ ego)
- Specific vision or mission statement? Plan for the future? Where do you see yourself within the next five years?

What did you do to prepare for owning this business?

- Any market research regarding the restaurant market, and customers?
- Did you take location factor into account before you start your restaurant business?
- Economic forecast?
- Any feasibility study to measure whether the business is feasible when consider cost, profit and technical issues?
- Did you develop a business plan?
- What consultation you have obtained before the start of the restaurant?

How was the restaurant financed?

Regarding your current operations:

What do you do to continue to develop your knowledge and skills as the restaurant owner/ manager?

Do you apply any cost control/ budgeting in your restaurant?

Yes, what and why? No, why?

Do you apply computer system/ programme in your operation?

(E.g. Ordering system, inventory system) Yes, what and why? No, why?

Do you use any on-going external professional help?

(E.g. marketing resources, accounting consultants) Yes, what and why? No, why?

Does your restaurant has any marketing plan?

Advertising/ promotion programme? Yes, what and why? No, why?

Does your restaurant has any concept?

If yes, is it the same one before the business started? No and why?

Does your restaurant offer on-job training and continued education for your staff?

Do you provide staff manual or kitchen manual (update)? Yes, what and why? No, why?

Regarding the viability of your restaurant:

1. Have you (or know someone) experience any imbalance between your life and work? If yes, what happened? How it was resolved? If no, do you think the imbalance will affect restaurant viability?
2. Do you think, as restaurant owner/ manager, your emotion (positive and negative) has impact on the performance of your restaurant? What do you think will be the possible impact?
3. Studies indicate that different stage in the family life will affect the restaurant's viability, do you believe it is the case? (Youth/ early childhood → Maturity → Marriage/ family → Empty nest → Retirement)
4. As the restaurant manager/ owner, could you please tell me what do you think is restaurant failure? And what is restaurant success?
5. Why do you think some restaurants failed? Do you know restaurants that did not work out and came to the result of failure that is defined by you in the last question? What is the story? What do you think went wrong and lead the restaurant to failure?
6. In your opinion, what are the most difficult factors to control within a restaurant business? What are the greatest challenges?

Appendix 4: Interview schedule

Pseudonyms	First contact date/ way	Interview date	Consent form and information sheet	Interview duration	Thank you email	Provide result if required
Matthew	17/06/13 Email	19/06/13	x	1 p.m.–3 p.m.	x	
Jack	24/06/13 Email Phone follow-up on 29/06/13	06/07/13	x	12.30 p.m.–1.30 p.m.	x	required
Henry	20/06/13 Email/Phone follow-up on 02/07/13	08/07/13	x	2.30 p.m.–3.30 p.m.	x	required
Chloe	20/06/13 Email	24/06/13	x	10 a.m.–11 a.m.	x	
Ethan	02/07/13 Phone call	07/07/13	x	3.30 p.m.–4.30 p.m.	x	required
David	01/07/13 Phone call	07/07/13	x	11 a.m.–12 p.m.	x	required
Anna	20/06/13 Email Follow-up on 02/07/13	10/07/13	x	9 a.m.–10 a.m.	x	
Emma	08/07/13 Phone call	13/07/13	x	3 p.m.–4 p.m.	x	required
Daniel	13/07/13 Email	20/07/13	x	11 a.m.–12 p.m.	x	required
Olivia	07/07/13 Email	29/07/13	x	5 p.m.–6 p.m.	x	
Jacob	23/07/13 Phone call	24/07/13	x	2 p.m.–3 p.m.	x	required

