

## **BIBLIOGRAPHY**

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## **ABSTRACT**

The study is conducted to know the characteristics and kinds of restaurants operating in Baguio City. Identify problems and solutions encountered by these restaurants, to determine their competitive advantage and the action plan identified to increase productivity.

The study revealed that majority of the respondents belong to the economy class restaurants, and most of them are giving full service to their customers.

The main reason of entrepreneurs engaging in restaurant business is for them to create employment and for family income.

The forms of pricing method they usually used are value pricing for products that are usually consumed, cost plus method and market share approach because most of their competing restaurants have the same price for the same products.

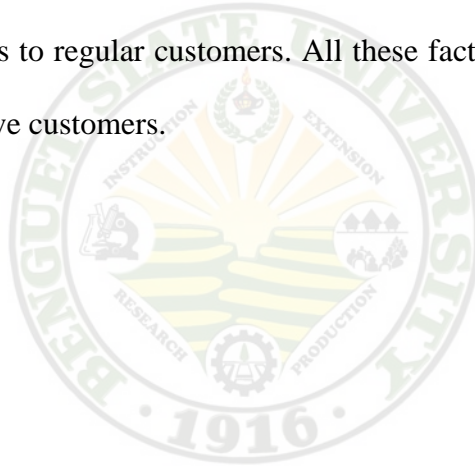
At present, the study identified that most of these restaurants are still competitive and profitable, how ever there are some who are risky and declining due to mismanagement and lack of finance.

In identifying their competitors, most say that they consider the competitors services, status, capabilities and objectives. These are there strategies to know their gap to other restaurants in order for them to improve.

The study also revealed that the advantages of the respondents are more on product differentiation, quality service and trained staff. Even though, some say that they used unique strategy and lower the prices of the food for them to have customers and sales as compared to their competitors.

In promoting their business majority of them advertising in ads, media, billboards, flyers and sponsorships to any kind of party or occasions. Some respondents also do not promote their business due to lack of budgetary finance.

The study have found out that majority of the respondents counteract competitive advantage around price such as offering senior citizen discounts, holiday special price, lesser price and discounts to regular customers. All these factors give them advantage to be competitive and to have customers.



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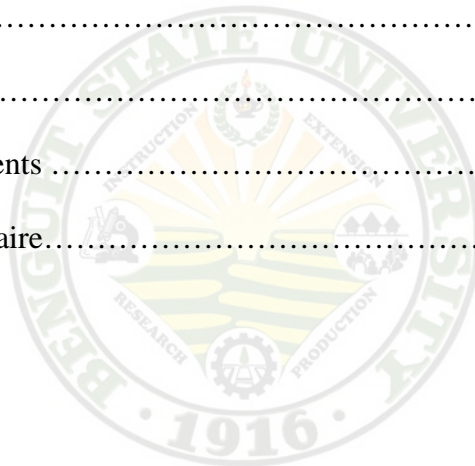
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## INTRODUCTION

### Rationale of the Study

Opening a restaurant is a distinct challenge. It is a thrill that gives one the opportunity for tremendous creative expression. Developing the menu, creating a new dish, designing the décor, attending to your level of service or establishing an ambience, these factors all contribute to exceeding the expectations of the customer. However, there are numerous hurdles to overcome before the opening; the good news is that with careful planning, including the writing of business plan, the chances of success may improve (GO Software, 2003).

A restaurant shall be held to mean any establishment offering the public regular and special meals or menu, cooked foods and short orders. Such public eating places also serve coffee, beverages and any kinds of drinks (Petterutto, 1979).

A restaurant is also an establishment that serves prepared food and beverages to be consumed on the premises. The term covers multiplicity of venues and diversity of styles of cuisine. Sometimes it is a feature of larger complex, typically a hotel, where the dining amenities are provided for the convenience of the residents, and of course, for the hotel to maximize their potential revenue. Such restaurants are often also open to non-residents (Kinnear, 1986).

In the past, cooked food service industries make-up the largest segment of world economy; Enjoying a phenomenal growth coupled with a great demand for trained employees and it takes advantage to the local entrepreneurs an alarm to engaged in this kind of business enterprises (Go Software, 2003).



It is easy to set employees each doing his or her own thing in effect. Such a situation can foster competition rather than cooperation. If any situation calls for teamwork, it is the fast-paced dining room, which requires working in harmony, goodwill and trust. It is much easier and faster for two service people to serve a party of six than it is for one. Normally a server cannot carry more than four plates, and it is necessary to make it a short trip so that the two other plates will not get cold. Some restaurants operate with servers working as a team so that at least customers will not get bored waiting for the order. The team system has one major advantage; hot food is served hot, very quick service is good accommodation (Machado, 1996).

Restaurants literature and educational programs uniformly urge service personnel to promote and sell as part of the service job. The rationale is that sales will increase, and if the sales job is done correctly, customers will have a better dining experience. Another factor for having sales increase demands a particular approach; “Will you have an after dinner?” “Will you have cocktail?” “Will you have dessert?” people may feel assured and sometimes say so, especially if the servers approach is very soft (Kotler, 1999).

Competitive advantage is a company’s ability to perform in one or more ways that competitors cannot match. One sustainable competitive advantage, those that deliver high customer value satisfaction, which leads to high repeat purchases and therefore high company profitability (Kotler, 1999).

Basically it also means by offering consumers lower prices than competitors for similar products or by providing more benefits that justify higher prices. Thus, the company must do a better job than the competitors of keeping cost and prices down, or





of developing better products. The company must compare its prices and products to those of competitors and look for possible improvements. To the extent that it can do better than its competitors, it has achieved competitive advantage (Kotler, 1999).

### Statement of the Problem

The study deal mainly on the different aspect of competition in order to determine the competitive advantage of restaurants in Baguio City. More specifically, this study was conducted to find answers to the following questions:

1. What are the characteristics and kinds of restaurants in Baguio City?
2. What are the current profile, status, and purpose o deciding to engage in restaurant business?
3. Who are their potential competitors?
4. What are their advantages, competencies and capacities as compare to other competitors?
5. What are their problems regarding the competition and their solutions?
6. What are their plans to improve their strategies, management and advertising?

### Objectives of the Study

The study aimed to:

1. Know the characteristics and kinds of restaurants.
2. To identify problems and solution encountered by the restaurants.
3. To determine advantages of high competition in restaurants at Baguio City.
4. To identify action plan to increase productivity and standard.



### Importance of the Study

The study will be a tool for comprehensive reference and contributes information or knowledge regarding the competitive advantage in selected restaurants in Baguio City.

The volume of restaurants in Baguio City now is high, thus results of this study will be beneficial information in order for them to gain new ideas on how to compete and take advantage to be ahead and help them encourage to continue operate their business efficiently.

Finally, this study could be the opening line or material for aspiring entrepreneurs and students to get involved in the said enterprises.

### Scope and Delimitation

This study is limited only on the profile of the restaurants towards the competitive advantage in their enterprises.

The respondents of the study were the managers, owners of the different restaurants in Baguio City.



## **REVIEW OF LITERATURE**

### Competitive Advantage

Competitive advantage is defined as to carry out processes; a company needs resources such as manpower, materials, machines and information. These resources can be owned leased or rented. Traditionally, company's sought to own and control most of these resources that entered their business (Kotler, 1999).

In any industry, businesses create a competitive advantage through price or the market. A price or cost advantage is tied directly to production costs, efficiency, or available technology. A competitive advantage in the market requires you to develop market differentiation—the aspect of your business that sets you apart from the competitors in your industry. Companies that build and sustain a distinct market differentiator generally have unique attributes (Kauffman, 2006).

### Competitive Advantage Using Market Differentiators

Kauffman (2006), said that each of these companies has grown by using some kind of market differentiator, such as the following:

- Unique way to meet the needs of a niche market
- Brand recognition in the market
- Proprietary or trade secrets for operations
- Customized or proprietary software or technology
- Patents and trademarks
- Unique combination of products/services



- Access to leading or scientific research
- Highly skilled and creative staff
- Reputation for quality and innovation

Companies with a price, or cost, advantage over competitors usually have internal strengths that are difficult for other competitors to replicate, including:

- Investments in production and equipment
- Expertise in designing products/services efficiently
- Access to less expensive materials
- Operational processes replicated consistently
- Outsourcing partnerships
- Efficient distribution channels
- Effective hiring practices, low turnover, and highly skilled/knowledgeable staff
- Efficient production or operational systems
- Innovative equipment or technology
- Strategic alliances that support delivery to customers

### Six Differentiators that Build a Competitive Advantage

Kauffman (2006), identified six differentiators that build competitive advantage. A true competitive advantage is one that is difficult for other competitors to copy and one that customers find valuable. Ultimately, your competitive advantage is why customers choose to do business with your company over anyone else. If customers don't value your differentiator, then you don't have a competitive advantage. Here are six ways your company can differentiate itself from the rest:



Core competencies. The core competencies can be used to develop an edge over the competition by providing products or services that customers value over products or services your competitors offer. Core competencies are the strengths that allow you to meet the needs of your customers. Keep in mind: your core competencies may change over time, depending on the demands of the marketplace and the dominant position you want to have over competitors.

Reputation for superior products/services. Provide the best products or services in the industry or market. Your focus on quality will give you a reputation for expertise in specific areas. For example, Nordstrom focuses on offering customers the best possible service, selection, quality, and value. Nordstrom sets the standard for department store customer service and a guaranteed, money-back commitment to meet customers' expectations.

Niche market. Offer products or services to meet the specific demands of the target market(s). A niche market is a distinctive group of customers within a larger market or a smaller segment of a product line. For example, Tom's of Maine®, by positioning its toothpaste as a natural product, created a new category in the toothpaste market. Since no other toothpaste filled this need, the company was able to charge a premium price that consumers who buy organic or all natural products will gladly pay.

Unique distribution channels or delivery methods. Use a selling method that is unique to the industry or difficult for competitors to use effectively. Provide multiple products or services to the same or similar markets through an effective distribution channel.



Organizational efficiency. Look for less expensive materials and more efficient equipment. Streamline your processes and find ways to make products or deliver services more efficiently. Outsource to efficient and highly skilled suppliers. Hire staff with expertise that can improve operations and efficiency levels.

Unique technology and innovative products or services. Use unique, innovative, and leading technology to market, sell, and serve target markets. Consider using the Internet to offer products or services to local, regional, national, or global customers. Invest in technology to manufacture products, manage operations, or track customer information.

Strategy is integrated action in pursuit of competitive advantage. Successful strategy requires an understanding of the unique value that will be the source of the firm's competitive advantage. Firms ultimately succeed because of their ability to carry out specific activities or groups of activities better than their competitors. These activities enable the firm to achieving and sustaining competitive advantage. This unique value must be something that competitors cannot match (Keegan, 2002).

Differences in management styles, organizational skills, and strategic perspectives create advantages and disadvantages for firms competing in different types of industries, as do differences in the intensity of domestic rivalry. Domestic rivalry keeps an industry dynamic and creates continual pressure to improve and innovate. Local rivalry forces firms to develop new products improve existing ones, lower costs and prices, develop new technologies, and improve quality and service (Keegan, 2002).

Kotler (1999), says that competitive advantage is a vis-à-vis relevant competition, which is more attractive to customers. The advantage can exist in any element of the



company's offer; the product, the service, price, advertising and point of sale promotion, or the distribution of the product. One of the most powerful strategies for penetrating a new national market is to offer a superior product at a lower price. The price advantage will get immediate customer attention, and, for those who purchase the product, the product superior quality will make an impression.

Most business operate in a competitive environment which is expanding into the global arena, and in order to get that sale they must satisfy customer needs better than their competitors. This is called building competitive advantage. You will also find terminology-differential advantage, competitive edge or USP-unique selling proposition. In other words what a need of breakthrough opportunities-opportunities that help develop hard to copy marketing strategies that will be very profitable for a long time. To be innovative, always bear in mind that the success will greatly depend on the value and need satisfaction offered in the target market (Schwerdtfeger, 2001).

Porter (2004), stated that a firm possesses a Sustainable Competitive Advantage (SCA) when it has value-creating processes and positions that cannot be duplicated or imitated by other firms that lead to the production of above normal rents. An SCA is different from a competitive advantage (CA) in that it provides a long-term advantage that is not easily replicated. However, these above-normal rents can attract new entrants who drive down economic rents. A CA is a position a firm attains that lead to above-normal rents or a superior financial performance. The processes and positions that engender such a position are not necessarily non-duplicable or inimitable.



## Building Sustainable Competitive Advantage

Porter (2004), said that there are basically six types of assets that help build an SCA. These categories are exhaustive and include all of the company's SCAs:

Organization and managerial process. Coordination and integration: Coordination among teams in organization is key to organizational success. Interdepartmental coordination and resource sharing to reach a common goal is fundamental to creating "value". Integrating resources is key to the success of firms. Firms that are able to integrate resources see synergistic effects of resources coming together.

Learning. Organizational learning is a key to the success of a firm. It determines how a firm collects, distributes, interprets and responds to market based information collection and changes in the environment. These changes in the environment could be customer based changes, technological developments, legal and government restrictions. Firms have to develop robust market sensing and spanning capabilities to effectively collect information. Once they collect info they have embed this knowledge in the products they produce.

Reconfiguring and transformation. The environment for firms is constantly changing and constant reconfiguring and transformation is the key to form SCA. A double loop learning and transformation is the best way to produce innovative products. Innovative capacity of a firm determines how it reacts and learns from market information.

Positions. Market positions are the assets of a company. Most of them are technological assets, financial assets, reputation assets and structural assets. The structure





of a company can determine how it performs. The hierarchy of a company can influence its culture, procedure and routines.

Paths. Path dependencies: At the birth of a company usually accompanied with certain orientations. The progenitor brings certain orientations and attributes that stay with the company for a long time. The path the company takes then determines the development of its competencies.

Technological opportunities. Technology development at a time can determine how a firm can exploit opportunities to form SCA. Very often, we see the advent of several technological factors converging into a capability that forms a SCA. An example would be the rise of companies such as Genentech at the turn of the previous century with the advent of gene mapping, significant developments in target selection and databases of previous studies and gene pools.



## **METHODOLOGY**

### Locale and Time of the Study

The research study was conducted during the period of October 2006 to December 2006 in Baguio City where most restaurants are found.

### Respondents of the Study

The respondents of the study were the managers, owners and supervisors of the restaurants. The restaurants were classified according to their kinds and characteristics. A sample of 35 establishments was chosen at random.

### Data Collection

A structured survey questionnaire was used as a tool in gathering data. This was given personally to the respondents by the researcher. Actual interview was done to satisfy and validate some necessary questions. Personal observation was also done and key informants were interviewed for additional information regarding the topic.

### Data Gathered

The data gathered focuses on the profile of restaurant towards competitive advantage. This includes the current status of the restaurants such as different strategies, marketing strategies, problems on their operation, identified solutions and their planned actions. Other data gathered were the pricing strategies, impact of SM City to outside restaurants and factors in identifying competitors.



## RESULTS AND DISCUSSION

### Profile and Classification of the Respondents

Table 1 presents the classification and profile of the respondents. This was represented according to kinds of restaurants, their qualities and requirements, items available inside or outside their business and their special services. Result show (28.57%) of the respondents said that they are family restaurants followed by 20% which are fast-food and only 2.86% for Japanese restaurants which is the lowest among the 35 respondents. The rest comprises to Ethnic restaurant (11.43%), 8.57% for Chinese restaurant, while 5.71% for Fine dining, Café /bakery and Mongolian restaurant.

Quality. As shown in table 1, the respondents were asked to check the basic requirements in operating or opening a restaurant business. Majority of them posses those necessities and items as needed in the operation such as technologies, utilities, sanitation and a lot more. Although some requirements are not necessary for their operation, this was still the guide for approval of Department of Trade and Industry and business licensing from the government unit.

Items available inside the restaurant. The table also shows the different technologies or machines found with in and alone the premises of the restaurant. This implies that they are completing the basic requirements in operating a restaurant. As found in the Rules and regulations to govern the Business operation of all restaurants in the Philippines under the Department of Tourism. This also serves as a guide in identifying the class or levels of restaurants.



Status of restaurant business. The table shows most (74.29%) of the respondents are now risky while (68.57%) profitable, meaning, they have a wiser and good operation.54.29% claimed that they are still competitive and 42.86% are now declining.

The result indicates that most of the respondents are operating with the same level of environment but still the customers are looking for their own preference of food or services. In addition, some restaurants lack proper management due to improper job placement of staffs.

Table 1. Profile of the restaurants

CHARACTERISTICS	FREQUENCY	PERCENTAGE
Kind of Restaurant		
Fast-food	7	20.00
Chinese restaurant	3	8.57
Public house restaurant	0	0.00
Family restaurant	10	28.57
Café and Bakery restaurant	2	5.71
Ethnic restaurant	4	11.43
Fine dining	2	5.71
Japanese restaurant	1	2.86
Mongolian restaurant	2	5.71
Italian restaurant	4	11.43
<b>TOTAL</b>	<b>35</b>	<b>99.99</b>



Table 1. Continued...

CHARACTERISTICS	PERCENTAGE	FREQUENCY
Services Offered/Utilities available		
Parking availability	12	34.29
Clean comfort rooms	22	62.86
Lounge/lobby	14	40.00
Furnishing and lighting	21	60.00
Entertainment/sound system	18	51.43
Carpeting	15	42.86
Pantry/cold storage	20	57.14
Back sink	35	100.0
Quality service staff	30	85.71
Foreign exchange counter	8	22.86
Security personnel	25	71.43
Adequate location	19	54.29
Strict maintenance	33	94.29
Good air conditioning	18	51.43
Reception area	8	22.86
Elevator	3	8.57
Telephone	35	100.0
Menu book	35	100.0
Linen/table cloth	17	48.57
Crockery/glass wares	26	74.29



Table 1. Continued...

CHARACTERISTICS	PERCENTAGE	FREQUENCY
Cuisine	14	40.00
Separate bar	16	45.71
Housekeeping	13	37.14
Good atmosphere	25	71.43
Emergency power	33	94.29
Fire fighting facilities	28	80.00
<b>Status of Restaurant Business</b>		
Risky	26	74.29
Profitable	24	68.57
Competitive	19	54.29
Declining	15	42.86
*Multiple response		

#### Mode of Services the Restaurant Offers

As shown in table 2, the restaurant offers different aspect of customer service, 91.43% are offering delivery service upon order of the food with the restriction of waiting because it will still be cooked. 82.86 % offers full service, and 25.71% for self service. As observed from the research, most self-service restaurants are fast-food centers.



Table 2. Mode of services the restaurant offers

CHARACTERISTICS	PERCENTAGE	FREQUENCY
Mode of Services		
Self service	9	25.71
Delivery service	32	91.43
Full service	29	82.86

\*Multiple response

#### Respondents Advantages from Other Restaurants

Table further shows that 88.57% of the respondents have unique strategy as their advantage to other restaurants, followed by the efficient trained staff (85.71%) of the trained staff, for quality service 77.14%, and product differentiation (68.57%). Among the other advantages, these four are the topmost reason for being ahead in the competition. Some of other reasons are fast service, low price and established research analysis.

In other aspect, the three reasons as the lowest also give emphasis on effective operation, even though majority of the respondents do not use this as their basis for success. It still helps develop more customers' attention.

Accessibility and availability to target customers. In this table, it shows that the respondent's rate good ambiance and spacious dining 77.14% because it is where customers are usually relax. (71.43) is given to romantic and intimidating. Most customers in this area are partners, couples, lovers. They enjoy most if the environment is conjoint to their situation, and followed by 34.29% for spacious parking area. The



customer is also looking for availability of parking area; this is the most problem of other respondents because some customers roll back if parking area is not available. This problem has something to effect in the sales.

Table 3. Respondents' advantages from other restaurants

PARTICULARS	FREQUENCY	PERCENTAGE
Advantages to other competitors		
Product differentiation	24	68.57
Low prices of food	9	25.71
Established research analysis	8	22.86
Unique strategy	31	88.57
Trained staff	30	85.71
Quality service	27	77.14
Fast service	15	42.86
Accessibility and Availability to Target Customers		
Good ambience and spacious dining	27	77.14
Romantic and intimidating	25	71.43
Spacious parking area	12	34.29

\*Multiple response





### Ways Considered in Identifying Competitors

Table 4 shows the things considered in identifying competitors. This was obtained by knowing the competitor's objective plan, their strategies, competitor's capability, present status, services offered, and prices of food commodities. Basically some of the respondents admit that they are personally observing and assigning staffs to determine competitors operation. Out of the 35 respondents, 91.43% identified for competitor's capabilities were usually considered in identifying other restaurants. This was followed by competitors present status (85.71%), services offered (82.86%), prices of food commodities (71.43%), objective plan (62.86%) and identifying strategies (60%).

Table 4. Ways considered in identifying competitors

PARTICULARS	FREQUENCY	PERCENTAGE
Ways Considered in Identifying Competitors		
Competitors objective plan	22	62.86
Strategies	21	60.00
Competitors capability	32	91.43
Competitors present status	30	85.71
Services offered	29	82.86
Prices of food commodities	25	71.43

\*Multiple response



### Status of Competitors

Table 5 shows the result of knowing the status of the competitors after identifying the competitors. In this area, it was considered that majority of the restaurants were also offering the same food variety (97.14%), followed by (91.14%) affected by geographical changes. Some other status of competitors that will create bankruptcy is financial stability (62.86%). Likewise large marketing and advertising was declared 54.26% while longer histories of operation (51.43%).

Table 5. Status of competitors

PARTICULARS	FREQUENCY	PERCENTAGE
Financial stability	22	62.86
Large marketing and advertising	19	54.26
Longer histories of operation	18	51.43
Same food services	34	97.14
Also affected by geographical changes	32	91.43
Offer lower prices	8	22.86

\*Multiple response

### Action Plan of the Respondents after Identifying Competitors

Table 6 shows the action plan after the respondents have identified the profiles of their competitors. Most (79.29%) from the respondents said that they need to focus on the planning of future commodity prices, closely followed by awareness on food safety



(71.43%). This implies that majority of the restaurant owners are very strict on sanitation. More than half of the respondents (57.14%) also revealed in anticipation of company cost, which means cost cutting should be applied in all kinds of expenditures. On the other hand, 40% replied that making projections on environmental changes and generate marketing conditions. However, 48.57% said that responding immediately on customers demand will also help in building up good rapport to the customers.

Table 6. Action plan of the respondents after identifying competitors

PARTICULARS	FREQUENCY	PERCENTAGE
Generate marketing conditions	14	40.00
Planning of future commodity prices	26	74.29
Awareness of food safety	25	71.43
Anticipation of company cost	20	57.14
Making projections on environmental changes	14	40.00
Responding immediately on customer demand	17	48.57

\*Multiple response

#### Strategies Implemented by Respondents after Identifying Competitors

Table 7 present the strategies implemented by the respondents after identifying competitor's advantages. Majority (82.86%) of the respondents said that human resource efficiency and capacity is the most effective strategy in order to stay in the competition or



even ahead. This is more effective to influence proper duties and responsibilities of every staff that has a task.

According to Keegan (2002), firms ultimately succeed because of their ability to carry out specific activities better than their competitor's do, this enable the firm to create unique value for their customers.

On the other hand, 74.29% said that technology adoption is a wiser strategy in order to have quality products or food and be able to meet the standard of customers. 65.71% replied that appropriate organizational chart will develop proper order or detailed working. However, 62.86% said that they need to improve their management while 54.29% need to access on reliable information system.

The table emphasized that majority of the respondents have a greater plans in implementing their own strategy.

Table 7. Strategies implemented by respondents after identifying competitors

PARTICULARS	FREQUENCY	PERCENTAGE
Appropriate organizational chart	23	65.71
Technology adoption	26	74.29
Human resource affectivity	29	82.86
Information system access	19	54.29
Improved management	22	62.86

\*Multiple response



### Factors to Consider in Human Resource Management

Table 8 represents the emphasis on human resource management. 74.29% from the respondents claimed that there should be strict and proper training on all stations. 2.86% on update tracking of performance followed by 45.71% immediate relay of needed information. However some respondents include 42.86% on proper job placement.

Table 8. Factors to consider in human resource management

PARTICULARS	FREQUENCY	PERCENTAGE
Proper training on all stations	26	74.29
Immediate relay of needed information	16	45.71
Update tracking of performance	22	62.86
Proper job placement	15	42.86

\*Multiple response

### Pricing Method Adopted by Respondents

One of the most powerful strategies for penetrating a new national market is to offer a superior product at a lower price. The price advantage will get immediate customer attention, and for those who purchase the product, the superior quality will make an impression (Kotler, 1999).

Table 9 presents the different pricing method. In this method of pricing, majority of the respondents uses 2 or more pricing strategies to avail the exact price for their products. 85.57% usually use cost-based method. This method was taken from cost plus method, return on investment pricing, and experience curve pricing. This was followed



by integrative pricing (68.57%), under this method; marginal approach is commonly used as to competitive bidding approach and multi-stage pricing. However, 62.86% claimed that they are using demand based, in this method it covers value pricing which demands on the value of the product, prestige pricing wherein it was denote from ranking the products, odd-even pricing, price lining and leader pricing.

Furthermore, 48.57% replied that competition based is one-way method to have common price of products. This method was based on market share prices, price leadership and customary pricing.

Table 9. Pricing method adopted by respondents

METHOD	FREQUENCY	PERCENTAGE
Demand based	22	62.86
Cost based	31	88.57
Competition based	17	48.57
Integrative based	24	68.57

\*Multiple response

#### Purpose in Engaging Restaurant Business

Table 10 shows the purpose of the respondents in engaging restaurant business. All of the respondents said for family income and source of livelihood, followed by 82.86% to create employment, and 57.14% as application of educational skills. Among other reasons are less priority of the respondents; 28.57% to join the competition, 5.71% is just for past time.



Table 10. Purpose in engaging restaurant business

PURPOSE	FREQUENCY	PERCENTAGE
For past time	2	5.71
Application of educational skills	20	57.14
Family income	35	100.0
To create employment	29	82.86
To compete	10	28.57

\*Multiple response

### Technology Adoption

Table 11 shows that among the 35 respondents, 80% said that adapting or upgrading new technologies is necessary to their business, while 20% revealed that they are already contented with their old machines because buying another set of technologies will cost them so much.

Technology is expected to contribute to greater effectiveness in generating revenues, whether achieving same location revenue growth, increasing customers count as well as increasing size of average sales. It also plays a vital role in differentiating the service and product offering (Kotler, 1999).



Table 11. Technology adoption

PARTICULARS	FREQUENCY	PERCENTAGE
Adopt technology	28	80.00
Do not adopt technology	7	20.00
<b>TOTAL</b>	<b>35</b>	<b>100.0</b>

Impact of Fast-Food Centers and Solutions to Counteract Impact at SM City Baguio to Outside Restaurants

Impact. Table 11 shows that fast-food centers In SM City Baguio greatly affect the operation of restaurants outside SM. More than half (54.29%) said that they lost their regular customers and their income had reduced, while 48.57% reveals that they have already minimal customers.

Solutions to counteract impact. The table shows that after being affected with the opening of SM City Baguio, the restaurants have implemented solutions or action for continuous operation; 71.43% said that they need to have cost cutting or control to avoid expenditures that are unnecessary, 68.57% from the respondents claimed that they need to expand their advertisements like advertising in adz, media, brochures, billboards etc, 62.86% replied that they would improve the quality of their products and services, 54.28% also said that they need to orient more their staff to improve their customer service approach and 42.86% revealed that they reduced price of food served.





According to Machado (1996), gaining advantage is a company's liability to define because it has something to do improve their quality. Looking for solutions can foster competition rather than cooperation.

Table 12. Impact of fast-food centers to other restaurants outside SM City Baguio

PARTICULARS	FREQUENCY	PERCENTAGE
<b>Impact of Fast-Food Centers in SM City Baguio</b>		
Less customers	17	48.57
Less income	19	54.29
Loss of regular customer	19	54.29
The restaurant needs more improvement	16	45.71
<b>Solutions to Counteract Impact</b>		
Improving goods and services	22	62.86
Lower prices of products	15	42.86
Delegating staff to improve qualities	19	54.28
Cost control	25	71.43
Anticipate customers needs	18	51.43

\*Multiple response

### Business Promotion Strategies

Table 13 presents the impression of respondents towards business promotion, 97.14% declared that they are always promoting, and it is one major form of their



competencies and expenses, while 2.86% said that they lack funds for promotion because they are on the stage of declining.

Machado (1996), further said that business promotion is also called marketing communication. Various activities are undertaken to communicate its products benefit to persuade the target customers to buy them. In order to differentiate promotion – be innovative in communication with customers and ensure your advertising is unique and different from competitors.

Table 13. Business promotion strategies of respondents

PARTICULARS	FREQUENCY	PERCENTAGE
Promote Business?		
Yes	34	97.14
No	1	2.86
<b>TOTAL</b>	<b>35</b>	<b>100.0</b>
Strategies in Promoting Business Restaurants		
Advertising (adz, media, bill-Boards, coupons)	32	91.43
Sponsorship	17	48.17
Reasons of not promoting Business		
Lack of budget	1	2.86
Not necessary	1	2.86



Actions in promoting business restaurants. The table shows strategies taken to promote their restaurants. Majority (91.43%) said that they are advertising in adz, media, billboards and flyers. 48.17% also said that they are sponsoring any kinds of parties like wedding, birthdays, children's day or any other kind of occasion.

Reasons for not promoting business. Table show that 2.86% are the reasons for not promoting their restaurant because they lack budget, and it is not necessary.

### Competitive Advantage on Price

Price flexibility. Table 13 presents the competitive advantage of restaurants on price. Among the respondents who experience this kind of situation, 100% declared that they are offering senior citizen discounts only if the customers present a valid I.D, 31.43% said that they are giving discounts to their regular customers, some (22.86) replied that they are giving discounts every time there is a holiday like Christmas season while 20% said that they have always lesser price as compared to other restaurants, and 45.71% declared that they are increasing their prices due to increase of materials used.

Causes of price inflation. Table presents the causes of price inflation. All of the respondents said that salary increase is the major cause of increasing the prices of their product, followed by 65.71% increase in materials needed and as the second topmost cause. Furthermore, 60% declared that rentals and utilities expense is also one factor.



Table 14. Competitive advantage on price

PARTICULARS	FREQUENCY	PERCENTAGE
Offering senior citizen discounts	35	100.0
Seasonal price discounts	8	22.86
Discounts to regular customers	11	31.43
Price flexibility	16	45.71
Lesser price	7	20.00
<b>Causes of Price Inflation</b>		
Salary increase	35	100.0
Land and construction cost	9	25.71
Rentals and utilities expense	21	60.00

\*Multiple response

#### Special Qualities /Uniqueness of the Restaurants by Respondents

Table 15 presents the qualities or unique specialties of the respondents. 80% as the topmost was declared because of fast and clean service. Majority of the respondents said that cleanliness in their premises is a big factor to have regular customers. 71.43% said that their unique qualities was satisfaction of the customers from food, service etc. However, 31.43% declared that they have their own specialty food as one reason for having regular customers.



Table 15. Special qualities/uniqueness of the restaurants by respondents

CHARACTERISTICS	FREQUENCY	PERCENTAGE
Focus on one specialty	11	31.43
Fast and clean service	28	80.00
Satisfying service	25	71.43

\*Multiple response

#### Factors Considered to Stay in the Competition

As presented in Table 16, result shows the factors considered by restaurants management in-order to stay in the competition. All of the respondents said that they are avoiding bad image because it will destroy their reputation, 71.14% said that proper assessment of complaint will yield them to stay in the competition because the customers were secured to any kind of misunderstandings. Some (54.29%) said that strict and disciplined management creates a well-mannered staff, and 45.71% said that consistent quality of product and service should be maintained.

Table 16. Factors considered to stay in the competition

CHARACTERISTICS	FREQUENCY	PERCENTAGE
Strict and disciplined management	19	54.29
Avoiding bad image	35	100.0
Proper assessment of complaint	25	71.14
Consistent quality	16	45.71

\*Multiple response



### Aspect in Focusing Competitive Advantage

Table 17 presents the different aspect of the respondents in focusing their competitive advantage. Among the respondents who have high risk of competition, 62.86% reveal that they are concentrating in industry specialization compared to 37.14% who said that they focus on unique product or service; in aspect they declared some thoughts that it is still the better way as part of competition to determine customer's preference. However, 25.71% also said that geographical location is an advantage because it is easy accessible and compatible to any kind of customers.

Table 17. Aspect in focusing competitive advantage

CHARACTERISTICS	FREQUENCY	PERCENTAGE
Unique product or service	13	37.14
Geographical location	9	25.71
Industry specialization	22	62.86

\*Multiple response

### Factors Considered in Industry Specialization as Form of Competition

Table 18 presents the factors that restaurant owners/respondents considered as form of industry specialization. Majority (91.43%) revealed that they are focusing on customer's preference. The respondents focused on customer's preference because they are aiming to have regular customers. Most (80.00%) declared that they are observing who the potential customers are, this has something to affect the level and kind of their restaurant. On the other hand, 28.57 said that they are trying to identify the different



knowledge, ethnic, culture of customers as a basis in determining the approach to be employed.

This emphasized that majority of the respondents are looking forward to improve their industry and specializing in different factors will help them determine the proper approach, strategy in caring and winning customers.

Table 18. Factors considered in industry specialization as form of competition

FACTORS	FREQUENCY	PERCENTAGE
<b>Factors of Industry Specialization</b>		
Observing who are the potential customers	28	80.00
Customers preference	32	91.43
Customers education	10	28.57

\*Multiple response

#### Factors that Affect the Performance of the Restaurants

Table 19 shows the possibilities affecting the performance of their business. Among the 35 respondents, all declared that it is because of traffic patterns or volume of competitors, followed by 82.86% marketing conditions where majority of their competitors are very aggressive in marketing studies and implementations. On the other hand, 57.14% said that they are being affected by political conditions, and 34.29% said that they cannot manage to get new technologies necessary to their business.



Table 19. Factors that affect the performance of the restaurant

FACTORS	FREQUENCY	PERCENTAGE
Technology problems	12	34.29
Traffic patterns or volume of competitors	35	100.0
Political condition	20	57.14
Marketing conditions	29	82.86

\*Multiple response





## **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### Summary

The study was conducted to identify the competitive advantages of restaurants in Baguio City. It aims to determine the characteristics and kinds of the different restaurants operating in the city, to identify their problems regarding the competition and the action plans or solutions.

A total of 35 respondents were chosen within the city with different aspect of operations. Structured questionnaire was used as a tool in gathering data. The supervisors, managers and owners were the respondents of the study. A personal interview is done to some respondents who preferred an actual interview and personal observations around the premises and key informants were also interviewed for additional information regarding the topic. The data gathered were examined and analyzed using descriptive method like frequency and percentage.

Most of the restaurants in Baguio City belong to the economy class, and most of them are offering full service.

The main reasons of the respondents to engage in restaurant business are for family income and as a source of livelihood, to create employment, and application of educational skills.

All the respondents believed that they have unique strategy as an advantage to other restaurants. Most of these strategies are differentiation focus and cost management, well trained staff, technological assets, financial assets and structural assets, low prices of products and quality service.



Although some respondents focus on customers satisfaction as an advantage. In this aspect some restaurants offer extra services like, good ambience and spacious dining, romantic and intimidating environment, spacious parking area and presence of bar lounge with acoustic bands. Out of the strategies identified, unique product, industry specialization, and geographical location that competitors cannot replicate

Most of the respondents are doing actions to identify their competitors specially their competencies. In identifying, they focus on the strategies, status, plans and capacities of their competitors.

For the general problems encountered by the respondents, most say the traffic patterns or volume of competing restaurants, technology problems, marketing and political condition. Other problems identified were minor because immediate solutions were acted to avoid its emphasis on the operation.

Some of the restaurants operating outside the premises of SM City Baguio declared that they are very much affected. Majority of the problem they encounter are loss of regular customers, their sales decreased and some restaurants are declining. However, they immediately implement solutions for continues operation; improving their goods and services, proper management of pricing, asses their staff to improve their qualities, also cost control and generate their advertising aspect. However, some respondents also said that it is an opportunity for them to expand their business because they open branches at SM City Baguio.

For business promotion strategies, majority of the respondents said that they are advertising in adz, media, billboards, distribute coupons or flyers, sponsorship and mouth



dispersal. In this aspect, majority of the respondents claimed that it is costly and time consuming, however, it helps a lot to gain customers.

Majority of the respondents have their own orientation in pricing their products as to demand based, cost based, competition based and integrative based. In some areas, price is one of their major competitive advantages to other restaurants because they said that customers are now looking for cheaper prices. To stay in the competition regarding prices of commodities, they offer discounts to the senior citizens, to their regular customers and also discounts during holidays. However, some of their complaints regarding price inflations are increase in labor costs, government demand for salary increase, cost of rentals, increase in government taxes and business permits.

For them to improve their marketing sector or competitive advantage. They need to sustain or gain a lot of ideas so that they will be ahead or even competitive. They have implemented a lot of factors such as strict and disciplined management, maintaining good reputation, consistent quality, proper assessment of complaints, technology innovation, cost control, proper order of supplies and resources, acceleration of advertising and proper evaluation of the human resource management.

### Conclusions

Based on the findings of the study, the following conclusions were made:

1. The respondents have different trade names or kinds but majority of them are offering the same products although some have unique features in preparation and few of them are focusing on one product.



2. There are hundreds or more restaurants in Baguio City now that are competing. As observed majority of them are in good operation due to constant and very updated management. However, the competition is very strict and some restaurant businesses are now declining. Most of their reasons to engage in this kind of business are for family income and to create employment.
3. The restaurant operators are competing with each other to be ahead and to have sales. Monitoring their competitors is one factor to create an advantage.
4. Competitive advantages of the respondents are almost similar, but they are still trying to differentiate in order to develop their competencies and capacities.
5. Majority of their problems are technology assets, volumes of competitors, marketing and political condition.
6. They plan to establish more strategies, cost cutting, and proper delegation of the human resource management.

### Recommendations

1. Although it was known that restaurants in Baguio City have an organization. They need to cooperate in all the rules and regulations of their organization to avoid conflicts and mis understandings.
2. Change their attitude of come what may because now a days, if there is no action no possible result.



3. Respondents should be aware of cleanliness or sanitation in their premises so that the customers feel secured and be satisfied.
4. Continue research product development, or develop unique food products to be differentiated from other restaurants.
5. It is further recommended that respondents need to be strict and disciplined their staff to avoid complaints from the customer. In this case, you are maintaining good reputation.
6. Marketing activities should be always updated in areas where it was done and expansion is very much recommended.
7. It is recommended that further study in operations of restaurants should be made with regards to knowing the requirements and be informed on the government laws.
8. For those individual who want to venture into restaurant production, you must first develop a strategic and concise plan, observed the different restaurants and of course gain knowledge on how to have advantage.
9. Often, the only element of business that management can truly control, is its technology. And as technology continues to change and improve, it is positive for managers to embrace the currents trends that have proven ROI and provide operational efficiency.
10. It is also recommended that do not start a price war if you decide to build competitive advantage around price.



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## APPENDICES

### Appendix A

#### Letter to Respondents

College of Agriculture  
DEPARTMENT OF AGRICULTURAL ECONOMICS  
AND AGRIBUSINESS MANAGEMENT  
Benguet State University  
La Trinidad, Benguet

December 2006

Sir/Madam:

I am a graduating Agribusiness student of Benguet State University and in partial fulfillment of the requirements for the degree; I am presently conducting an undergraduate research study entitled “COMPETITIVE ADVANTAGE OF RESTAURANTS IN BAGUIO CITY”.

In this regard, may I request a portion of your time to answer the attached questionnaire to complete the research undertaking as a requirement for graduation. Rest assured that the data will be used for academic purposes only and will be treated with strict confidentiality.

Thank you very much and God bless.

Very respectfully yours,

(Sgd.) JAY B. VELOSO  
Student researcher

Noted by:

(Sgd.) JOVITA M. SIM



## Appendix B

## Survey Questionnaire

## Direction:

Please respond to each item in the questionnaire by putting a check mark or providing the information asked on the appropriate space provided for.

## I. Profile

Name of Restaurant (Trade name) Optional:

\_\_\_\_\_

Years of operation: \_\_\_\_\_

Address: \_\_\_\_\_

Name: \_\_\_\_\_

Position in the Business: \_\_\_\_\_

Kind of restaurant business (pls. check)

- ( ) Fast-food
- ( ) Chinese restaurant
- ( ) Public house restaurant
- ( ) Family restaurant
- ( ) Café and Bakery restaurant
- ( ) Ethnic restaurant
- ( ) All around restaurant
- ( ) Others, pls. specify \_\_\_\_\_

Pls. check if the following items are available:

- |  |   |
|--|---|
| <input type="checkbox"/> ( ) What size ___ higher than 25 seating capacity | <input type="checkbox"/> ( ) Adequate location        |
| ___ 25 seating capacity  | <input type="checkbox"/> ( ) Strict maintenance       |
| ___ lower than 25  | <input type="checkbox"/> ( ) Good air-conditioning    |
| <input type="checkbox"/> ( ) Parking availability                          | <input type="checkbox"/> ( ) Reception area           |
| <input type="checkbox"/> ( ) Clean comfort rooms                           | <input type="checkbox"/> ( ) Elevator                 |
| <input type="checkbox"/> ( ) Lounge/lobby                                  | <input type="checkbox"/> ( ) Telephone                |
| <input type="checkbox"/> ( ) Furnishing and lighting                       | <input type="checkbox"/> ( ) Menu book                |
| <input type="checkbox"/> ( ) Entertainment/sound system                    | <input type="checkbox"/> ( ) Linen/table cloth        |
| <input type="checkbox"/> ( ) Carpeting                                     | <input type="checkbox"/> ( ) Crockery/glass wares     |
| <input type="checkbox"/> ( ) Kitchen ___pantry/cold storage                | <input type="checkbox"/> ( ) Cuisine                  |
| ___ Back sink  | <input type="checkbox"/> ( ) Bar                      |
| <input type="checkbox"/> ( ) Quality service staff                         | <input type="checkbox"/> ( ) Housekeeping             |
| <input type="checkbox"/> ( ) Foreign exchange counter                      | <input type="checkbox"/> ( ) Good atmosphere          |
| <input type="checkbox"/> ( ) Security                                      | <input type="checkbox"/> ( ) Emergency power          |
| <input type="checkbox"/> ( ) Special facilities and services               | <input type="checkbox"/> ( ) Fire fighting facilities |
| ___ Private dining room with audio-visual facilities                       |   |
| ___ Smoking lounge   |   |
| ___ French service and flambi cooking                                      |   |
| ___ Car paging system  |   |
| ___ Customer paging system thru public address or pageboy                  |   |





- \_\_\_ Telephone jacks to bring telephone to customers
- \_\_\_ Separate bar lounge
- \_\_\_ Separate wine list and wine steward
- \_\_\_ Special food or beverage display
- \_\_\_ Toilet facilities
- \_\_\_ Others, pls. specify \_\_\_\_\_

## II. Competitive Advantage

1. What mode of services your restaurants offer?
  - ( ) Self service
  - ( ) Full service
  
2. What are the pricing method you use in the different kinds of food and services offered?

### Demand based

- ( ) Value pricing
- ( ) Prestige pricing
- ( ) Odd-even pricing
- ( ) Price lining
- ( ) Leader pricing

### Cost based

- ( ) Cost plus method
- ( ) ROI pricing
- ( ) Experience curve pricing

### Competition based

- ( ) Price leadership
- ( ) Customary pricing
- ( ) Market share pricing

### Integrative based

- ( ) Marginal approach pricing
- ( ) Multi stage approach pricing
- ( ) Competitive bidding pricing

3. What is your purpose in engaging in restaurant production?
  - ( ) Just for past time
  - ( ) Recreation of hobby or application of educational acquired
  - ( ) For family income
  - ( ) To create employment
  - ( ) To join the competition among other restaurant
  - ( ) Others, pls. specify \_\_\_\_\_
  
4. How much capital you have invested at the start of the operation?
 

---
  
5. At present, what is the status of your restaurant?
  - ( ) Risky
  - ( ) Profitable
  - ( ) Competitive
  - ( ) Declining
  
6. Do you adapt in the fast upgrade of technology?
  - ( ) Yes
  - ( ) No



If yes, what are the machines?

- Point of sale computers
- Credit Card verification machine
- Back office computers
- Video surveillance equipment
- Inventory bar coding tracking
- Speakers monitoring equipment
- Sound system
- Advance equipments used in any stations
- Others, pls. specify \_\_\_\_\_

If no, Why?

- No available funds for advance technologies
- Some machines not suitable for the operation
- Others, pls. specify \_\_\_\_\_

7. What are your advantages as compared to other restaurants?

- Product differentiation
- Lower the prices of food
- Already established research analysis towards the company
- Unique strategy
- Trained staff
- Quality service
- Others, pls. specify \_\_\_\_\_

8. How do you implement product differentiation in your company?

- Changing ingredients of the food
- Changing packaging style to improve brand equity
- Additional benefits to the food ordered (side dish, toppings)
- Others, pls. specify \_\_\_\_\_

9. In identifying your competitors, what are the important things you consider?

- Competitors objective and plan
- Strategies
- Competitors capability
- Competitors present status
- Services offered by other competitors
- Others, pls. specify \_\_\_\_\_

10. What is the status of your competitors?

- Established restaurants with branches and greater financial resources
- Large marketing and advertising budgets
- Longer histories of operation
- Offering the same variety of foods



- ( ) Affected by changes in consumer tastes and by national, local economic conditions, and demographic trends.
- ( ) Others, pls. specify \_\_\_\_\_
11. After knowing all the profiles of your competitors what was the plan identified to go ahead of them?
- ( ) Generate marketing conditions, competition and pricing
- ( ) Forward-looking statements including future capital expenditures, business strategies, strengths, goals and expansion.
- ( ) Planning of future commodity prices and complete availability of food products
- ( ) Awareness of consumers perception on food safety
- ( ) Assessment of materials and employees.
- ( ) Proper anticipation of company cost
- ( ) Ability to make projection on changes in the environment
- ( ) Ability to respond on customers demand
- ( ) Others, pls. specify \_\_\_\_\_
12. In implementing your strategy, what are they that you have identified?
- ( ) Appropriate organizational structure
- ( ) Technology adoption
- ( ) Human resource affectivity
- ( ) Information system access
- ( ) Management style
- ( ) Others, pls. specify \_\_\_\_\_
13. How do you control strategic problems in case strategies are indistinguishable?
- ( ) Encourage efficient operations that are consistent with the plan while allowing the flexibility to adapt changing conditions.
- ( ) Develop performance indicators, information system and specific mechanism to monitor progress.
- ( ) Budgetary assistance to control financial expenditures
- ( ) Others, pls. specify \_\_\_\_\_
14. In actual cases, what is the impact of fast food centers at SM city to your restaurants? (Optional to Non-SM operators)
- ( ) Less customers
- ( ) Less income
- ( ) Loss of regular customers
- ( ) The business found itself for more improvements
- ( ) Pls. specify some other aspect being affected \_\_\_\_\_
15. How did you come up to settle these problems? (Optional to Non-SM operators)
- ( ) Improving goods and services to the customers (extra benefits)
- ( ) Lower prices of products
- ( ) Delegating staff to improve qualities



- Cost control
- Develop more social impact or anticipate what customer's wants and needs
- Advertisements
- Others, pls. specify \_\_\_\_\_

16. How do you give emphasis on human resource management?

- Proper training on all stations
- Immediately relays information if innovation or improvement arise.
- Others, pls. specify \_\_\_\_\_

17. Do you promote your business?

- Yes
- No

If yes, how?

- Advertising in ads, media type, house publication
- Publicity or sales promotion (show stands, coupons, billboards)
- Personal selling (house to house)
- Sponsorship
- Others, pls. specify \_\_\_\_\_

If no, why?

- Lack of budgetary finance
- Others, pls. specify \_\_\_\_\_

18. Do you counteract competitive advantage around price?

- Yes
- No

If yes, how?

- Offering senior citizen discounts
- Seasonal or special price (Christmas, special holidays)
- Discounts to regular customers
- Price flexibility
- Lesser price
- Others, pls. specify \_\_\_\_\_

If no, why? Pls. specify

\_\_\_\_\_

19. What are some of the causes to price inflation in all restaurants?

- Increase in restaurant labor costs
- Government demand for salary increase of employees
- Land and construction costs
- Rentals
- Others, pls. specify \_\_\_\_\_



20. How do you make the business easily accessible and available to target customers?
- Good ambience and spacious dining
  - Romantic and intimate atmosphere
  - Language proficiency of staff
  - Availability of parking area
  - Others, pls. specify \_\_\_\_\_
21. Do you think your restaurant have unique or special qualities?
- Yes  No
- If yes, what are they?
- Focus on one specialty food/unique food/ethnic food
  - Design of the building coincides with the products and services
  - Fast and clean service
  - Satisfying service
  - Others, pls. specify \_\_\_\_\_
22. What are some of the factors you have implemented that made you stay in the competition?
- Strict and disciplined management
  - Avoiding bad image and reputation
  - Proper assessment of complaints
  - Others, pls. specify \_\_\_\_\_
23. In general, what aspect do you focus competitive advantage?
- Unique product or service
  - Geographical location
  - Industry specialization
24. If you include industry specialization as form of your competition, what are the factors you considered to attain advantage?
- Who are the potential customers
  - What are their preferences (what are the products they usually consume)
  - What are their educations, ethnic/culture do they share
  - Others, pls. specify \_\_\_\_\_
25. Finally what are the factors that affect the performance of your restaurants?
- Technology problems
  - Traffic patterns or volume of competitors
  - Political condition
  - Marketing conditions
  - Others, pls. specify \_\_\_\_\_

THANK YOU VERY MUCH AND GOD BLESS!!!!!!!!!!!!

