

## 3.0 Market Analysis

### 3.1 Situational & SWOT Analysis

STRENGTH	STRATEGY
<b>Sales &amp; Marketing</b> – Currently holds largest market share in the shopping	Maintain and grow market share by improving marketing and promotions both within and outside the Shopping Centre
<b>Location</b> within the Shopping Centre for point of sales	Provide quality products and services to generate word of mouth endorsements and repeat business
<b>Skills</b> – knowledge, skills and experience of owners/managers in running successful café businesses previously	Train and develop staff to deliver superior quality of products and services
<b>Financial</b> – owners' access to financial resources and strong cash flow from operations	Fund training, marketing and develop new menu items
WEAKNESS	STRATEGY
<b>Location</b> – capped capacity due to floor space	Investigate the option of negotiating acquisition of additional floor space from adjoining shops

OPPORTUNITY	STRATEGY
<b>Economy</b> – Well positioned to take advantage of a strong economy, low interest rates and high disposable income	Expand marketing and promotion and maintain prices at current market levels
<b>Social Patterns</b> – Population growth (residential development) and increased standard of living	Increase advertising and investigate potential to increase floor space
<b>Physical Factors</b> – Improved public transport and infrastructure	Increase advertising in these surrounding areas to attract new clients
WEAKNESS	STRATEGY
<b>Environmental</b> – Increased cost of utilities, such as water and electrical power	Look at alternatives to develop capacity to use gas and implement water saving policies and practices

**Table 1: SWOT analysis and strategy development**

See appendix for the situational analysis done on both the internal and external environments

### **3.2 Industry Analysis**

The café market is a competitive market with franchised operators starting to emerge in the coffee shop segment (also offering light meals), which will over time increase concentration in this segment. While the level of competition is increasing, the shopping centre in which Café Paradiso will be located has capped the number of cafés and coffee shops within the complex (by covenant in the Lease Agreement). To this extent, there will be limited competition and it is anticipated that all cafés and coffee shops within the complex will be quite profitable.

Key points about the café and restaurant industry:

- ! Greater concentration in higher than average household income areas
- ! Sensitive to changes in real household disposable incomes
- ! Trend towards singles, families and business people meeting and eating out
- ! Growth with households increasing purchasing frequency and the amount spent in each transaction in this area

The current general trend is for cafes and restaurants to concentrate on offering value for money with an emphasis on family restaurants, as well as franchised opportunities. The industry will continue to benefit from higher incomes and time constraints on some households as well as lifestyle changes. This will include more dining out or take away food consumption.

There are three key success factors in the café industry that are essential for the business to do well in order to be competitive. These factors are based on the positioning of the business as well as its' place and physical appearance:

- ! Location of café in terms of:
  - o Proximity to surrounding attractions
  - o Short distance to consumers
  - o Convenience and accessibility
- ! Physical appearance in terms of:
  - o Cleanliness of premises
  - o Quality of food
  - o Quality of service
- ! Clear market position

### **3.3 Competitor Analysis**

Our two main competitors are Club Café and Coffee Extravaganza as they both have strong brand recognition, with high product quality and well-documented processes for how the business should be run which comes from being a national franchise business. However, they have the operating boundaries of the franchisor that doesn't give them the flexibility to change menu items so easily. This flexibility is something Café Paradiso can take advantage of with having a chef who can develop new menu items to meet the changing preferences of customers. Zhavargo's Café is able to be more flexible to market needs attracting the price conscious clientele with an average quality product but this is not the market space Café Paradiso is competing in.

Our competitors have no history of discounting and whilst the number of cafés within the centre is capped, pricing should remain very stable. The following tables outline an analysis of the café's competitors, their products and targeted customers:

**Table 2: Analysis of competitors**

Company Name	Size	Sales Mix (Product/ Service)	Years in Business	Reputation Rating (1-10)
Club Café	National franchise - 20% market share	Coffee, wine and beers and other beverages, light meals, cakes and desserts; liquor licence	2 years - since the centre was opened	8 - Franchise chain has a sound reputation
Coffee Extravaganza	National franchise – 20% market share	Coffee and other beverages, light meals. Focussing more on coffee and beverages	2 years - since the centre was opened	8 - Franchise chain has a sound reputation
Zhavargo's Café	Local suburban café.	Coffee and other beverages, light meals	2 years – since the centre was developed	5 – 6. Variable quality

**Table 3: Analysis of competitors' products and services**

Marketing mix	Club Cafe	Coffee Extravaganza	Zharvargo's Café
<b>Product Quality</b>	High	High	Variable
<b>Price</b>	Upper end of the market	Upper end of the market	Low end of the market
<b>Place/Distribution</b>	Franchise – Australia wide. Locally only the one outlet.	Franchise – Australia wide. Locally only the one outlet.	Only the local outlet.
<b>Promotion</b>	Shop signage, loyalty cards, sideboards and well know brand	Shop signage, loyalty cards, sideboards and well know brand	Shop signage, sideboards
<b>People</b>	Franchisees and staff trained up to the standards of franchisor	Franchisees and staff trained up to the standards of franchisor	Only the local outlet.
<b>Processes</b>	Documented processes and standards to manage and get the most value out of the business	Documented processes and standards to manage and get the most value out of the business	Mainly in the head of the owner
<b>Physical evidence</b>	Everything to the standard of the franchise from the quality of the product, service, fit-out of the premises and staff uniforms etc	Everything to the standard of the franchise from the quality of the product, service, fit-out of the premises and staff uniforms etc	Standards vary in terms of quality of products, services, staff and physical surroundings

Café Paradiso will need to maintain current marketing activities and a high level of service and product quality to ensure its competitiveness. It needs to have a clear market position to target and promote the quality and value for money of products and services.