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## **Promotion and analysis in the development of restaurant business: the case of a steakhouse restaurant in Kazakhstan**

## **Promocja i analiza w rozwijaniu działalności restauracyjnej: przykład restauracji typu "steakhouse" w Kazachstanie**

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## Abstract

The restaurant business was always among profitable enterprises all over the time. Annually people spend around \$1 billion on eating out. Kazakhstan is no exception when it comes to fancy restaurants and good eating places. It is very important for restaurants that they are well organized and pursue their values in order to maintain good client base and be profitable. There are many different aspects that need to be considered before opening a restaurant. Among them are qualified personnel, verified suppliers, creative interior and many others. Nowadays, steakhouses become very popular among middle and high income class customers. It is a place that focuses on meat dishes that came to our country from American culture. CRUDO steakhouse, GoodBeef steakhouse are examples of Almaty finest places. I analyze the operations of full life cycle of restaurant business in Almaty, from registration of the enterprise to its operation, marketing channels and costs, through marketing concepts such as SWOT Analysis, Porter's 5 forces and marketing 4 Ps. The main objective is to analyze all components of restaurant business in Kazakhstani market using the example of the CRUDO steakhouse.

## Keywords

Steakhouse restaurant, analysis, promotion, business model, innovation



## Streszczenie

Dla restauracji jest bardzo ważnym, aby były dobrze zorganizowane i realizowały swoje wartości, aby utrzymać dobrą bazę klientów i przynosić zyski. Istnieje wiele różnych aspektów, które należy rozważyć przed otwarciem restauracji. Należą do nich wykwalifikowana kadra, sprawdzeni dostawcy, kreatywne wnętrza i wiele innych. W dzisiejszych czasach restauracje typu steakhouse stają się bardzo popularne wśród klientów o średnich i wysokich dochodach. Jest to miejsce, które koncentruje się na potrawach mięsnych, pochodzących z kultury amerykańskiej. Steakhouse CRUDO, steakhouse GoodBeef to przykłady najlepszych miejsc w Almaty. Zamierzam przeanalizować działalność pełnego cyklu życia restauracji w Almaty, od rejestracji przedsiębiorstwa do jego działalności, kanałów marketingowych i kosztów. Analiza zostanie przeprowadzona z użyciem koncepcji marketingowej, takich jak analiza SWOT, 5 sił Portera i marketing 4 Ps. Głównym celem jest analiza wszystkich składników działalności restauracyjnej na rynku kazachskim na przykładzie steakhouse CRUDO.

## Słowa kluczowe

Restauracja typu steakhouse, analiza, promocja, model biznesowy, innowacje



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## 1. Introduction

The restaurant business differs from all other types of business as one of the most profitable business, it is on par with the sale of oil, real estate, gold. People spend \$1,000 billion (more precisely, \$1.5-2 trillion a year) for food in restaurants. Most of this money is concentrated in the US, following by Europe and Asia. It is an enterprise that combines art and traditions, the mechanisms of activity and experience of marketers, the philosophy of service and the concept of forming a potential audience.

From year to year, the restaurant business is developing rapidly. There is a serious competition for visitors. This crucial factor makes top managers think over, not only the basic strategy and style of the restaurant, but also the details that make their place unique and exclusive.

Only with the formation of a competently developed concept and the consistent integrated implementation of all components, success is guaranteed in the development of the restaurant.

Restaurants play a very important role in our everyday life. In addition to satisfying physiological needs in nutrition, "going out" to a restaurant has an important social function.

A human being needs not only to eat, but also to interact in the society. Restaurants - is one of the few places where all major senses come to action, which generate a general sense of satisfaction. Taste, sight, smell, tactile sensations are combined in the evaluation of the dishes, the service and the atmosphere of the restaurant.

Effective operation of the restaurant depends on many factors. Like any complex system, the restaurant begins with the intention of its founders and ends with the monitoring of the functioning of the place.

The main role in this is carried out by the practical philosophy of its owner and / or director. It reveals the approach of doing business, which determines the ethical and moral values that are possessed in the process of functioning of the enterprise. The core idea of the founders of the restaurant will determine its creed, and it is designed to satisfy visitors as much as possible.

The purpose of this graduation project is to study the concept of restaurant business development in city of Almaty, Kazakhstan.



## 1.1 Description of the business

In country where people can enjoy the taste of natural meat together with comfortable place it became popular to create a new business in Almaty, that is called a Steakhouse. In terms of food businesses Kazakhstani market is full of supply, however not every business can afford a care and comfortability for the customers and some of the businesses face failures at the beginning of its' operation. The customer who pays money most likely want to spend their time in very comfortable places with good music, excellent service, creative design and very delicious food, some people prefer low cost cafes, accordingly with lower service. Steakhouse is very great innovation for our country, the steakhouse in Almaty is not only about very delicious meat, but also it is all about the place that cares about their clients. It is meant to create place not for the regular steaks, that everyone can make by themselves, but for the place where people will have a chance to see all advantages of open kitchen, all kinds of steak, description of each type and professional service.

In Kazakhstan, people got used to have some special purposes, to invite their partners, family, friends to luxury restaurants. Steakhouse is a restaurant that specializes on meat dishes. In addition to traditional procedure of opening restaurant business, it has its own rules of opening. The term - steakhouse, was created in USA, and it has great contribution in cooking business. Steakhouse defined as the place, that serve people meat with the luxury service, it means that just piece of meat cannot be identified as a part of steakhouse. Steakhouse is the place, that has very broad menu based on beef and optionally different meat. At the first view, the preparation of the steak does not seem very difficult, but it has a lot of nuances.

## 1.2 Innovation

Steakhouse in Almaty is not considered as a place for everyday visiting. It is common, that it will not have same customer number every day.

In 2017, there was a scandal about donkey meat used in cafes and restaurants. Mass media was writing different articles about checks of appropriate state agencies. Cafes that were agreed to have an inspection in their places, were checked and they could prove, that everything is fine and no donkey meat in there. This situation caused fear of inappropriate meat in places, because most of our cafes and restaurants do not have open kitchen and to check the type of meat, it is a long process of asking permission of responsible person, asking state agencies, etc. By implementing a new type of kitchen the problem like distrust is excluded. Open coolers, where customers



can choose what type and size of steak they would like are included. Open kitchen will show how chef is cooking, as the result customers will see, that everything goes in right way.

Generally, in steakhouses all dishes are cooked in open kitchen, that leads to more trust from customers. Open kitchen means, that people who order a steak will see how the product is cooked, and if something goes wrong, customer can see it. The main reason for transparency in methods of cooking is- trust. Trust is very important in food business, because customer should know what they eat and how it is cooked.

### **1.3 Business Canvas Model**

No business can succeed without creating a business model before starting its operations. It is vital to visually represent all ideas before even writing a business plan itself. Most of the businesses use business model Canvas to visualize the working processes between all components. Positive correlation between these blocks lead to successful operation and by creating this model before even starting, we can represent the idea of our business.

By creating Business Model Canvas, we can determine the most important objectives for our business and set them in different blocks to see how they work with each other and change easily if something goes wrong.

Many entrepreneurs write their business models to describe how a company creates, delivers and captures value.

Business Model Canvas helps you to determine and align business activities in a simple and creative way. There are nine key elements to consider in a business model. Each one of it defines a specific part of the business.



Table 1– Business Model Canvas

<b>Key partners</b>  - Suppliers  - Dastarkhan  - Trainers	<b>Key activities</b>  - Train staff  - Promotion  - Create individual steaks	<b>Value proposition</b>  - different type of steaks  - individual steak  - steakhouse community	<b>Customer relationship</b>  - loyalty cards  - trained waitress staff  -	<b>Customer segment</b>  - certain event  - Dating people  - family dinner  - celebration of important event
	<b>Key resources</b>  - patent  - trainings  - employees		<b>Channels</b>  - Social media platforms  - outdoor banners	
<b>Cost structure</b>  - Promotion  - Trainers  - Rent for the place on web-site Dastarkhan - Salary  - Operational costs			<b>Revenue stream</b>  - Increasing during special events  - Clients from Dastarkhan  - Main clients	



## 2. Company Overview and its business model

### 2.1 Mission statement

To bring more enjoyment and pleasure in to Almaty people's life by delivering best service and best quality delicious steaks for a good price.

#### 2.1.1 Vision

To become the best and the most famous restaurant in Almaty by building the biggest base of loyal customers and by generating constant positive word of mouth.

#### 2.1.2 Keys to Success

In order to make a customer experience as enjoyable, and as special as possible, the restaurant will focus on working closely with each visitor. Giving fresh and tasty cooked steaks is the easiest way to show masterpiece in their cooking without speaking with words. It will pay high attention to customers' desires and will expand and each time the number of guests will increase. A cook, or an officer with an administrator, will spend individual time with each customer, to choose a suitable meal. The restaurant will prepare different roast beef steaks from different types of meat, using a variety of modern cooking methods. It also offers a dish from chef chefs and other gift discounts for regular customers.

**Exceptional service** - is vital for the restaurant business. The restaurant will have well-maintained social media pages with the faster possible response time as well as throughout attention to all of the feedback with consequent constant improvements, very pleasant environment inside of the restaurant, professional, well-trained, polite, friendly and helpful employees, who can create positive feeling and uniquely deliciously cooked meals.

**Openness** – the management should be open and friendly for individuals and corporate clients, business partners, media and society.

**Involvement** - it values employees to come up and implement their ideas for development of the restaurant.

**Innovation** – creation of something new, whether it is new methods of cooking steaks or new ways to promote.

### Ownership

The first step when finally opening a business is to register it officially and legally. For this restaurant business the most appropriate type of ownership is the



individual entrepreneurship. The procedure for registration is quite easy and fast in Kazakhstan. The certificate of registration can be issued just in one day.

There is also a need to receive an Individual Identification Number (IIN) in a public service center of Republic of Kazakhstan. Plus it will take about two working days to register within tax authority. The restaurant will monthly provide its financial reports and pay taxes accordingly.

Furthermore, a patent is needed for this business. It is a document, which is only given by the state tax authority. It states that the business has paid all the necessary taxes for realizing its activities. Registration is made in the specific territory, according to the place of implementing these business activities.

## **2.2 Business model description**

### **2.2.1 Customer segment**

Customer segment is a center of any business model, business cannot operate without understanding who are the clients. In Business Model Canvas, customer segment are the people to whom business wants to sell the product.

It is targeting customers who want to have a special event, who comes not to just have a dinner or lunch, but comes for a certain goal. These goals are considered to be an important event that lead to invite people for a certain reason. These reasons are: date, friend meeting, family dinner, celebration of important event.

Especially on important events, customer got used to invite someone in places, where they can spend their time and actually enjoy it. Customers are ready to pay for the quality, good atmosphere and delicious food, even if the product is overpriced. Steakhouse will be the best place to have a delicious steak with the good sound of music, polite waitress staff, and to be considered as special guest. The concept of "special guest" means, our customers are those who are ready to pay for non-repeated steaks, even they are similarly cooked, but the transparent kitchen will show them, that each steak is cooked individually, so clients are considered as specials.

The target group is located in the Almaty, people who have middle and high level of income. During the holidays like St. Valentine Day or International Women day, men invite the important for them people to have a date in such places like restaurants, cafes. Steakhouse will fit in this criteria and as it is considered as a meat restaurant, our customers are men, who invite their partners to have a date.



### 2.2.2 Value proposition

The core value of a business is another important part of Business Model Canvas, because it shows, what attracts people and what is the fundament for business to operate. We can also call it as main criteria of creating a product. Value proposition shows us, what principles have a business and in what aspects, we differ from our competitors. We differ from simple cafe or restaurant, because we are focused on specific product.

Steakhouse will provide different types of steaks. The customer will get variety of steaks and will have a chance to choose, what type of cooked steak he or she wants. In compare with substitutes, we provide not only steak, but we also care about other aspects, like music, temperature, design, and even branded dishes. By having a brand, we will also attract people by creating a special status, that will tell, that the customer is a member of special group, who eats steaks in a steakhouse place.

### 2.2.3 Channels

This section in Business Model Canvas means, how we communicate with our clients, and the certain way of how we share our core value with our customers. Communication with the customer is very important, because it is a part of our value. We care about our customer, so we do not just serve them, but also listen them and consider their opinion as a positive and negative feedback, that will lead to improvements in business.

For the steakhouse it is very important to communicate with the society, because we are not first need business, so we should be active in social networks and attract as much people as we can. By setting up an advertisement in social networks, we can attract more followers from different ages, so they know about us and they can get information of who we are and what we provide. In addition to our social networks, we want to create a partnership with Dastarkhan, so they post our product in their delivery menu. People will know about our prices and service through the social networks and our partners.

Social networks are considered as the low cost tools to communicate with people. For the new business it is very important to survive in the market, so for the first year, it is very convenient to use social networks. We plan to promote our products though the social networks like: Twitter, Instagram, Facebook. For the first steps of promotion, we will mainly use Instagram, to have more targeted audience in our



followers list.

As a long run objective we want to create our own web-site, where we will have online menu, booking service, contact information, location information and other important for customer information.

#### **2.2.4 Customer relationship**

As we are providing product, that costs more, than the average food service, it is very important to understand, that we should treat our customer on a very attentive level. Each feedback should be analyzed and if needed, changes should be implemented. Furthermore, steak is not considered as a basic product, that is used in everyday cooking. People might need the explanation of different types of steak, so the waitress staff should be always ready to answer questions.

Polite waitress staff will always ready to answer the question regarding the steak types and drinks that associated with a certain type of steak. In order to achieve such level of steak knowledge, we will provide needed information about the types of meat, technology of cooking and teach them what drink goes with a certain steak.

In restaurant business, it is very important to construct loyal relationships with the customers. As for many businesses it is very important to have loyalty system, that they can implement in relationship with the customer. We plan to provide loyalty cards, that will give different kinds of bonus, so the customer will have a desire to come back again.

During the final stages before official opening, we want to attract people to try our product with the lower price, so they can taste and give feedback. This group will be called "adopters", by satisfying them, we also attract their friends with the "word of mouth". Adopters by the definition means, that they adapt the product to the market, so it is very important to invite those people who have influence on others.

#### **2.2.5 Revenue streams**

Revenue streams block shows us, how the business will receive the cash from customers. In our business we will have two types of customers, which will be primary customers and secondary customers. Primary clients are those, who comes to our place and orders food for the certain amount of money. Secondary clients are those, who order food through the Dastarkhan service. For our business it does not matter from which customer we will receive cash, because both of these types will bring equal amount of



cash from the same ordered receipt. Exceptions are: loyalty card holders.

We also expect increasing in the revenue stream on the special days, when people have a special occasion such as St. Valentine day, International Women day and etc. As it was mentioned, people call each other for the special purpose, to have a good time and eat delicious and not ordinary food.

In addition, for revenue stream, we will organize the special events like banquets for 20 people maximum events. The event will be accompanied with the certain additional service like violinist, constant waiter. In this way we attract some cash in terms of fee for organization.

### **2.2.6 Key resources**

This block helps us to maintain the value proposition and generate the product. As we are considered as food business, it is very common for us, that our key resource is food ingredients. In our list of key resources are also included: Meat, place, equipment, dishes, human resource, intellectual property. These resources are the most important parts of our business, without at least one part, we lose all another. It is also important to have a good location, so it will be visible even for bystanders.

As we are entering in a competitive market, we should analyze the competitors, find their weaknesses and use it for our benefit. Human resource should always reactively respond on changes of competitors and find the gap in their quality of service and food, so we use it in order to not have such gaps.

We also plan to give trainings to our employees, so we consider trainings as a knowledge, that only our employees should gain and that is why we consider it as an intellectual property. Teaching employees the theory of restaurant service is very complicated thing, so probably we will invite a trainer, who will give workshops to increase the qualification of our staff.

### **2.2.7 Key activities**

In order to have successful business we should also do some key activities in order to not fail in the market. First of all, it is very important to create a kitchen policy, that will explain how to organize the products, where to locate them and what are the rules of saving them in coolers. First thing each kitchen needs, is cleanliness. It is not only a rule of the kitchen, but also a regulation requirement. Second important action is "rotation", means that we should always substitute old products with new ones. This



system works in way, that old products always stay first and the new one placed behind.

We provide not only food, but also service. Our key activity is to teach employees, how to serve people, what are the general rules and we should apply all knowledge in practice. The quality of the service and product play a huge role in our business, because our core value is all about making customer special, not like everyone.

Human resource should hire a responsible staff, in order to have high performance of employees and reactive respond to clients wish.

### **2.2.8 Key partners**

This sector plays very important role in terms of having external effect on our business. We will have different partners, that will contribute in our business. External partners are very important to run the business. For us they will be: Trip Advisor application, Internet food delivery companies. Suppliers of meat will be mainly from Almaty, in order to have loyal prices on meat.

Dastarkhan delivery service is also our key partner, because we place our product on their platform, so they promote our product in their web-site. By creating a partnership with Dastarkhan we get some clients from their list and attract them to our product.

### **2.2.9 Cost**

Cost plays a big role in price setting and it varies differently depending on what company is doing and what service or product it has. “In some industries, prices are determined almost entirely by market force”

Cost structure block explains us, what costs we will face during the operation and it visualization of all nine block helps us to regulate and optimize the cost like we can afford to ourselves. In our business we have different types of costs such as fixed and variable costs. In fixed cost, we have the costs that are usually constant, such as rent, suppliers fee. In variables cost, we include the salaries, cost of resources. As it was studied in marketing class, it is very important to have good advertisement and promotion, so we plan to invest in marketing.



### 3. Strategic analyses of the new business venture

#### 3.1 SWOT analysis

<b>Strengths:</b> Convenient location Parking Strong promotional campaign Access to delicious meat Creative designers Customized individualized approach No days off Wide assortment of menus Latest design trends Wide range of prices Fast service	<b>Weaknesses:</b> Buying meat in bulk, as costs are high Prices: products are medium to high priced Too many restaurants Few employees for big orders such as banquet Lack of the customer base in the beginning of the operation Lack of experience Low awareness
<b>Opportunities:</b> Taking large orders to conduct: collective gatherings, anniversaries, birthday parties, etc. Open a website for online reservation Open several locations in other places in Almaty More convenience for customers: accessible parking Use technology to monitor what good quality to order more	<b>Threats:</b> Too many competitors in Almaty Competitors offer a wide range of menus High transportation costs: delivery of equipment from abroad Supplier of meat can increase prices Economic issues: crisis, there is a higher rate of unemployment, people spend less

Table 2. SWOT Analysis of the Steakhouse Restaurant

##### 3.1.1. Strengths

First of all, the strength of the restaurant is represented by its strong Advertising/Marketing communications including business cards, word of mouth, promotion through social media and personal meeting with the corporate clients of the enterprise in order to achieve some regular customers for arranging business meetings.



One more strength is its unique not comparable creative brought from the best European and American practices. Moreover its staff is dedicated to the highest level of the customer service consequently increasing the level of the customer satisfaction day after day. For meeting customer wants and needs in every way possible it will introduce excellent working timing of the restaurant. The restaurant will be open seven days a week from Monday till Sunday without days off.

The next strength is a very convenient location in the center of the city which is close to main business centers where the representatives of target audience mostly work and close to the central apartment buildings where they live.

Among other strengths is product variety fresh meat, European cuisine, varieties of cocktails, a diverse menu of the latest amazing design trends.

Comparing to other top restaurants, this one promotes wide variety of prices, including affordable options and employs enough staff to provide fast quality services.

### **3.1.2. Weaknesses**

The prices might be too high for certain levels of income, which might be earned by customers so that they cannot afford buying products more frequently. Products and services mostly tend to be from medium to high priced category.

Moreover, there is no online store (no web page) but only social media accounts which the shop will employ for online promotional and selling activities, which is planned to be solved in the couple of first years of operation of the restaurant since it will provide additional opportunities for development.

The restaurant will have enough employees for daily operations inside the restaurant and the social media. However there are still too few employees for big orders such as birthdays, business meetings decorations which might be a weakness since it might affect daily operations in a negative way by creating longer lines.

### **3.1.3 Opportunities**

There is a perfect opportunity for further development in opening a website which will make online reservations a frequently occurring and regular source of income.

Another important opportunity to consider is opening more than one restaurant in other locations in Almaty to make it even more convenient for customers who might be residing in other parts of the city but still are willing to be loyal customers.





Since the restaurant is located in the center of the city and close to the main road it would be very convenient for customers if it will take care of accessible parking close to the shop.

It can also start using innovative modern technology to monitor what is being sold more frequently and how much of this exact product it needs for the upcoming order from suppliers thus adjusting business to the needs and preferences of customers.

#### **3.1.4. Threats**

Among the threats listed in the table above it can be seen that there are too much competitors who has entered the market earlier and by this time has built a more or less strong customer base which this restaurant is only planning to achieve in the half of the year or so.

Moreover it is important to understand that there are perishable items which should be prepared as soon as possible which might pose an additional threat for the security of the business and be associated with revenue losses.

High transportation costs can also be a characteristic deriving the restaurant from the success of the operations. Equipment for the restaurant delivered from abroad thus making the transportation costs bigger than those of competitors. Since its suppliers are belonging to the foreign economies, the economic conditions in their countries might also affect their prices and channel they use for delivery taking into account the current world political agenda and overall instability.

Moreover this business can also be affected by the economic factors on the domestic level. Due to the crisis situation unemployment rate is tending to grow and many people stop going to restaurants, preferring to eat or eat at home.

By looking at this SWOT analysis, Steakhouse restaurant has numerous strengths that they should still work hard on to stay competitive with other restaurants in Almaty. It should develop marketing strategies further to gain more loyal customers and achieve higher profits.

The target market of Steakhouse restaurant is everybody who is seeking a reliable restaurant for any event or special event or just to spend time and have a delicious meal. Compared to its competitors, the restaurant will offer high-quality products for much lower prices. It will use social media such as Facebook, Instagram and Twitter to gain more followers and attract more people. They will have a chance to view the pictures of different dishes, various ideas for an occasion; they can also reserve



tables too on the Internet. The restaurant will promote company via the Internet, using billboards and other effective tools.

Overall, competition is exceedingly high in the restaurant business. There are already a huge number of restaurants in Almaty and every year the number of places is growing. Restaurants are competing with each other for attracting the same customers, those who visit restaurants for any occasion. Mostly all firms provide same or similar menu. They have same products, style, trend in the restaurant market. They buy those products from the same suppliers and one has to be really creative to be able to differ from the others and make something unique. This is the only way to outstand your competitors. One needs to attract customers by offering same dishes but in a more beautiful and eye-catching approach.

### **3.2 4P (Product, Promotion, Place, Price)**

4p (Price, Promotion, Place, Product) is very important part of marketing strategy. It is the low cost and efficient method for setting up the objectives. This tool help business to systemize the working process and control improvements. Product is the main part of this tool, and marketing strategy starts with identifying what is our product and how we want to present it to our customers. Price is the important part of financial sustainability of the business and if the price set up properly, business will get profit. Place, especially for the restaurant business, is very important in terms of sales and brand awareness. Geographical location is important, because people will consider the whole location that surrounds the location and associate with our business. Promotion is the part, where business should communicate with the customers in order to hear their feedbacks or complains about the service in order to improve.

#### **3.2.1 Place**

We have many places in Almaty, where steakhouse will find its best place. During analyzing the market was decided to locate the business in the city center. The city center has many elite houses, and there are not so many restaurant competitors. In the area on Toktogul street, starting with Abaya street, ending with Al-Farabi street is very good place for steakhouse. In this area lives people, who have medium or high level of income, because there are elite houses, that are affordable for middle and high income level people, so they can afford themselves to go to the steakhouse. It is good area, because people go in this area, mostly to have food and enjoy their time, have a



meeting or date. Our price will be based on our costs. We will position our restaurant as luxury place, that provide high level service. The place will give a perception of comfortable place, where customer can enjoy their time. The channel of distribution of our product will be steakhouse. The place for the product like steak should be known for all Almaty people.

The design has very different perceptions. Our clients should feel like they are very special in our steakhouse, so the design will be very minimalistic, dark light, more red. We are using red color and dark place, because based on psychological research, red color and dark light have positive influence on the order of the customer.

During the research we used 4P marketing tool- Product, Place, Price, Promotion. As a steakhouse we provide delicious and different kind of steaks, also we provide our customer good place for having dates, business meetings, friend meetings in specially designed interior. In order to be recognized product, we should have a logo and name of the steakhouse, that will be registered in governmental agency. As already mentioned the main difference will be transparency of the product. All products will be uncooked and fresh in refrigerators, that customers can take out and cook them at home, and kitchen will be open, so customers will see how steak was prepared. On the starting point we will provide only steaks and after this business will work successfully, we will diversify the business.

### **3.2.2 Pricing strategy**

Because of having high level of supply and demand for restaurant places, we assume, that at the stage of penetrating the market, we target on having more customers and attract them with the help of pricing strategy, that is why we chose the penetration pricing strategy. Penetration pricing strategy is about attracting new customers to new business and penetrate the market using lower prices, than competitors use. We want to set up the prices lower, because we want to attract the customers, that are currently using our competitors service. It is important to use this pricing strategy for a new business, because it is good marketing strategy, because it can increase the sales and customer occupancy rate, brand awareness. The disadvantage of this strategy is that we cannot always expect the profit, even if the sales volume will grow. “To make profit, companies should produce at a cost below the market price. This is not always possible, so some periods of loss inevitably result” (Hilton, 1999)



Table 3 (Prices on beef in the Kazakhstan's cities, prices are in KZT)

Almaty	Astana	Shymkent	Aktobe	Aktau	Karaganda	Kyzylorda	Pavlodar
1400	1500	1380	1450	1450	1450-1500	1250-1375	1625-1700

*Source: (Tengrinews,2017)*

As we can see, the price on the beef in Almaty, is not the highest one among all cities in Kazakhstan.

### 3.2.3. Product

As it was mentioned before, we position our self as high-quality service and we want to make our customer feel like they are special, while they are eating in our steakhouse place. The main goal for us is to create a trustful relationship between business and customer. If we will have trust with our customer, we can attract more customers with the help of word-of-mouth. Steak is considered as luxury product, that should be served with high-qualified staff. Steak meat is the most expensive in comparison to the other parts of beef. We will have different types of steaks and customer will have a possibility to choose the type, that he or she wants.

### 3.2.4. Promotion

For promotional strategy the main tool will be billboards and social media sources. For billboard advertising we will use those, that are located in the city center, because our target market will be those, who live in city center, near elite houses and one big billboard on the south highway. The price for 1 billboard in the city center will cost us 90,000KZT for 1 month we will use 2-3 billboards in the city center, on the south highway we will use 1 big billboard, that will cost us 150,000KZT.

In order to attract more customers, we will communicate with them through social web-sites and official web-site, where they can always write a comment for feedback. Participation in local expo of restaurants will be helpful, in terms of getting known among the customers. At the same time, it is good opportunity to get some networks with the companies, that can be the partners in future.



### 3.3 Porter's 5 Forces analysis

Table 4-Porter's 5 Forces

<b>Competitive Rivalry</b> Survive in competition Competitors that provide steaks in their menu Food places that qualify themselves as a "restaurant"	<b>Buyer power</b> Our target group are those who want to spend their time in restaurant and taste a steak We do not provide substitutes for steak Specialized on 1 meat type steak	<b>Threat of new entry</b> Finding supplier Financial threat Certification process Cooking skills Cook & service knowledge
<b>Supplier power</b> More than 360 suppliers of the meat Total number of cows 757,423	<b>Threat of substitution</b> Restaurants that provide same product as we do Substitution with another meals	

Source: Developed by student

Generally, steakhouse is using a beef meat, so we decided to research local market to see how many alternatives we have and how supplier's affect our business. The national statistics department writes that on 2015 year, there are 757,423 units. Each year the amount of cows in Kazakhstan increases. In 2013 year the amount of cows was- 718,516 units, in 2014 year- 744,336 units, in 2015 year- 757423 units. We can see that the difference between 2014 and 2015 year is almost 2%, means that in each year, the amount of cows increases. As a business that is based on cow meat, we should have different alternatives that will give us best option. In Kazakhstan the volume of the market is full of supply, so we can choose the best one. For today the price of cow's meat is- 1465 KZT on average. Because of the full market of meat, we can say that we as a buyers have more power, than it has supplier.



Steakhouse business is defined as a place, where people do not go just to eat meat, as they would go in fast food place. Steakhouse as was mentioned refers to luxury food place industry, where people go to have not only food, but also have high quality of service, means attentive waitress staff, professional cooker, polite manager. The average receipt for steakhouses place is more than 5000KZT, means that people expect care and very attentive service from steakhouse. The importance of any problem will increase twice, because people are giving high importance to places, that is not primary need place. We risk to lose our customer, if something like bad service or bad quality of meat would appear. So what we plan to do is to target not on steak house as itself, but more about the service. We want to innovate restaurant business in terms of services. What we mean by that is: quality, knowledge and care.

As a restaurant business we have many competitors in our type of business. We positioning our business as a food business, but there are also many different cafes and restaurants, that are identified as substitutes to our business. Means that our high price and low level of service, might make our customer to choose another place, that is not mandatory steakhouse, but any other food place. That is why it is very important for us to hold our customer and monitor our competitors and see, how we can attract buyers from our competitors. At the same time, it is very hard to control the price level, when Kazakhstan market has different substitutes of food business. Switching the level of price or other aspects may affect negatively to the number of our customers. As a newcomer in food industry, we will penetrate the market with the slogan like: "We love the meat as you do". We as a food place, should ensure our customer, that we understand how likely he or she want to try very delicious steak. The thing that Almaty market is full of different types of food place, that are our substitutes, makes our business work very attentively and provide innovation in food industry. For us it is very important, that our customer will come back again after first visit, so we will be sure, that he or she did not find a new place. To save the customers we will change the traditional food place visiting. We will ensure our customers, that he or she is very important for us, but not with words, but actions. The process of visiting our steakhouse will be very detailed. First thing that customer will see is reception, where manager will meet our clients, after that customer will have a chance to see the cooler and all meat, waitress staff will carry our customer till the empty table. When customer will have any questions, water must know each type of steak meat and answer clients question.

The entry process to our market is very easy, the thing is that, because of high



amount of different food places, each place should surprise their customers, so they would come back again. As a newcomer, we want take a position in market with efficient promotional strategy and save the position by giving our customers care.

### 3.4 Competitors analysis

In competitor analysis we found out, that they target on high level income people and they do not actually bring a knowledge of what is steakhouse. We finalized our decision in that opinion based on trying and asking people about their service. So by creating new concept for Kazakhstan such as care for customer in terms of service, we can earn trust from our customers.

We analyzed our competitor and picked some very specific products, that will be analog to our product. Analysis showed, that in Almaty, the main competitors might be to restaurants:

- 1) Steakhouse CRUDO
- 2) GoodBeef Steakhouse

Here is the table of their prices and explanation to them.

Table 5- (Steakhouse CRUDO)

Sirloin Beef	Mushroom steak	Classic pepper steak	Assorted meat for the company of 4-6 people
3745KZT	3745KZT	3745KZT	16495KZT

*Source:*

We can see here, that Steakhouse CRUDO tries to use psychological price strategy to attract people. They put in their price numbers ending with "5". Very good option for Steakhouse CRUDO is to provide the assorted meat for the company, they are attracting more people by ordering only 1 dish.





*Picture 1*

The restaurant is located on 263 Rozybakieva street, (shopping center "MEGA Alma-Ata", 3rd floor) street place, where mostly people go to have a food, walk, date and ready to spend some money. The design of their steakhouse is concentrated by using cow everywhere. They positioning them as business that provides steaks from beef, but in fact they have only 5-6 dishes from beef, the rest is from different meat. They also diversify their products, so they suggest you more, than just steaks, but many different meals.



*Picture 2*



By creating the value of being luxury place for having special event like date or business meeting, they created the vision of place, where you want to go on very special day. Inside there are not so many places, it is about 20-30 seats. It is connected to their pricing strategy, that they are targeting those who have money and ready to spend them. They have less people, but the level of price let them operate. Psychological research says that in more dark places, people order more food and eat more, than in light place.

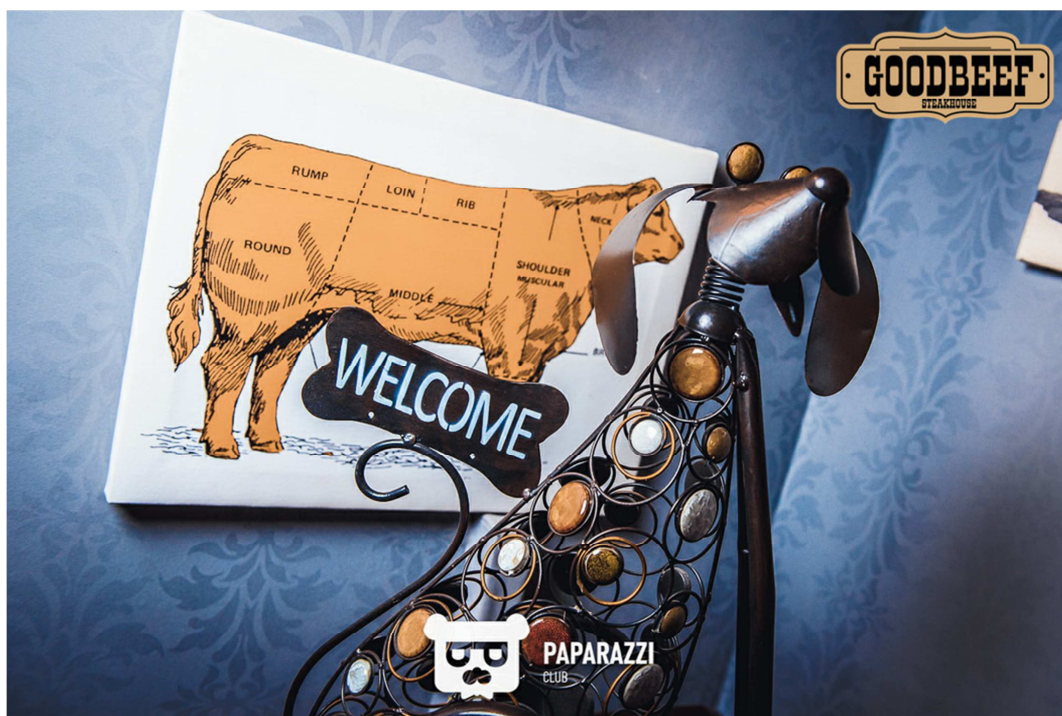
Table 6- Price of competitor

Ti-Bon steak	Peppercorn steak	Fresh cut steak	New- York steak
2750kzt	3250kzt	3250kzt	3450kzt

Source: GoodBeef Steakhouse

Our second competitor uses different price policy and price strategy. As we can see, the price of steaks is cheaper, than in Steakhouse CRUDO, however still high. Steakhouse CRUDO and

GoodBeef Steakhouse described as places that provide steaks and many other different dishes, they located near to each other, and targeted on the same group. GoodBeef Steakhouse restaurant does not provide assorted dishes.



Picture 3

GoodBeef Steakhouse has completely different design from Steakhouse CRUDO. GoodBeef Steakhouse is more soft and light place, where Steakhouse CRUDO. is darker and most of the decorations are from wood. And as in the Steakhouse CRUDO., they have same amount of seats for guests. The small amount of seats and customers are connected, because they are targeted to the small target group, so it is not profitable to have more seats, than they need. GoodBeef Steakhouse made very comfortable design, with good lights, soft chairs and harmonious colors.



*Picture 4*

Our two main competitors have their names in English, that automatically refers to American food and culture (Steaks were invented in America). Our two main competitors have poor promotional strategy.

They mainly promote on Instagram, as the Instagram is identified as effective tool to promote in Kazakhstan. They have their own web-site, but as researched, in nowadays, social media plays big role in order to promote company. They targeted on tourists or those who can speak English, because even their description is in English, so they try to attract more tourists or people who have educational level. They do not have very special promotions like: discounts, free dishes and etc.

The last post on Facebook was made on 27 of February in 2016, that is so long time ago in terms of periodicity for posting information for SMM (Social Media Marketing). As was analyzed, they have some promotion like discounts, but they do not have their own web-site, Instagram page, or Facebook page (inactive).

As we are defined as open kitchen we will advertise our meat in uncooked state. By providing the fresh meat, customer can see, that all cooking work is done in the right



way and cooked as they wished.

The main area for advertising in social media, will be Facebook and Instagram. To promote the web-page, we will use Facebook service to advertise our company on the top for all users in Almaty. This service will cost us \$5 per click. For Instagram we will use Instagram advertising service, the price for it is unknown yet.

To attract more customers, we will use free dishes. Research shows that, giving one meal for free, if you buy 2, is more effective, if you would give 50% discount. In addition, we will cooperate with Dastarkhan. We can use Dastarkhan area, to have additional clients for delivery. Very important thing will be web-site, that will operate after successful advertising on social media.

To make more value to our steakhouse we will brand all dishes, towels, furniture. That will add more reputation and status for our company. In addition to this value, we will advertise all products in uncooked state.

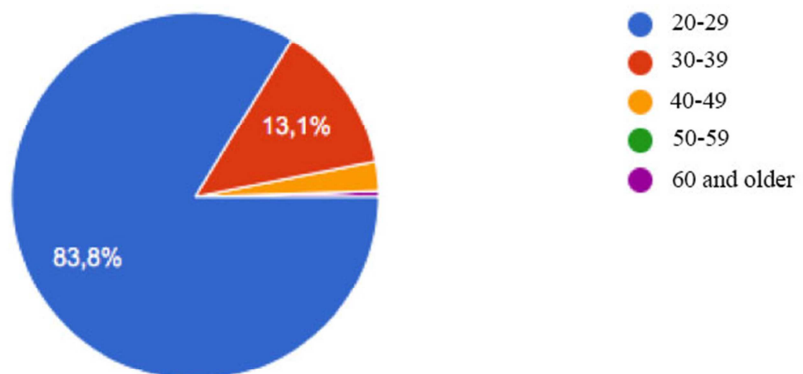


## 4. Market analysis: a survey of customers' views

### 4.1 Survey

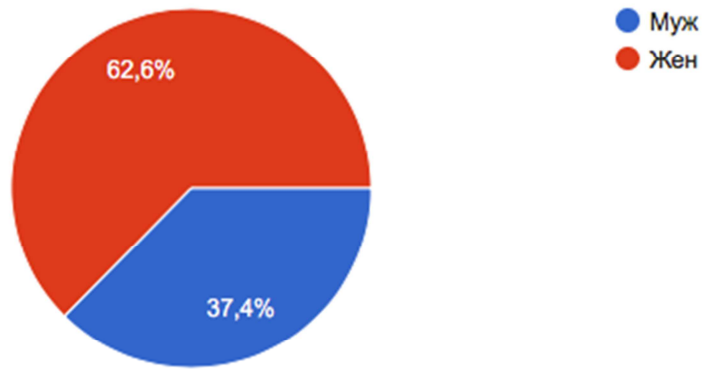
Market analysis is very important for new business in order to understand all aspects of marketing mix. "Marketing research is a function that links the organization to consumers through information"(Gilber A. Cherchill, 2001). By identifying the right target, we have a possibility to estimate the cost and make our business more efficient. By implementation of the certain strategy, we will have a vision, that will help us developing in the way, that we want. (Cravens, 2000)

In order to have preliminary vision of who are the actual customer of our business. We conducted a survey among 200 respondents to see, what they like the most and what preferences do they have. What they associate steak with and when they usually eat steak and in what occasions. By the help of the survey, we identified the portfolio of our potential customer. The main question before the survey started, was if the respondent willing to visit a steakhouse at least once. If the answer was positive, we continued to conduct it.



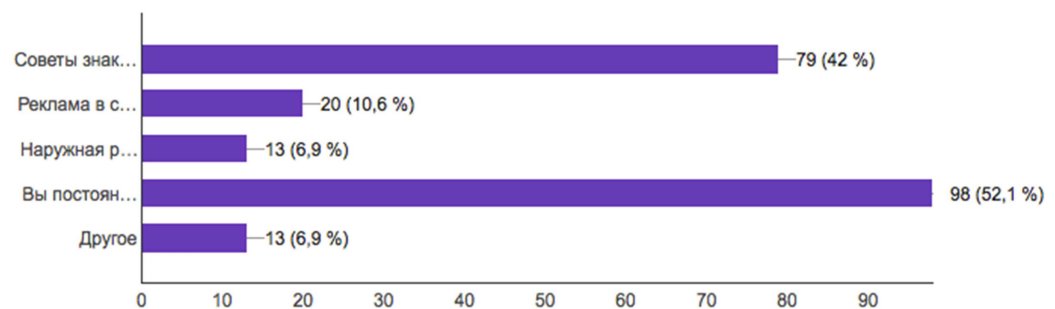
Graph 1

First question of the survey was about the age. It is very important to identify the ages, to have right target. Here we can see that main part of pie graph are 20-29 ages respondents- 83.8%. 13.1% are people of 30-39 ages and the rest are the people who are above the 39 age.



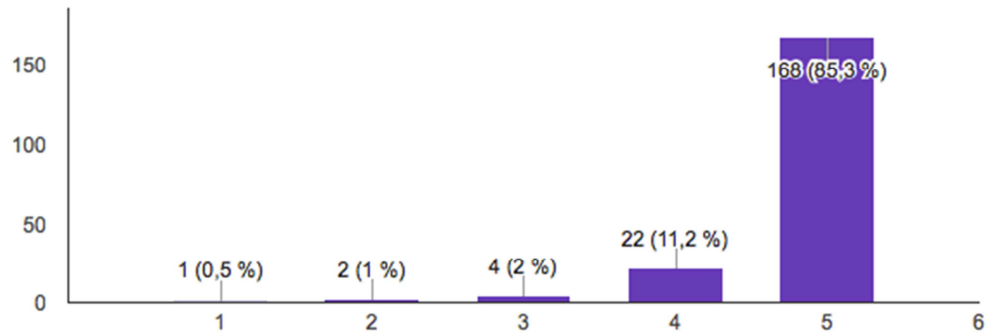
Graph 2

This graph shows us, that out of 200 respondents we had the main part that consist of women- 62.6% and only 37.4% of men. We assume, that women are more likely to come in the restaurants, than men.



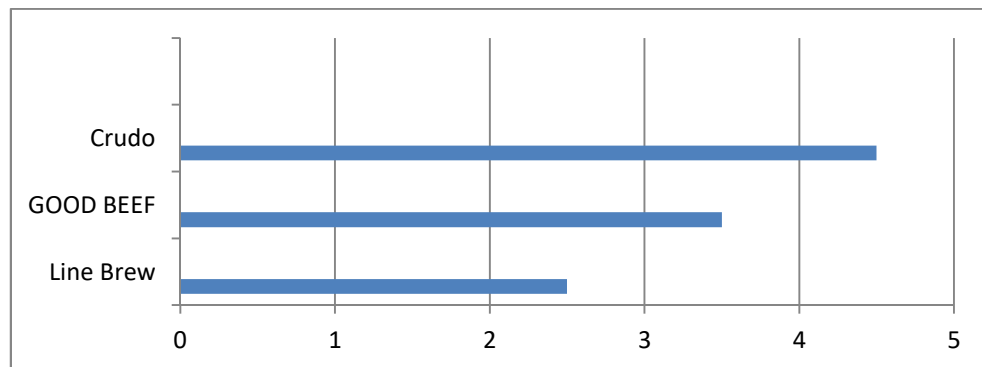
Graph 3

In this graph, we can assume, that most of the people like the regular customer status and come to the steakhouse place, because they have affiliation to the place where they can eat and spend their time. We also found out, that the word-of-mouth is also important, because 79 people (42%) come to the steakhouse, because of advises of their friends, colleagues and etc. Outdoor banners are effective for 13 people (6,9%) and social media network advertisement is effective for 20 (10,6%) people.



Graph 4

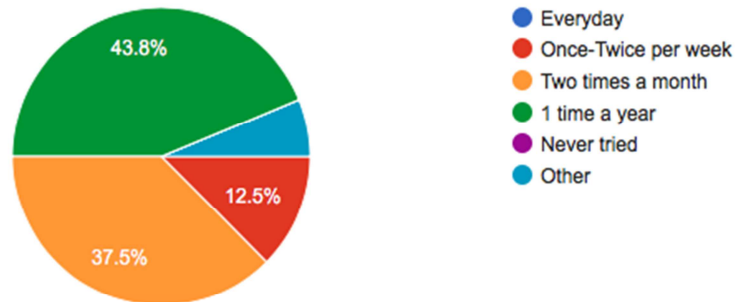
We asked our respondents about quality of service and most of them graded our competitors with the highest grade. 168 people answered, that they grade steakhouse place with 5 mark and 22 said that they would like to grade it with 4 and the other 7 people graded steakhouse places with 1,2 and 3 grade.



Graph 5

In this statistics, we asked people, what is the most famous place according to them in Almaty. In this chart, we can see, that CRUDO is absolute winner among 3 famous places, where steaks are cooked. We did this question, because it is important to know, which competitors we have in the market. CRUDO got 76.5% out of 50 respondents, Good beef 17.6%, Line Brew 5.9%.

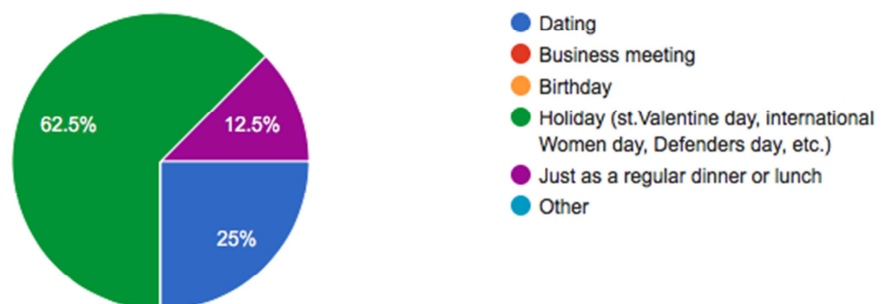
## How often do you eat steaks?



Graph 6

In this graph we asked people, how many times they go to steakhouse. By definition steakhouse is not a place, where people come every day. It has to be certain occasion for the purpose to come there. So we asked our respondents about periodicity of visiting steakhouse places. So the main part of asked people goes to steakhouse place once a year and second big part comes two times a month. Small amount of people come to steakhouse once per week. By analyzing the results, we can assume, that steakhouse is a place where people come to satisfy their needs, that are related with some important purpose in their life.

## In what occasion you would like to eat a steak?



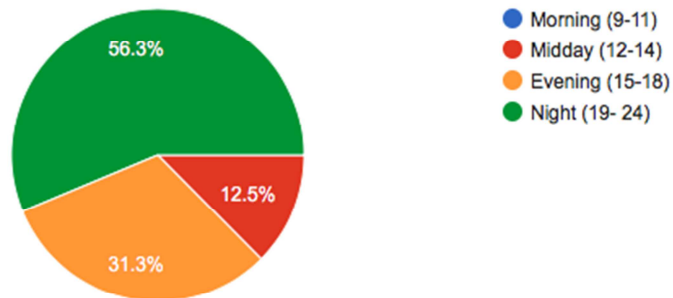
Graph 7

By knowing what type of occasions we can face, we can predict the uncertainty of being not ready for the certain situation. This graph shows us, that most of the people comes to steakhouse on holidays such as St. Valentine day, International Women day, etc. On the second place, there are people who choose steakhouse for a dating. And last group of people (12.5%) are coming to just have a dinner.





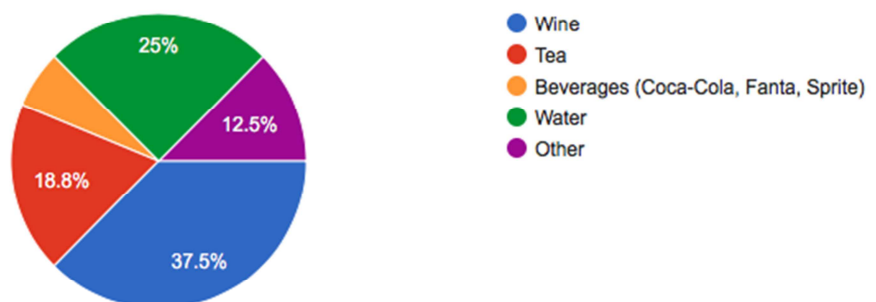
### What time of a day you would eat steak?



Graph 8

In order to analyze the peak of customers, we asked at what time they usually eat steaks. We provided several variants. No one went to steakhouse in the morning. Most people come to have a steak at night time (7pm-12am). Some people come at evening time (3pm-6pm). These results can help us to prepare some ingredients before the peak of customer and so the food will stay fresh.

### What drink you would order with the steak?



Graph 9

Drinks is a part of the eating a steak process. In some countries, wine is defined as the best drink to have with the meat. Here we can see, that in our city, we also have the same tendency to drink wine with a steak, 37.5% of people told, that they would order wine to the steak. Next part told us, that they would order just a water- 25%. 18.8% said that they would order just a tea and very small amount of people told that they would order beverages.



## 5. Management and Operations

Administrator will be the main person who conducts with our customers and all staff and potential employees, who want to work in our restaurant. Administrator will conduct interviews and help staff to work in the business during the internship period. To have very successful administrator, we set standards of ISO 9000, set prior objectives and build a road to achieve them. By having ISO 9000 food type, we will additionally have more trust from our customers. We can use ISO as a trust tool, that will help us to ensure our customers, that everything observed. To help administrator with his or her responsibilities, we will provide trainings of management skills in order to increase qualification. Administrator will control kitchen staff, cleaning staff, waitress staff. Each candidate will be interviewed by administrator. During the interview, manager will look how the employee faces and solves critical situations. The employee should be very attentive and know how to learn new skills. The importance of getting new information is good for business, because we positioning us as a place that will care about the customers.

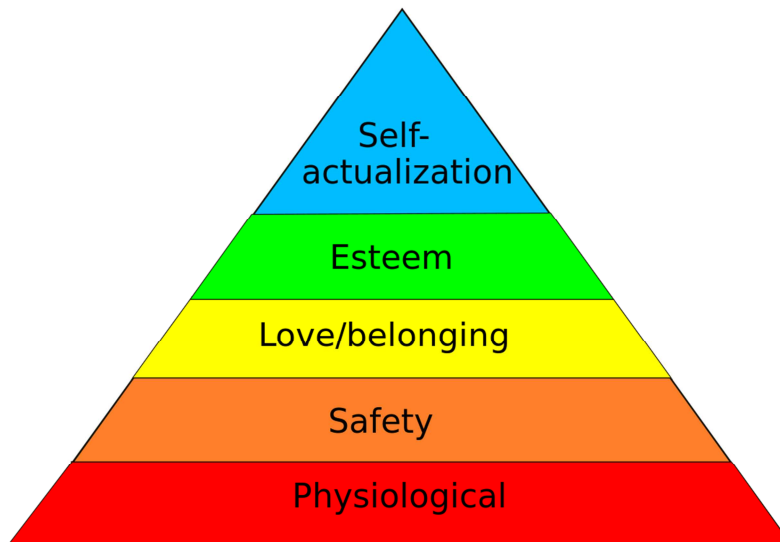
### 5.1 Motivation

We need motivation system in order to have high performance of our employees and create an atmosphere, that will dispose to make some more efforts for greater performance. “The definition of motivation contains three elements: (1) Some need, motive, or goal that trigger action, (2) a selection process that directs the choice of action, and (3) a level of efforts intensity that is applied to the chosen action” (Cook, 2001). The motivation system mainly needed in order to identify human needs and create certain conditions in order to trigger a certain behavior. However, it is very important to understand, that each person has his or her own needs.

For motivation system we chose Maslow`s Original Hierarchy of Needs

*Figure 2- Maslow hierarchy of needs*





In order to encourage employees to work successfully, there will be rewarding system, that will be based on Maslow`s hierarchy of needs. First of all, we will ensure our administrator, that he or she will get the salaries on time. From the very bottom, we will cover all needs of hierarchy and satisfy our employee. Also the rewarding system will include reward in terms of bonuses, we will provide them financial rewards, so our employees will be motivated to achieve those bonuses.

Maslow`s Original Hierarchy of Needs gives us five-level pyramid, where lower-level basic needs must be satisfied in order to cover next level.

Physiological need is the most basic one. It mostly covers the hunger, hygiene factors, comfort. Without satisfying the basic needs, employees cannot move to the next level.

Employees must feel safe on their workplaces and that`s the second level of pyramid- Safety needs. Here the employee should have safe conditions to work and feel free from harms and dangerous situations.

Each employee should feel like they are needed in the place, where they work, so they will have affiliation to that place. Employees must respect each other as employer should respect all staff too. Employees must feel like they work as one body and support each other.

Each employee should understand his or her importance at the workplace. One employee should be recognized as the others, so there is no discrimination.



At the last level of pyramid, employees should feel like they developing and here should be high affiliation to the workplace. The potential of the worker realizing.

However, Maslow`s Original Hierarchy of Needs also have disadvantages. “Organizations from North America failed on applying this theory” (Cook, 2001). As the fact, this theory works for the developing countries, which Kazakhstan and theoretically Maslow`s Hierarchy of Needs should work in steakhouse management structure and bring positive results.

In addition, we will provide some perks, that will increase affiliation to the workplace. Such as presents on New- Year, international women's day and etc. Our aim is to create a team, that will be satisfied with their needs and let them feel like they are working with the family, where administration cares about their employees.

New-Year, thanks giving day, etc. will be celebrated and employees will get their presents. Such traditions will help to communicate with the employees, to make them sure, that administration is helping, but not only punishing. Gift system will work between the employees, and some small gifts will be provided from the administration.

### **5.1.1 Policy and Conflict management**

As it was researched the most efficient way to predict the conflict is to set up some rules for the mandatory actions and forms of behavior. “One of the simplest and least costly ways of avoiding intergroup conflict is to spell out in advance the required activities and behaviors in the form of rules and procedures” (Cook, 2001). We assume, that steakhouse policy will predict the conflicts and if they happen again, we can adapt our policy in order to predict the misunderstandings.

In order to create desirable place to visit with a professional service, we need to train our waitress to serve the clients and get basic knowledge of how the dishes should be placed and how the waitress should talk to the customers according to the restaurant ethics. Important thing is to know the menu. Waitress staff should be able to know all types of vines, that are provided to steaks. Each detail should be known by waitress staff, so the client would feel very safe and in any time get the answer.

On the first steps of running the business, we will consult with business clinic of central Asia. We will consult with those companies, in order to have different opinions about our restaurant and have analytical research about market, management and financial aspects. The research will help us to understand, if we need trainings for our waitress staff, or do we need increase in qualification of our chiefs. The research will



show, what is the percentage of successful work before trainings and what is the rate after. All trainings will be paid by us. All costs of trainings will be provided in the financial part of business plan.

Our business will include the lawyer consultation, accountant, IT consultant, business consultants, and marketer. The lawyer will consult with issues like plagiarism, patents, taxes, sanitary supervision and disease. Lawyer will be external person, so he or she will be paid by hiring periodically. Accountant responsibility is very important too. This person will give the salaries, count the costs and provide the preliminary financial forecast of our business. Electricity, gas, equipment, salaries, rent, taxes and etc. All those things will be counted and recorded by accountant. Accountant will work within the company, so he or she will have fixed salary. Marketing staff is will be also hired employee. The responsibilities of that person will be: organizing promotional events, creating discount promotions, creating event calendar, social media, design of web-site. Business consulting organizations will be 2 companies, that are already mentioned. Organizations will be external, so will be paid for work done.

Our employees will have clock in/ clock out system, so each employee will have personal identification number, by this number administration will be able to control the time, that employee worked, and it will simplify the salary counting process. In order to install this system, we will need 2 computers with software needed and check printers.

Each worker will have responsibility to work 40 hours in a week. Holidays will be worked days, so the salary will be the same. In the employee list, there will be: 1 chief, 4 kitchen helpers, 8 waitress staff, 2 administration managers, 1 accountant, 3 cleaning staff. Waitress staff, managers, kitchen helpers and cleaning staff will be substituted by days. So during the work day, there will be 1 chief, 4 waitress staff, 1 manager, 1 cleaning staff. The chief's responsibility is to create a menu, and create 1 meal of the day, he or she will work every day and substituted by kitchen helpers if needed. Kitchen helpers will have work by 2. Kitchen helpers will help chief to prepare every detail in the kitchen. The kitchen helper's responsibilities are: Washing dish, prepare plates, fry meat, wash floors, and kitchen equipment. Waitress staff will work by 4, so their responsibilities will be: to prepare guest table, serve customers, deliver meal, help customers. Manager's responsibilities are: control the work process of each chain, accept new CV, conduct interview, solve critical situations, watch if every customer is satisfied, last person who closes clock in/ clock out system. Accountant will count all costs and prepare costs, salaries each week. Cleaning staff will wash the floor



inside the steakhouse, wash toilets, prepare every sanitary product.

For each employee, there will be special training in order to increase the qualification of the position. Chief will have trainings in order to have more options for the menu. Waitress staff will be trained, in order to know how to place the dishes and how to have polite conversation with the client and being very attentive to the customers. Kitchen helpers will get trainings from the chief, during the work, so there is no need for the external trainings sessions.

Each employee will take responsibility to sign a contract, where they should work 1 week as for deposit and on the second week, they get their salaries. This system will be implemented in order to prevent unexpected leaves.

Chief will be hired from the US, as it is very important to have an image, that steakhouse is related to the real American culture cuisine, so all steak making details should be known by American chief. It will cost us things like: provide him accommodation, trainings, medical insurance. Foreigner employee will give positive image to the place.

For successful operation and satisfied needs, we will use CRM system in order to save all information about our customers, their needs and to have clear view of what they satisfied with and what makes them negative. Our main target of the business will be client. In order to understand what customer likes and do not like in our steakhouse, we will conduct a survey, where questions will be about the place and about the client, the results will show us, how our business is going on and what changes we should implement. In order to have centralized place for all information, we need a personal computer in the administration office, in which all information, results of the survey, strategic plan will be saved on the computer. After the results are received, the next step is to analyze them, in terms of analyzing, the business consulting organizations will help us with it. After the analyze, business consultants will advise us, what events, promotions, discounts we should organize.

As the steakhouse will go successfully, our company will organize CSR (corporate social responsibility) events. Such events are not popular among our restaurant and cafe businesses, so will be one of the first ones, who will implement such point in restaurant and cafe business industry. CSR events will help to increase the reputation and will help to get a status of careful company, that cares not only about their customers, but about the city, people, etc.

In order to have a trust from our customers we will place online web-cam that

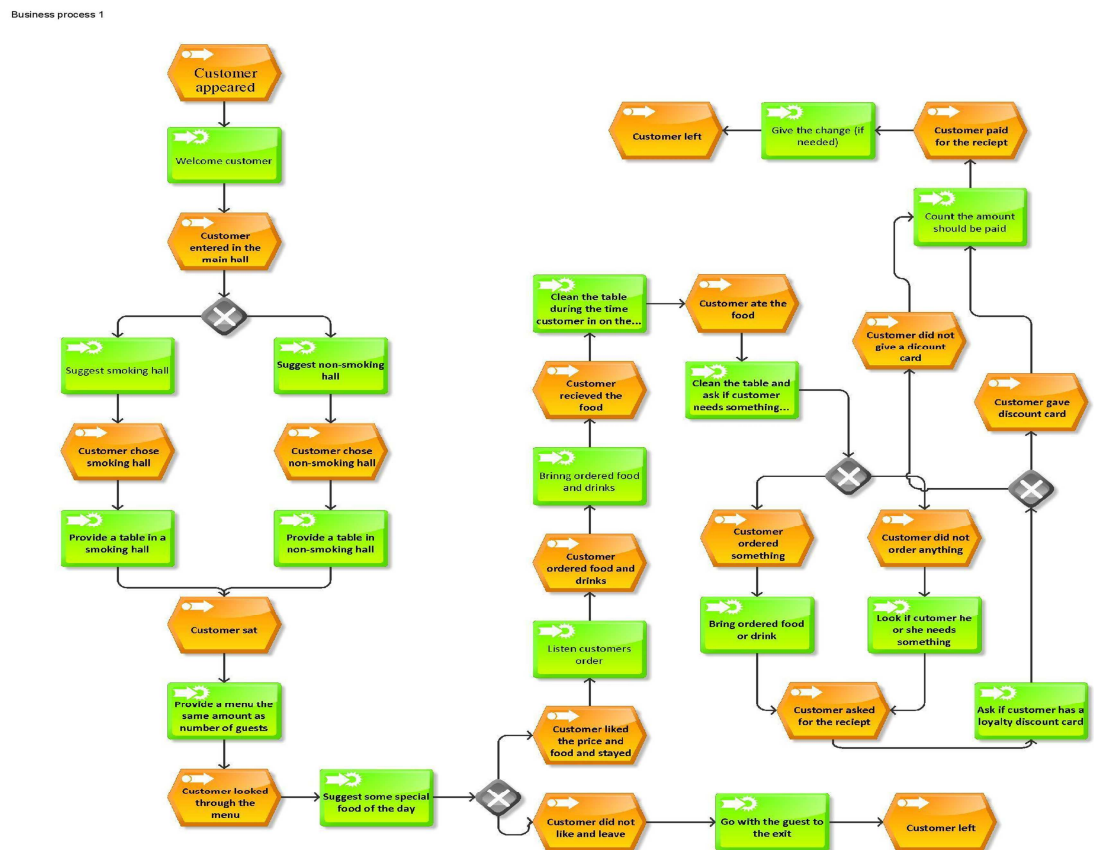


will be available through our web-site, customer can see what is happening in the kitchen to have a good trustful relationship between steakhouse and customers.

### 5.1.2 Business Process

Business process modeling is important for business, because it visualize the things that are done and what should be improved. “Business Process Management; a way of thinking, a management philosophy centered on improving the operational processes of the organization.”(White & Miers , 2008)

In order to have preliminary process of how the customer will be served, below you can see a business process graph:



Graph 10

This graph of business process shows us, how we will serve our clients. First of all, when the clients come in, it is very important for us to welcome them and ask which hall they prefer: smoking or nonsmoking hall. We understand that customer might choose any of those, so we created two different variants: "if customer chooses smoking

hall" and "if customer chooses nonsmoking hall". Customer's choice does not really affect the next steps in business process. After we provided to our customer the table where he or she can sit, we start next action. We give a menu and the amount of menus will be equal to the amount of guests. We give 7 minutes, so the customer could choose the meal, or if he or she has a question our waitress staff will be always ready to answer questions.

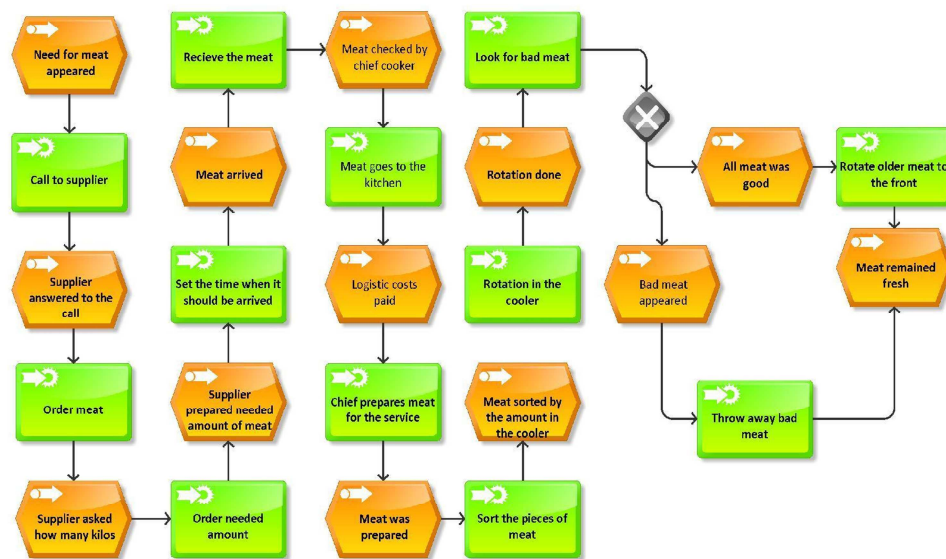
We positioning our restaurant as a high-quality service place, by saying high-quality service, we mean, that our customers will feel themselves like they are special and not just a regular customer, who will get what other get. So by creating a special portfolio of the meals that are popular in our steakhouse, we want to suggest our customer food, that will be considered as "Food of the day". We predict the situations, when customer, after looking through the menu, can stay or leave. After we analyzed the behavior of a customer, we assume, that customer can leave, because he or she did not like the atmosphere, that is felt in our place. In bad atmosphere we include: unprofessional staff, too much time for cooking stake, dirty dish. These are several reasons, why customer might leave, so these factors will be always excluded from our business. We want our client to stay and we analyzed, what we should do, so the customer chooses us, but not our competitors. The factors, that client must receive in our place are: Immediate welcoming, menu will be provided at the same time as customer will have a sit, have enough employees to serve all clients with minimum time. These factors are very important for us, to hold the customer. In these two situations we created two actions. If the customer leaves, we will would like to know the reasons, why we lost a him or her, and politely listen the complains and provide a book of complains and suggestions. Another action, customer ordered a food, waitress should suggest some drinks, that will be associated with the steak. Waitress received the order and gives it to the kitchen.

Transparent kitchen, will allow our customers to see, what is going on in the kitchen and how their meat is cooked. As we will have transparent kitchen, customer will look through the window, and understand why it takes 20 minutes to cook a steak. This transparent window, will also solve the problem of waiting more than 10-15 minutes. Next step in our business process starts when the steak is ready. Chief cooker will serve the plate and send it to the table of cooked meals. Waitress should take this plate and bring it to customer.

Customer received the steak with all special knives and plates for steak. During



the time, while customer is eating, waitress staff should clean the table, so it does not disturb the client. Customer might ask for additional food and waitress should be ready for it. By the end of the process customer will ask for the receipt and our waitress staff should ask if have a discount card. Waitress staff should print the receipt through the R-keeper system and give it to the customer. Customer paid the amount, waitress should give change if needed.



Graph 11

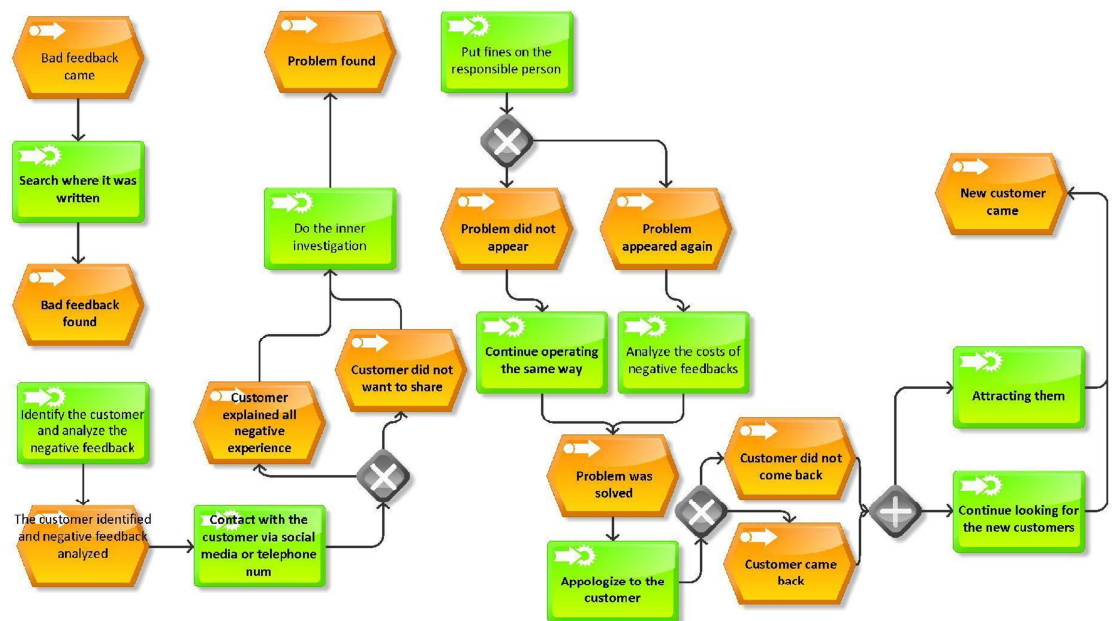
In the second graph, we want to show the business process in the operational situation. As an example of operational situation, we took a need for meat. We analyzed meat, because it is considered as the main ingredient in our restaurant. It will show us, what is the process of ordering new meat, if we have small amount of steaks.

The first event appeared, there is a need for a meat. After we have a need for meat, we proceed to the action, where we call to supplier in order to ask if they can accept the order for meat. From the first time, we have to know what amount of meat we actually need, so we inform our suppliers about amount. It may take one day, so the supplier prepares the needed amount and type of meat. In next one or two days, meat will arrive. For sure it should be checked by our chief cook. If the meat is approved by chief, it goes in the kitchen and start the process or rotation, if not, it goes back to the supplier. While the meat goes through the rotation stage, manager should pay to supplier certain amount for product and service.





Chief should prepare the meat for the meal. In order to have it prepared, he or she should cut in pieces and put them back in cooler. While the rotation process is finished, kitchen staff should identify the bad quality meat and throw it away, and save the good quality of meat. By the end of this business process, we have fresh meat in the cooler, that is ready for being served.



Graph 12

In this graph we want to show the customer relationship through the business process. It is very important for us to analyze the feedbacks, that customer gives us, because even with the help of surveys, we will not get the real result, if we do not have feedback of real client, who paid certain amount of cash for our product and service. We want to improve based on the feedbacks, so it was very important for us to have a certain pattern if something like feedback appears.

The process starts with appeared feedback. Manager should identify this feedback as the constructive feedback, even if it positive or negative. Does not matter what kind of feedback appeared, as long as it is based on something, we can continue the process. Next step, we should identify, where it was written and when exactly in order to know who was responsible from waitress employee or kitchen employee. If the good feedback appeared, we should appreciate the feedback and insist on this factor, that customer like us. Nevertheless, we can also get bad feedback. In this situation, we should analyze, who is the complainer, whether his or her account is real or fake. We

identified, that account was real, we continue with the process of contacting with the person through the personal message or comments. Complaining customer has a right not to waste his or her time on explaining what was the problem, but managers should work hard to get the information and starting to fix it. If the customer shares the complaint, we can afford him our loyalty card, so we do not have negative customers, who will spread negative experience with friends, relatives, etc.

As long as we finish with complaining person, we shift to the inner investigation. We found a problem and informed responsible employees and managers as well. If the complaint was very serious, for example regarding the quality of meat or hairs in the meal, we put fines on responsible staff. After we finish with this complain, we monitor if this problem happens again or not. If the problem did not appear, we continue operating the same way, if the problem appeared, we start to act. First of all, we should analyze the cost of negative feedback. Fire responsible person and apologize to the customer. After this situations and actions, customer decided whether to come back or not. If the customer came back, we will try to save him with a free meal or loyalty card, if customer did not come back, we still solve the problem and monitoring if this happens again. \

### **5.1.3 Legal summary**

According to the Republic of Kazakhstan law, we have a right to register our business as a sole proprietorship type of ownership. Sole proprietorship has many advantages in terms of registration, tax payments and less bureaucracy during the document applying period. Minimum amount of taxes, in comparison with legal entity.

In order to register as a sole proprietorship, we should go through certain steps:

- Registration in the statistical institutions of the Republic of Kazakhstan - receiving the receipt of a certificate of state registration of an individual entrepreneur in entrepreneurial activities.
- Registration in the tax institute at the place of residence of an individual entrepreneur.
- In order to substitute the long process of receiving stamp, we can receive the patent instead
- Registration with the public service centers

Sole proprietorship requires minimum tax payments. Steakhouse will be obligated with:

- Income tax



- insurance contributions to budgetary and extra-budgetary funds
- local taxes and fees



## 6. Financial Plan

### 6.1 Investments

In order to have a high-quality service that will support our value, we need initial investment to successfully operate. Mainly the investment will go for equipment, advertising and design costs.

Table 7- Expenses

Adajio table (2 persons)	\$220 per unit	5 units	\$1,100
Sorrento table (4 persons)	\$200 per unit	8 units	\$1,600
Albert chair	\$36 per unit	34 units	\$1,230
Dish washing machine	\$318 per unit	1 unit	\$318
Forks	\$1,5 per unit	100 units	\$150
Cups	\$5 per unit	100 units	\$500
Plates	\$2,8 per unit	70 units	\$196
Napkins	\$1 per unit	50 units	\$50
Spoons	\$1,5 per unit	100 units	\$150

Hospers grill	\$10,000	1 unit	\$10,000
Uniform	\$12,5	1	\$100



TOTAL equipment+uniform			\$15934
Legal certificates	Documents for opening individual enterprise, sanitary inspection	Per month	\$50
R- keeper	Centralized orders application	2 units	\$400
Other costs			\$1000
Working capital	4 months of operating (operational costs)		\$14 778

Other expenses:

Advertisement - \$500; includes the social network advertising and outdoor ads.

Salary- \$200 to each waitress staff (6 waiters\*\$200) + \$500 chief cook, \$150 kitchen helper, \$300 accountant, \$400 manager, \$300 marketing manager

Rent- \$600

Design- \$17\*40m2 (including raw materials)

In sum initial investment equals to \$44200

*Source:* Developed by student

### 6.1.1 Scenarios

Table 8 - sales of 3 different scenarios

Scenario	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
R	41909,76	50291,71	58841,3	67667,5	76464,3	76540.73



P	19584	23500,8	27495,94	31620,33	35731	35766,7
O	52224	62668,8	73322,5	84320,9	95282,6	95377,9

*Source:* Developed by student

In this part we analyzed the three different scenarios and based on that numbers, we can predict the tendency of the sales and make some changes, in order to fix the situation. As a variable number, we took average occupancy of seats. Growth rate remains the same in all scenarios.

In pessimistic scenario, we have 10,2 occupancies and it give us \$19584 in the year of opening, in the second year, we increased our growth rate by 20% and got 23500,8. In the year 2, we have 27495,9 and growth rate is 17%. The year 3 shows us the number, which is 31620,33 and the growth rate is 15%, year 4 35731 and growth rate is 13%, year 5 is 35766,7 and growth rate is 10%.

In realistic scenario our average occupancy amount of seats is 21,83. The first year of operating gives us 41909,76 and by the end of year 5 we get 76540.73.

In optimistic scenario we have 27,2 average occupancy amount if seats and get 52224 at the beginning of operating and by the end of year 5, we get 95377,9 with the same growth rate as in the other scenarios.

### 6.1.2 Projected expenses

Table 9 - Projected fixed costs per month

Fixed costs	Per month	Note
Depreciation	\$152,83	Straight line method
Rent	\$600	\$15 per 1m2
Administrative salary	\$2850	\$200 to each waitress staff (6 waiters*\$200)+ \$500 chief cook, \$150 kitchen



		helper, \$300 accountant, \$400 manager, \$300 marketing manager
Advertising cost	\$500	Including all social networks, outdoor banners
Internet	\$17,30	Internet cost per month

Source: Developed by student

This table shows us the administrative expenses in three years. Here we included depreciation cost, rent, advertising cost, internet. As these costs are fixed each time we pay them, so by definition, they remain the same in each period of payment.

Table 10 - Administrative expenses in 3 years

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Salary	\$34200	\$34200	\$34200
Rent	\$7200	\$7200	\$7200
Taxes	\$2500	\$2500	\$2500
Utility costs	\$434	\$434	\$434
<b>Total</b>	\$44334	\$44334	\$44334

Source: Developed by student

In this table we calculated the yearly payments of administrative costs. We consider them as fixed costs. Total amount of yearly payment equals to \$44334. We assume, that in all three years the amount will remain the same.



### 6.1.3 Cash budget

Table 11 - Cash budget

Name	1 year	2 year	3 year	4 year	5 year
Cash balance	0	\$12454,66	4925,27	\$5945,57	\$15791,87
Expected sales	\$41909,76	\$50291,71	\$58,841,30		
<b>Total Cash collections</b>	\$41909,76	\$62746,37	\$63766,57	\$73612,97	\$92256,17
<b>Payments</b>					
Equipment	\$15834,00	0	0	0	0
Salary	\$34200	\$34200	\$34200	\$34200	\$34200
Taxes	\$2500	\$2500	\$2500	\$2500	\$2500
Utility cost	\$434	\$434	\$434	\$434	\$434
Rent	\$7200	\$7200	\$7200	\$7200	\$7200
Legal certificates	\$600	\$600	\$600	\$600	\$600
Uniform	\$100	\$100	\$100	\$100	\$100
Design	\$680	\$680	\$680	680	680
Internet	207,6	207,6	207,6	207,6	207,6
Market exp.	\$6000	\$6000	\$6000	\$6000	\$6000
Social sec	5899,50	5899,50	5899,50	5899,50	5899,50
<b>TOTAL PAYMENTS</b>	\$73 655,10	\$57821,10	\$57821,10	\$57821,10	\$57821,10





<b>Surplus (deficit)</b>	\$-31 745,34	\$4 925,27	\$5 945,47	\$15 791,8 7	\$34 435,0 7
Initial investment	\$44 200,00				
<b>TOTAL FINANCING</b>	\$44 200,00				
Cash budget ending	\$12 454,66	\$4 925,27	\$5 945,47	\$15 791,8 7	\$34 435,0 7

Source: Developed by student

Cash budget visualize the cash inflow and outflow and represents the realistic scenario of expected sales, initial investments, fixed and variable costs. Cash budget was planned for 5 years.

### Payback period

Table12- Payback period

<b>Year</b>	<b>Cash flow</b>	<b>Cumulative cash flow</b>
0	(\$44200)	(\$44200)
1	\$(31745,34)	\$(12454,66)
2	\$4925,27	\$(7529,39)
3	\$5945,47	\$(1583,92)
4	15791,87	14207,95
5	34435,07	20227,12



Source: Developed by student

PAYBACK FORMULA=  $A+B/C$

A= 1<sup>st</sup> operating year

B= Cumulative cash flow

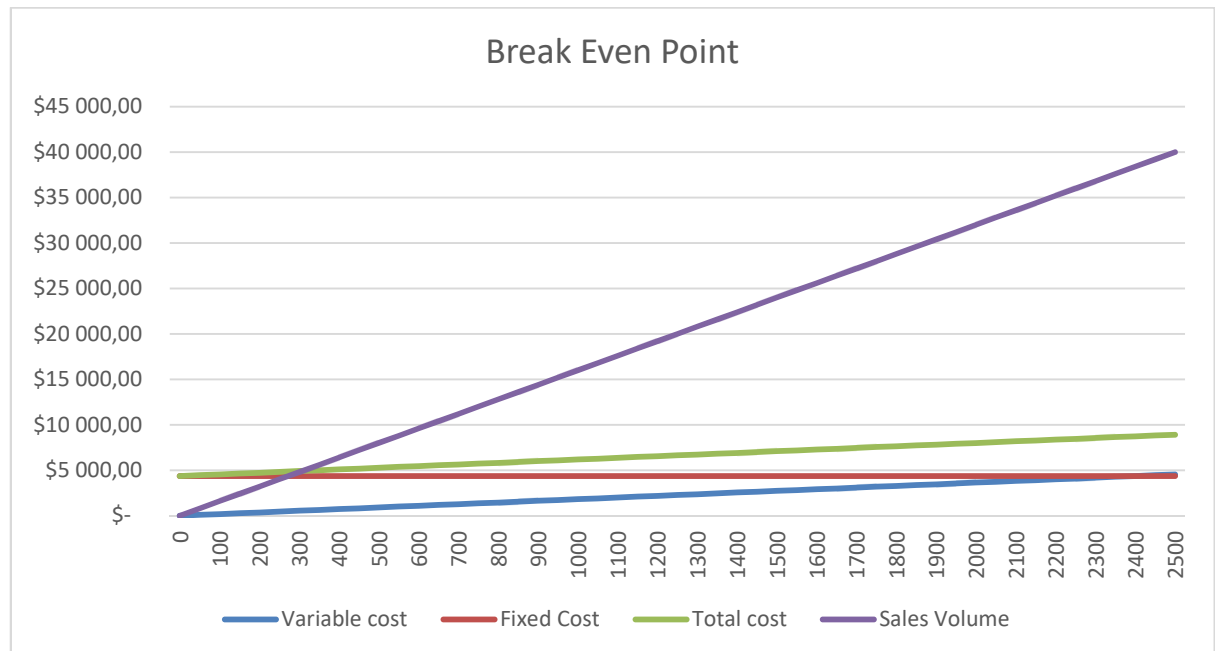
C=Total cash flow during 4<sup>th</sup> year

Payback period=  $3+ (|-1583,92|/\$15791,87) = 3+0,1 = 3,1$  year

As we calculated, we will cover the payback period in 3,1 years. By making initial investment in the first year \$44200, we cover expenses and create surplus in the second year.

### Break Even Point

Figure 1- Breakeven point



Source: Developed by student

In order to calculate the Break-Even-Point, we calculated all fixed costs, found the cost structure of one meal and price that we want to practice. In fixed costs, we included the rent, salary, depreciation, advertisement cost, internet, utility cost, tax payments. By calculating the maximum capacity, we found what the maximum amount of people we can serve in one month.  $2,5 \times 34 \times 30 = 2550$  units. We started from 50 units, to know how many steaks we should sell in order to face Break-Even-Point. In this case, we face the break-even-point if we would sell 350 units, where variable cost will be equal to \$637, fixed cost remains the same \$4364,59, total cost is the sum of fixed and variable cost 5001,59, sales volume is units multiplied by price that we want to practice



and it gives us \$5600. The profit, that we will face is \$598,41

The cost of food materials in the steakhouse is much higher than with other types of restaurants:

Steakhouse: 40%

Chinese restaurant: 20%-25%

Italian restaurant: 28%

We can see, that costs for steakhouse is much higher than for other type of restaurants. That information explains, why steaks has such costs and why it costs more than other type of meat meals. It means that the price in steakhouse will be higher, than average price, the position that we want to take is that, whatever price customer will pay, he should always feel, that he receives this amount back in terms of service, delicious food, comfort.

In Kazakhstan based on National statistics committee the average salary is \$189,6, so our price strategy will be optimized to average salary.

The methodology consists of survey among different restaurant customers with different ages and different income level.

The questionnaire has the questions that identify, what price people are ready to pay for different meeting purposes. What places they usually attend and what is average receipt that they have for each type of meeting. The survey was conducted till the number of answers got 200.

#### 6.1.4 Cost structure

For each organization, it is very important to calculate the cost price and what other costs we may face. In order to have clear view of what price we should set up, we calculated the prices of ingredients in Almaty. In order to have right cost price, we calculated the sum of all ingredients based on Almaty market prices:

Table 13- cost structure

Name	Grams	Cost (KZT)	Cost per unit (portion)
Steak meat	1000	1460	582.5
Potato	1000	150	28.8
Salt	1000	50	0,465

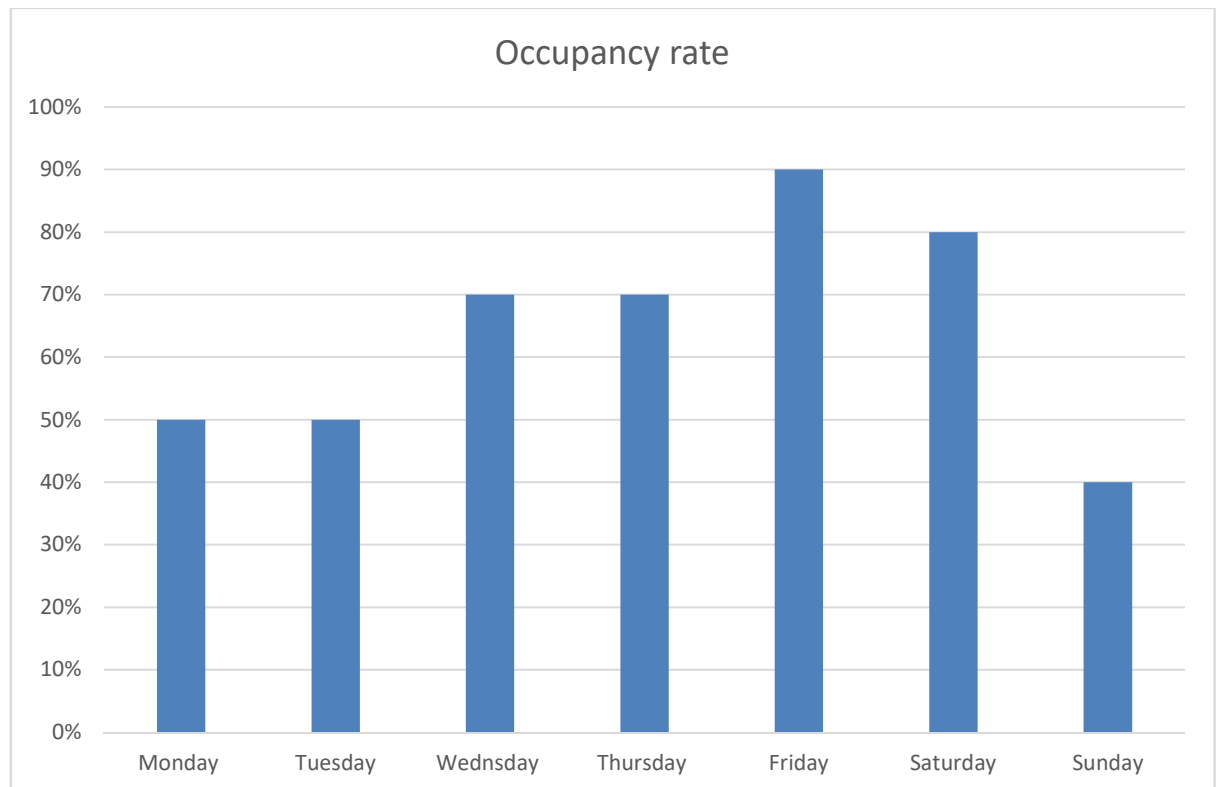


Oil	1000	345	17.595
Total			629.36

Here we can see, that cost price for the one steak will be = 126,172KZT

### 6.1.5 Occupancy rate

Figure 2- Occupancy rate



*Resource:* Developed by student

According to our observation, the occupancy rate is very different during the week. As we can see on the graph, the highest occupation rate is on the Friday and Saturday. We expect the highest occupation rate on that days, because it is the weekend and people are having more free time on that days, than on others. The lowest occupancy rate will be on Sunday.

In addition to penetration strategy, we will use psychological price setting strategy. This strategy refers to the human mind as attractive price, that often use marketing department to attract more customers. The idea is to use prices such as \$199 instead of \$200, but the thing is that it will not be traditional. Instead, to create special



pricing policy that will tell people the price like 2748KZT, so all prices will end on number "8".

Basically all products will be served by professional, trained waitress staff, interior will be organized in minimalistic design, the most important thing is to make the customer percept it like luxury designed restaurant, so it will be considered as luxury place for having a meeting, date, or family and friend dinner. We will target on people, who have medium and high level of income. By creating the value of being luxury place for having delicious steaks, we want to make our customer feel like he deserves all quality of best service and even if the customer does not know anything about steaks our trained staff will explain all, so customer will absolutely know what he or she consumes. The price strategy will attract more people, if we would target on low level of income, but we might probably lose our high level income customers, because they might think, that it is low class place, not for them. So the pricing strategy will be based on high and medium levels.

Table 14-The price for steak

T- bone steak	\$9
Ribeye steak	\$9
Mushroom steak	\$10
Chateaubriand steak	\$10
Antrekot steak	\$11

Source: Developed by student



## 7. Conclusions

Marketing plays an important role in restaurant business. It is all about how well you can promote your restaurant; it should stand out from the rest of the companies and be impressive enough to attract people's attention. Every day is special for someone, people have birthdays, weddings, anniversaries and other events when they go in our restaurant. Now they have an opportunity to choose from a big variety in restaurant. They want to have diversity in menu, gain satisfaction with their order and then they will come back again. For this reason, it is important to use creativity for making special dishes made with love, to be always innovative and being up-to-date with the recent fashion in the restaurant industry.

More reasonable prices and creative approach to serving the table, as well as taste and quality cooked meat will become a competitive advantage of our restaurant.

In Almaty, many different events and business meetings are held during each season. For the restaurant business, this is actually a chance to get a good profit, because the event is large and requires a lot of products to use; there is also an additional fee for services. That's why you need a good reputation. People will use the word-of-mouth method to spread their comments and feedback about the store, and if they are positive, more customers will be interested in its services.

The quality of services is vital while arranging a big event. The company should focus on satisfying the exact needs of a customer so that the guests are also impressed. People will then ask for the contacts, they will find the restaurant shop through older customers or through the Internet. Eventually, they will want to use its services too. Therefore, being excellent at work will attract more customers and build up customer's loyalty. Customers are key to success for any business, they are the kings, they command incomes and how the customer is treated determine whether the customer will stay loyal to you or switch to another company.



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## Appendices

### Technical details about steak production

#### Types of steak:

- 1) Extra rare (or blue rare)- This type of steak is not very different from a simple raw meat. They are cooked at temperature around 46-49 °C (the temperature inside of a meat, but not the pan) and served. Steak thus remains moist, but not so cold.
- 2) Rare (with blood) - The extent of roasting meat is brought to a temperature of 49 to 55°C. The meat is heated to this temperature and remains red, but not so moist as in the Extra-rare / Blue rare. Roasting of the meat takes about 3 minutes.
- 3) Medium-rare (mild roasted) - Steak is heated to a temperature of 55 to 60°C. Roasts 4-5 minutes. Inside the meat has a bright pink color.
- 4) Medium - meat temperature reaches 60-65°C. Color inside becomes light pink (pale pink) by the duration of roasting in 6-7 minutes.
- 5) Medium-well (almost-done)- In such a steak there is no pink color, and the juice becomes transparent. Steak is heated to a temperature of 65-69°C and fried for 8-9 minutes.
- 6) Well done (roasted) - fully roasted meat, steak reaches a temperature of 71-100°C. That degree is chosen for well-done type for those who are afraid of everything, also called "underdone".
- 7) Overcooked (heavily roasted meat)- This steak is heated to 100°C temperature and becomes very dry without meat juice.

The temperature inside of the steak before serving, chef always checks, using a special probe with a thermometer. Typically, the degree of roasting begins with rare type. However, lovers of meat with blood can enjoy blue rare type.

*Table 14-* The lifecycle of steak

Product	Coldstore	Freezer
Steaks of fresh beef, lamb, pork	3-5 days	6-12 months
The meat for hamburgers,	1-2 days	3-4 months



minced meat		
Chops from fresh beef, lamb, pork	3-5 days	4-6 months
Bacon	7 days	1 month
Sausages raw	1-2 days	1-2 months
Hot-dog (open)	7 days	1-2 months
Hot-dog (packed)	14 days	1-2 months
Chicken nuggets	3-4 days	1-3 months

Source: <http://lifeandbrand.com/vse-serketyi-otkryitiya-steyk-haus.html>

