Food and beverage management is the sector in hospitality management, it aims at providing the high quality and affordable food and beverage while maintaining reasonable profit margin.

It is important to manage the cost and pricing strategy plus every step of the purchase process factors, which determine the improvement, and amendments to make the business operation successful.

Food & Beverage Operations – Basic Food & Beverage Financial Management

Food & Beverage Cost Control

Fixed & Variable Cost
- Labor Cost
- Food & Beverage Cost

In any business of selling a product is likely going to incur costs in order to get that product sold. In the case of restaurants and other food operations, these costs come mainly in the form of food, beverages, and labour.

Restaurant operators purchase food and beverages, usually in the form of raw ingredients. Labour cost include wages of chefs and cooks who can transform those ingredients into saleable finished products.

To be profitable, finished products is sold at a higher price, careful and methodical control of costs with a well planned and accurate menu prices are crucial for operational success and profitability.

These can be categorized as Variable costs which vary with the amount of output produced, and fixed costs remain the same no matter how much a company produces. These are the two main types of costs that a company incurs when producing goods and services.

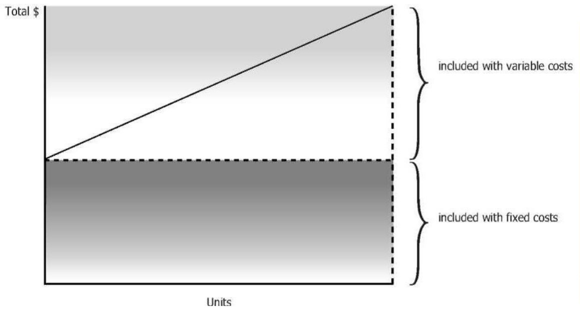
Fixed Costs – those cash costs paid each month whether one patron or 30,000 patrons are served. A perfect example relates to costs associated with occupancy. These include rent, insurance and property taxes.

Variable Costs – the technical definition relates to those costs that fluctuate (generally increase) as the volume of sales increase. The most common identifiable cost in a restaurant is food cost.

Food & Beverage Operations – Basic Food & Beverage Financial Management

Food & Beverage Cost Control

Mix Cost



Mixed Costs – a derivative of both fixed and variable expenditures as one single cost; in the restaurant industry a good example is the water bill. In general, this monthly bill has a fixed required payment whether the restaurant washes dishes or not. Think of the standard account fee. The variable element of the water bill is the actual consumption of water. The fixed element is spread over the volume of water consumed so the price per gallon decreases as the volume of water consumed increases.

Sunk Costs – costs incurred to get into the restaurant business yet have no real ongoing costs as the restaurant serves patrons. A good example relates to restaurant equipment. The owner paid for this equipment upfront prior to opening. Therefore, the cash paid is ‘Sunk’ or gone. The only way to get it back is to either earn it back using the equipment or sell the equipment.

Accrual & Cash – the form of financial presentation related to actual costs associated with business operations. In a restaurant business, the most common presentation format is accrual due to the nature of receiving payment from the customer upon service.

Profit
& Loss Statement

	RM
Sales	1,000000.00
Less: Cost of Sales	300,000.00
Gross Profit	700,000.00
Less: Labor Cost	200,000.00
Less: Operating Expenses	300,000.00
Net Profit	200,000.00

A profit and loss statement (or income statement) is a monetary statement that lists the sales, costs, and expenses of your business in a set period. For a restaurant, this financial statement enables you to analyse your restaurant's financial progress. You'll be able to see exactly where your restaurant is making or losing money, so you can take the necessary steps to improve your bottom line. such as implementing strategies to lower food costs, that will ensure your restaurant's financial success. Commonly monthly and yearly restaurant profit and loss statements is prepared to show overall progress.

A general P&L statement usually includes the following 6 main sections:

Sales Breakdown - In this section, you should list out all the items that contribute to your total sales. This will include the products from all revenue streams and how much money each specific item has brought in

Costs breakdown - In this section, include a list of all the restaurant's expenses with a cost of goods sold analysis. The cost of goods sold (COGS) is the total cost of your food and beverage inventory for a given time period. You can list out each individual item using your existing inventory system, calculate the cost of each product, and add them up to get your total COGS.

Labour Cost - From head chefs to bussers, salaries and hourly wages for all employees make up your restaurant labor cost. The key element to controlling your restaurant labor cost is to understand how many employees you need to provide consistent and effective service without scheduling too many people.

Operating Costs – Restaurant operating expenses include everything involved in your daily operations, such as supplies, repairs, and marketing.

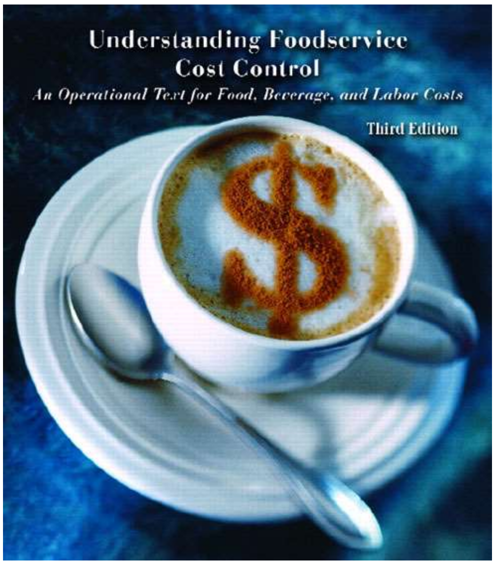
Net Profit or Loss - In this final section, add up the costs (COGS, Labour, Operating) and compare it to the total income. Ideally, it should show profit. If negative figure, means spending is more. Therefore, adjustment is required on the budget to ensure that next pay period ends in a profit or else it is difficult to sustain the business in the long run.

The restaurant manager is usually responsible for profit before fixed charges ie. Food and beverage revenues, cost of sales, gross profit and controllable expenses

Profit & Loss Statement

	RM
Revenue	
Food	120,000.00
Beverage	80,000.00
Total Revenue	200,000.00
Cost of Sales	
Food	50,000.00
Beverage	40,000.00
Total Cost of Sales	90,000.00
Gross Profit	110,000.00
Controllable Expenses	
Payroll & Related Expenses	35,000.00
Direct Operating Expenses	12,500.00
Music & Entertainment	4,000.00
Marketing	6,000.00
Energy	3,500.00
Administration	4,200.00
Repair & Maintenance	3,800.00
Total Controllable Expenses	69,000.00
Profit before fixed charges	41,000.00
Rental, Insurance	13,000.00
Loan Interest	7,000.00
Depreciation of assets	1,000.00
	21,000.00
Net Profit for the Period	20,000.00

The top management are fully responsible for net profit, ie. All revenues and expenses including the fixed charges.
For most restaurants, food is the top selling items, while bar will likely get most of its revenue from beverage sales. Some hotel do have merchandise which may include gift cards, t-shirts, mugs, cookbooks, pre-packaged food etc. Restaurants can tract their sales trends by separating the items on the income statement, such as creating additional lines for breakfast, lunch, dinner or separating beer, wine and liquor.



What is Cost of Sales?

FOOD COST & BEVERAGE COST / COST OF GOODS SOLD

Cost of Sales represents the direct material cost involved in making the product (food & beverage). In other words, cost of sales is variable cost of what you have sold. It is the total cost of all the ingredients used to make menu items, right down to the garnishes and condiments.

It's important to monitor and assure that the food & beverage price in the menu item allow enough profit or increase the menu price to compensate the fluctuations in COGS.

Calculating Cost Of Goods Sold

Cost of Goods Sold (COGS) Formula

(Beginning Inventory + Purchased Inventory) - Ending Inventory

The beginning inventory – the amount of product that you have in the kitchen and storage rooms at the beginning period, usually beginning of the week. E.g. If Monday is the start of the business week and in the store, there is a worth of RM5,000 worth of food, that will be considered as the beginning inventory.

Purchases – the amount of inventory where purchases of food and beverage are ordered in that period of time. In an order of another RM3,000 worth of inventory arrives on Friday, would be considered as purchased.

Ending Inventory – the amount of food product which is left when the work week is ended. E.g. at the end of the week there is RM4,000 worth of inventory remaining.

Food & Beverage Operations – Basic Food & Beverage Financial Management

Metric	What is it?	Equation	Example
Cost of Goods Sold (COGS)	• The cost to your restaurant of the food, beverages, and any other products sold in a given time period • Also known as cost of usage or cost of sales	Beginning Inventory + Purchases – Ending Inventory = COGS	**$4,000** (beginning inventory) + **$3,000** (purchased inventory over the week) - **$1,250** (ending inventory) = **$5,750** (COGS) • Repeat for every product individually or add up your inventory at once to get your total COGS.
Food Cost Percentage	• The portion of sales spent on food • Average food cost percentage ranges from 25-35%	Total COGS / Food Sales = Food Cost Percentage	**$5,750** (Total COGS) / **$17,000** (Food sales) = **33%** (Food Cost Percentage)
Gross Profit	• The profit made from your sales after deducting the cost of goods sold • Can be thought of as a preliminary profit because it only takes into account sales and goods	Total Sales – COGS = Gross Profit	**$17,000** (Food Sales) - **$5,750** (Total COGS) = **$11,250** (Gross Profit)
Net Profit/Loss	• The actual profit or loss after all expenses are deducted from sales • Also known as the bottom line, net income, or net earnings	Gross Profit – (Labor Cost + Operating Costs) = Net Profit/Loss	**$11,250** (Gross Profit) -**($3,750 +$1,600)**(Labor Cost + Operation Cost) = **$5,900** (Net Profit)

Calculating COGS- Example

Restaurant has RM5,000.00 worth of inventory on hand in the beginning of the week

Additional purchase of RM3,000.00 of food & beverage product at mid week

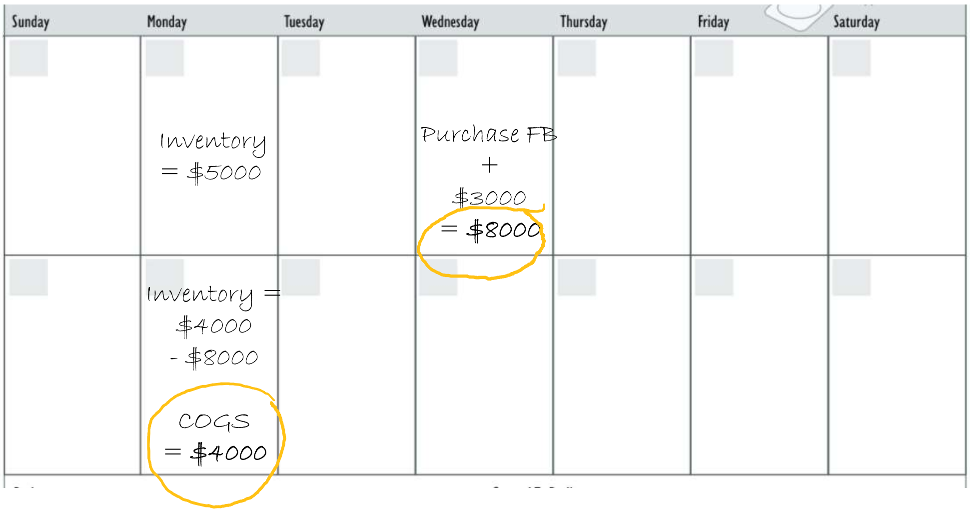
The following Monday, there is a RM4,000.00 worth of inventory

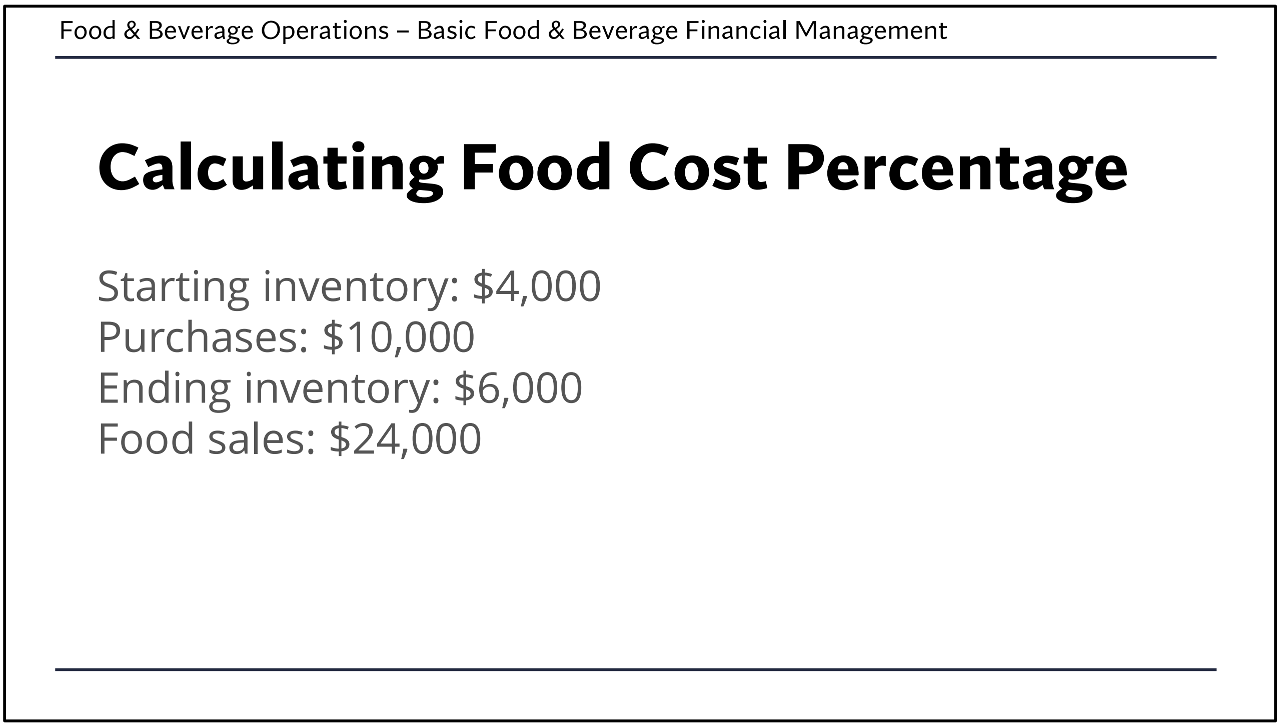
Calculate the COGS?

COGS Calculation

Beginning inventory = RM5,000.00
Plus, Purchases = RM3,000.00
Less end inventory = RM4,000.00
COGS – RM4,000.00

Calculating Cost of Sales - Example





First, find the net inventory.

Starting inventory minus ending inventory leaves us with (-$2,000). Add that to the purchases to get $8,000. That's your actual food cost.

Divide that by $24,000, which is your food sales, and you get 0.333.

Multiply by 100 and your food cost percentage is around 33%, which is about typical for a restaurant

Calculating COGS – Example (Potato Chip Business)

Potato chip business has had its first month run, to start the quarter out they make sure to have on hand the following inventory:

•1000 pounds potatoes (worth $750)
•200 gallons oil (worth $1000)
•100 pounds salt (worth $25)

During this quarter they also purchase the following inventory items:
•Potatoes: 10000 pounds (costing $7500)
•Oil: 500 gallons (costing $2500)
•Salt: 100 pounds (costing $25)
They also have 600 employee hours producing potatoes chips (costing $7200).

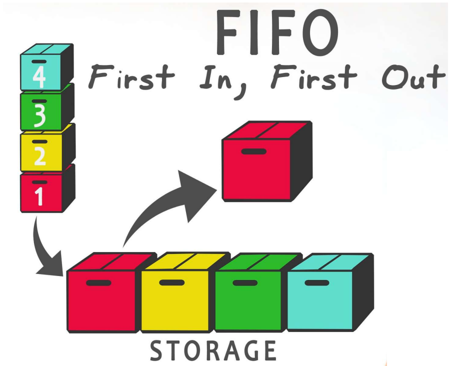
At the end of the period the business has left in the inventory:
•234 pounds potatoes (worth $175.50)
•25 gallons oil (worth $125)
•50 pounds salt (worth $12.50)

Starting inventory equal to:
•*$750 + $1000 + $25 = $1775*

The total cost of goods during the period including purchases : *$7500 + $2500 + $25 + $7200 = $17225*

Total ending inventory worth: *$175.50 + $125 + $12.50 = $313*

The total COGS for this period is starting inventory plus purchases during the period minus ending inventory: *$1775 + $17225 - $313 = $18687*



FIFO uses inventory that was purchased first before inventory that was purchased later

Calculate:

At the end of the month there are 1500 pounds of potatoes left over. Throughout the month potatoes were purchased on four separate occasions for the following prices:

•Week 1: 1000 pounds at $0.78/pound
•Week 2: 1500 pounds at $0.77/pound
•Week 3: 2000 pounds at $0.77/pound
•Week 4: 1000 pounds at $0.79/pound

Since there are 1500 pounds of potatoes left, the assumption is that 1000 pounds were purchased in week 4, and 500 pounds were purchased in week 3. Calculate the total cost using FIFO.

FIFO (First in, First Out), refers to the practice of using items that came in first before using items that came in later. This prevents materials from going bad due to not being used. FIFO is a popular inventory rotation method, which is why it makes sense to also use it as an accounting method. When using the FIFO accounting method, the assumption is that any goods left over are the most recently purchased goods. Here is an example using this method of accounting:

At the end of the month there are 1500 pounds of potatoes left over. Throughout the month potatoes were purchased on four separate occasions for the following prices:
•Week 1: 1000 pounds at $0.78/pound
•Week 2: 1500 pounds at $0.77/pound
•Week 3: 2000 pounds at $0.77/pound
•Week 4: 1000 pounds at $0.79/pound

Since there are 1500 pounds of potatoes left, the assumption is that 1000 pounds were purchased in week 4, and 500 pounds were purchased in week 3. The total cost can then be calculated:

- *500 x $0.77 = $385*
- *1000 x $0.79 = $790*
- Total: *$385+$790 = $1175*

LIFO uses inventory that was purchased last before inventory that was purchased earlier

Calculate:

At the end of the month there are 1500 pounds of potatoes left over. Throughout the month potatoes were purchased on four separate occasions for the following prices:

- Week 1: 1000 pounds at $0.78/pound
- Week 2: 1500 pounds at $0.77/pound
- Week 3: 2000 pounds at $0.77/pound
- Week 4: 1000 pounds at $0.79/pound

In this inventory method the 1500 pounds of potatoes were purchased in week 1 (1000 pounds) and week 2 (500 pounds). Calculate the total cost using LIFO.

LIFO (Last in, First Out), refers to the accounting method where the most recently purchased items are used first. This method is often used when the goods do not go bad quickly. Here is the previous example, this time using the LIFO accounting method:
In this inventory method the 1500 pounds of potatoes were purchased in week 1 (1000 pounds) and week 2 (500 pounds). Making the total cost:
- *500 x $0.77 = $385*
- *1000 x $0.78 = $780*
- Total: *$385 + $780 = $1165*

Average Cost

The accounting method takes the average of all the goods purchased during the period and uses this as the price applied for goods leftover in inventory.

Calculate:

At the end of the month there are 1500 pounds of potatoes left over. Throughout the month potatoes were purchased on four separate occasions for the following prices:

•Week 1: 1000 pounds at $0.78/pound
•Week 2: 1500 pounds at $0.77/pound
•Week 3: 2000 pounds at $0.77/pound
•Week 4: 1000 pounds at $0.79/pound

Since there are 1500 pounds of potatoes left, the assumption is that 1000 pounds were purchased in week 4, and 500 pounds were purchased in week 3. Calculate the total average cost?

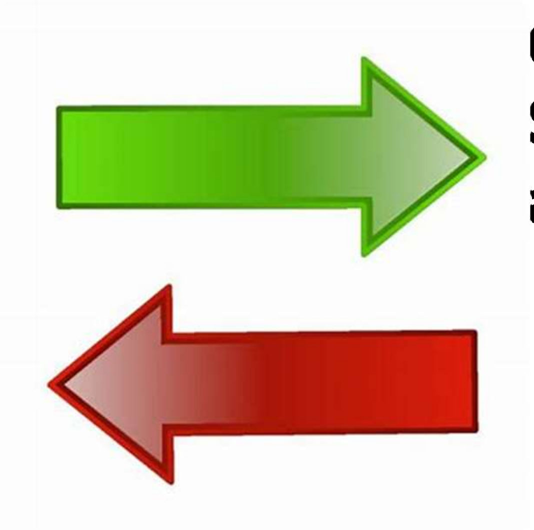
The **average cost** accounting method takes the average of all the goods purchased during the period and uses this as the price applied for goods leftover in inventory. This method tends to keep COGS more constant and doesn't require any specific inventory tracking method. Here's another look at the potato example, this time using average cost:

•Week 1: 1000 pounds at $0.78/pound - total cost $780
•Week 2: 1500 pounds at $0.77/pound - total cost $1155
•Week 3: 2000 pounds at $0.77/pound - total cost $1540
•Week 4: 1000 pounds at $0.79/pound - total cost $790
•Total purchased this month 5500 pounds potatoes for a total cost of $4265
•Average cost: *$4265/5500 pounds = $0.775*

The leftover 1500 pounds of potatoes uses the $0.775/pound price, giving it a total worth of: *1500 x $0.775 = $1162.50*

Each accounting method gave a different inventory cost:
•FIFO: $1175

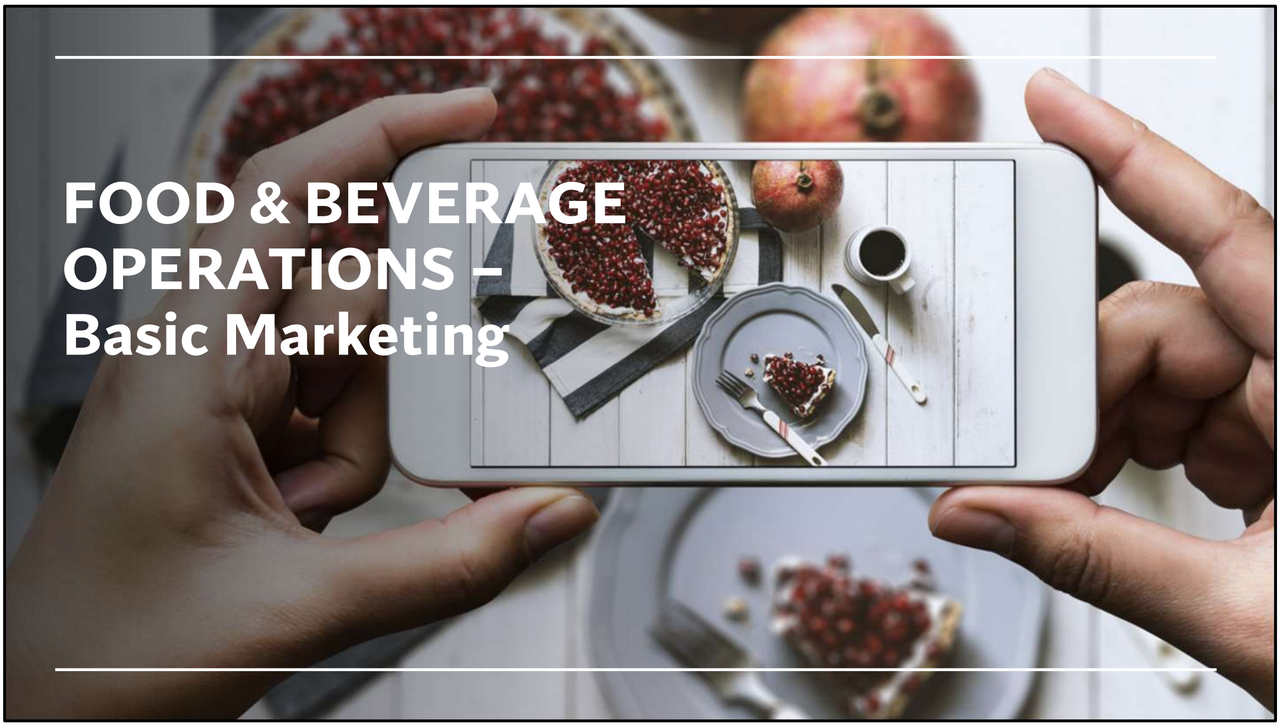
- FIFO: $1165
- Average cost: $1162.50



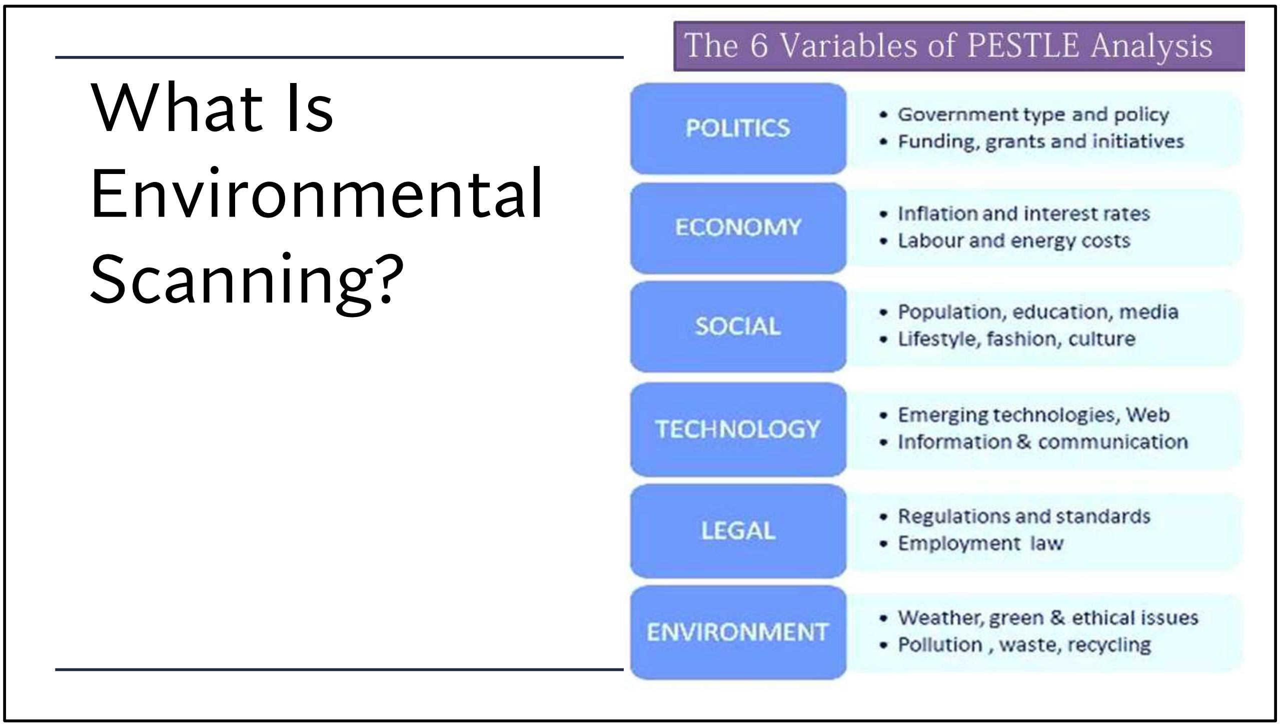
Calculating Cost of Sales - Transfer in and Transfer Out

Beginning Inventory
+ Purchases
(-Transfer Out)
+ Transfer In
- Ending Inventory
= Cost of Good Sold

Transfer Out include any products that is send out from the outlet to other kitchen or outlet (often another restaurant in the same chain). Thus, Transfer In are products that are transfer from another restaurant or outlet. If there is no transfer in or out, simply have this column zero. It is important that any transfer are recorded to reflect the items coming in or leaving the kitchen for an accurate COGS



One of the biggest challenges for businesses today is attracting customers and keeping them. They do so through effective marketing with the consideration of using one or more of the five different approaches of marketing philosophies to promote the food and beverage offers to the targeted audience. These approaches are called **marketing concepts**, or philosophies that drive what type of marketing tools are used by a company.



Environmental scanning is a review of external sources to discover factors that impact a business. The main goal is to identify and consult sources outside the business. Although these sources are uncontrollable from the business's perspective, it is important to consider them in decision-making processes.

Political

Wide Regulation - Governments has implemented expansive regulatory frameworks for every aspect of the food industry. This includes the cleanliness of commercial kitchens, the standards for storing and transporting produce, and even the requirements for laborers in the food business. Without a doubt, this makes the food industry one of the most tightly-regulated industries of all. On the plus side, this ensures that consumers aren't exposed to poor quality nutrition, but the complexities of regulation certainly take away from the margins of the food business.

Economic

Growing Disposable Incomes (indicator from unemployment rate) - As a general trend, population of people is getting richer. That means that individuals in the lower, middle, and upper classes all have more money to spend on luxuries — including restaurant food. As a result, the overall revenue of the food industry is growing, as individuals cook less and eat out more often. This has a positive effect on all corners of the space, including restaurateurs, food distributors, and the individual workers who play a role in these businesses.

Increasing Labour Costs - The cost of hiring workers is increasing across all industries. This is caused by not only a growing demand for employees, but also higher and higher government expectations for minimum wages. As in many other industries, the effect of increasing labour costs is simple: less margin for the owner of the business, and thus less profit.

Sociocultural

Health Consciousness - There's a clear relationship between the food we eat and our personal health, and consumers are conscious of this. As a result, many individuals are looking for healthier ways to fuel their bodies. This doesn't necessarily have a positive or negative effect on the food industry, but it means that businesses will have to adapt to stay relevant. For example, fast food businesses will likely have to move away from traditional, high-calorie fried foods towards healthier alternatives like salads.

Dietary Restrictions - Aside from having a better grasp of what kinds of food are and aren't healthy, consumers are also more knowledgeable about their individual dietary restrictions. For example, many individuals now understand the negative impact of gluten in those with Celiac disease. This has led to consumers expecting greater understanding on behalf of those who work in the food industry. Once again, this isn't necessarily a bad thing, but it means that the food industry will have to make changes to keep clients happy.

Technological

Automation - We're seeing various types of automation more and more in the food industry. Perhaps the best example is the use of self-checkout screens at fast food venues such as McDonalds, but it's not the only one! Just recently, social media platforms went crazy as viral footage of a hotel's robot cooking up omelettes began to spread. As we find more ways to use technology — including robots — in the food industry, there will be less need for laborers. Overall, this is a good thing for the industry, as it will allow businesses to improve profitability and reduce the likelihood of human error.

Legal

Safety Standards - As touched upon in the Political section of this PESTLE analysis, the food industry has high standards for safety matters. There are scores of rules in every country on how food should be transported, stored, and prepared — including directions on what temperatures various food types can reach, how they should be cleaned, and so on. While this is indeed largely a Political issue, it becomes a Legal matter if any of these regulations are ever breached. As such, those in the food business need to be extremely careful to ensure that they stay within the bounds of these rules to prevent costly lawsuits

SWOT Analysis

Food and beverage is a very competitive industry with a plethora of competitors in the market. The right SWOT analysis would help you to make good strategic decisions. Like how to identifies core strengths and weaknesses of the company, and to minimize threats and take advantage of the opportunities.

It’s better to coordinate with all the departments while conducting a swot analysis, because it would provide an insight from the various perspectives. Example of a step-by-step swot analysis of the food and beverage industry.

<u>Strengths of Food and Beverage Industry</u>

Strong Distribution Network

Hotels and restaurants offering specific foods and drinks usually have chains and networks of hotels across the country. Some brands operate at a global level. However, they have a very good distribution system, which makes the products available to the customers regardless of their location.

Costing

Since the products of the food and beverage industry produced at the economies of scale, therefore, the prices of them are low. Cheap prices make products affordable to customers.

Relations with Suppliers

The relationship between the food and beverage industry has with its suppliers isn't temporary. In fact, it goes on for years supplying the same products day after day. When you have reliable suppliers, then you wouldn't face shortages and delays in the delivery of products.

Return on Investment Period

Hotels and restaurants in the food and beverage industry require a huge investment to start, and the minimum profiting period comprises of 5 years. Initial years would cover all the basic costs and expenses, the balance sheet would remain equal in the beginning before profiting in long run

Highly Skilled Workforce

Chef, cook, waiter, and other staff, they may seem simple jobs. But they require a great proficiency in the skill, only then they would be able to produce and deliver the quality service.

Diversity

The interesting thing about the food and beverage industry is diversity. Its workforce usually from different social, cultural, racial, regional, and ideological backgrounds, but they work as one team under one roof. Diversity is good for innovation and creativity, but it also boosts the team spirit.

Market Expansion

When you have a strong diverse team, and a diverse portfolio of products, then it can easily expand the business into different areas. That's how McDonald's has created a network of hotels across the world.

Influence of Social Media

We're living in the world of social media (Facebook, Instagram, Whatsapp, Twitter, etc) if the food and beverage industry effectively uses these platforms. Then they can reach a much bigger audience and attract many new customers.

<u>Weaknesses of the Food and Beverage Industry</u>

Less Research & Development

The food and beverage industry usually doesn't allocate a specific budget for research and development. Chef and cook follow the specific cooking style and product the same product repeatedly. One thing we all know that customers usually get tired of the same taste. If you don't change or update your products' tastes, then they would go to the other brand.

Inventory cost

There should be a narrow margin between the supply of raw products, cooking, and consumption. It would only be possible if you have a punctual supplier. If you're unable to find one, then you would have to pay for the unnecessary inventory cost. If your business is big, then it would be high.

High Rental Expenses

You would need a crowded public location to attract new customers. Rents are usually very high at such places. Even a great portion of your business profit goes to the payment of rents.

Less Profit

Having discussed earlier that hotels and restaurants in the food and beverage industry usually required a huge investment, and their profit margin is very low in the beginning. Therefore, you shouldn't be completely reliant on one source of earning.

Limited Cash Flow

If you have started the business in the food and beverage industry without having done sufficient planning in terms of profit period, inventory cost, and other miscellaneous expenses. It's highly probable that your business would end up limited cash flow and borrow from other loan agencies

Diversity

A diverse workforce is an asset to the company if people are educated, tolerant, and patient. If not, then diversity would create a conflict among workers that would affect their performance.

High Turn Over

Employees working in the food and beverage industry usually rely on the tips of customers, because their hourly wages are very low. They are from the demographic of students and part-time workers. Whenever they get a better opportunity, they leave it immediately.

High Market Share of some Products

When you have a diverse portfolio of food and drinks, then not all the items in the menu list would attract a huge market share. Only some of the items on the list would become successful. In the end, your business would be relying on the few items to cover all the expenses.

Centralized System

The functionality and decision-making system of the food and beverage industry is centralized. The management decides and the employees must follow. Employees don't be involved in the decision-making process. Management remains unaware of the public interest and employee's lack of performance.

Opportunities for the Food and Beverage Industry

Online Store & Delivery

Most of the world-leading brands in the food and beverage industry are converting their business online. Where people would have the option to choose any of their favourite food items and place their order for delivery. Your store would receive the online order, process it, and deliver the required food items on the customer's address.

Technology to Reduce Cost
If the food and beverage industry adopts technology in the maintenance of recording, smart broiler and ovens in the kitchen, and online ordering system. Then the whole business would become efficient, there won't be any delaying cost or kitchen-related safety incidents. Although these events happen rarely; but when they do, then they cost your business a lot.
Higher Income
The income of the ordinary working class has been increasing for the past few years, it's because of wage laws. When people have extra money, then they would spend by eating well. More sales mean more profit.
Higher Population
Population across has been increasing across the world. Although it has many disadvantages, it's beneficial for the food and beverage industry. It is because a higher population means more people to feed, more people means more sales.
Inflation and Interest Rate
Industrialization, mass production, and economies of the scale have lowered the per-item cost. More businesses are proliferating because of the lower interest rate. Consequently, people have more salaries, and the products are getting cheaper. It's a win-win situation for the food and beverage industry.
Tourism
The tourism industry is directly linked with hotels and restaurants, and hotels offer food and drinks. When the tourism industry has been increasing, more tourists are visiting different parts of the world, staying at the hotels, and enjoying different types of local foods and drinks.
Training the Employees
Training your employees may seem a waste of time and an expense. But it saves your business a lot of other costs like; proficient service, fewer incidents, and fewer turnovers. When you train your employees to perform better, you're investing it in the future of your business.

Threats to the Food and Beverage Industry
Competition
Technology and online shopping have made the entrance into this industry quite easier. Resultantly, the food and beverage industry has become very competitive. Now, customers have a plethora of choices to order one product. There are many brands offering the same product.
Fewer suppliers
Since the market is very competitive, but the supplying sources of raw material are limited. The functionality of your business depends on the good relations you have with your suppliers. If they supply you the raw products timely, only then you'd be able to complete the orders on time.

Customers’ Changing Tastes

Since the market is crowded with many competitors and customers have many options to order the same product. In such an environment, you must be unique in terms of food taste. Only then you would be able to capture the market share. Now, customers want not only food but a unique and different taste.

Service Marketing

Both services and products can be marketed, however, there are different marketing strategies depending on whether it is one or the other. The basic principle of service marketing mix has 7Ps as follows:-

Place
- Access
- Location
- Deliver Service/Electronic Delivery

Price
- Cost based, demand based, operational based, competition based, relationship based

Product
- Total service product
- Core product
- Supplementary services
- Facilitating service

- Supporting service

Promotion
- Internal marketing
- Direct marketing
- Advertising
- Other promotional method

Process
- Service design
- Standardization
- Customization
- Operational efficiency

Physical Evidence Facilities
- Uniforms
- Livery & Artifacts
- Signage

People
- Customers
- Employees
- Social Interactions
- Role & Scrips
- Relationship

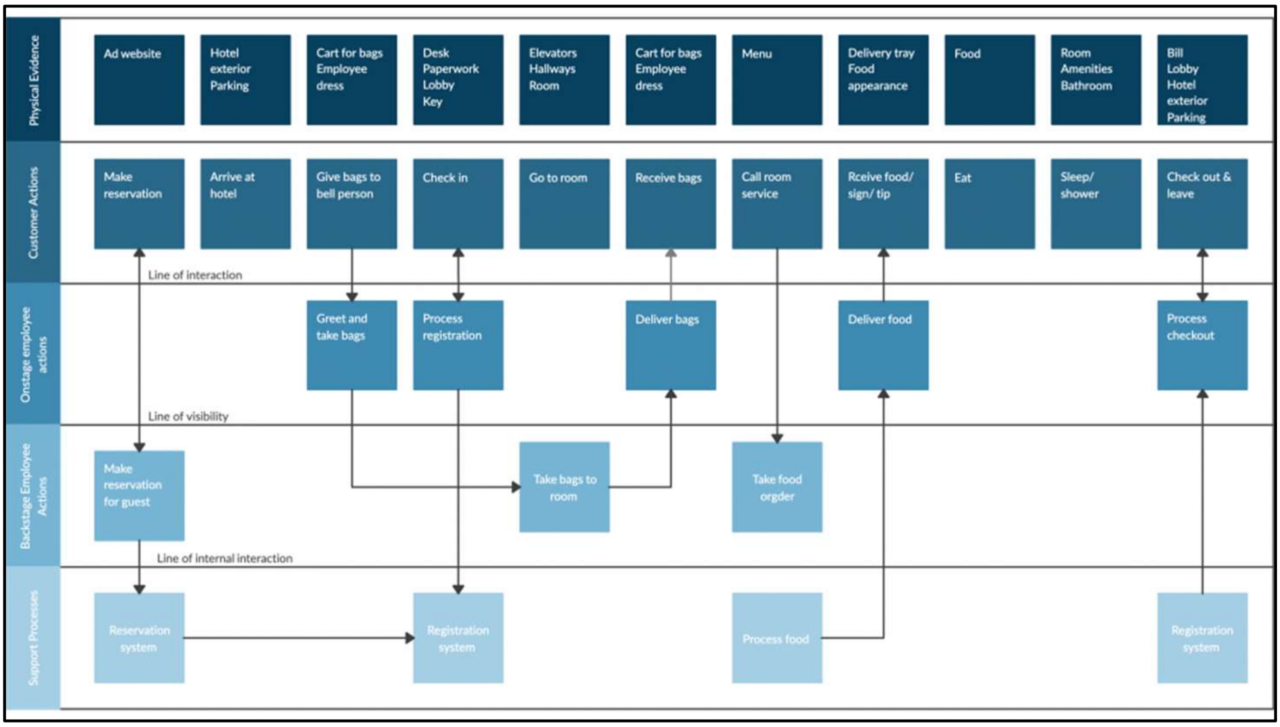
Stakeholder Analysis

Stakeholder	Stakeholder Interests	Assessment of Impact	Potential Strategies
Employees	Safe and fair work environment	Employee turnover reduces customer service	Fair pay and benefits package
Stockholders	To get a return on investment	Loss of funding	Pay back stockholders fairly to help maintain
Suppliers	Provided goods and services	Lack of supplies and finding new suppliers	Pay on-time and order regularly
Customers	Quality coffee/tea beverages	Loss of customers means loss of revenue	Continue to create and provide quality products at a reasonable price

A stakeholder analysis is a tool project managers and other professionals use to determine each stakeholder's interest, influence and participation in a project, policy or program. You might perform a stakeholder analysis before starting a project or when making decisions during one. A stakeholder analysis can help you:

•Identify stakeholders and their motivations
•Decide how to involve your stakeholders in the project
•Communicate with stakeholders
•Manage and engage stakeholders
•Use stakeholder advice and opinions to improve the project
•Find ways to increase stakeholder interest or support for the project
•Gain resources such as money, time and staff

Once you understand the stakeholders' motivations and influence, you can create a strategy for communicating with and involving them in your project.



A service blueprint is a tool that helps teams understand how the customer sees or experiences a business's service process. It's a diagram that visualizes relationships between people, processes, and physical and digital touchpoints tied to a specific customer journey.

Every service blueprint, maps out:

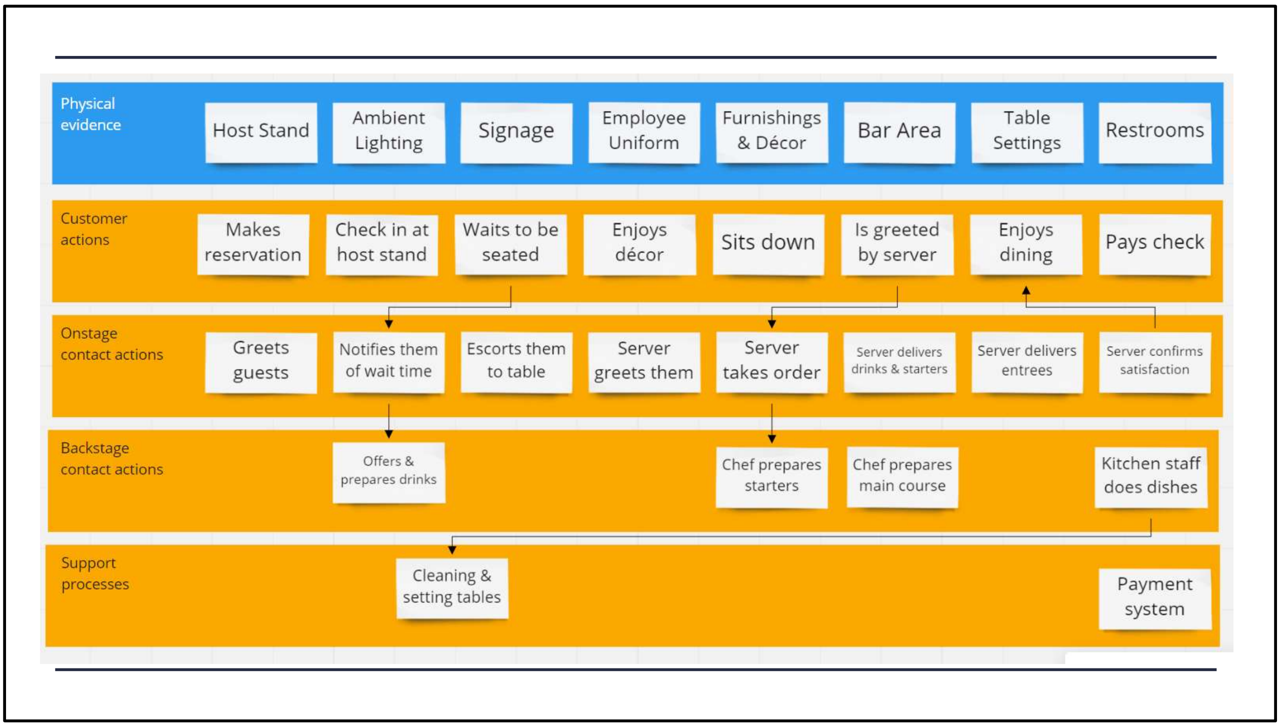
•The step-by-step of a specific customer journey
•The channel-based touchpoints, one by one.
•The backstage processes, across different stakeholders and actions.

It creates a shared understanding in cross-functional teams who develop products and services for their customers.

A service blueprint is a useful tool for teams to create together. But when should you make one? Here are the most popular use cases for a service blueprint:

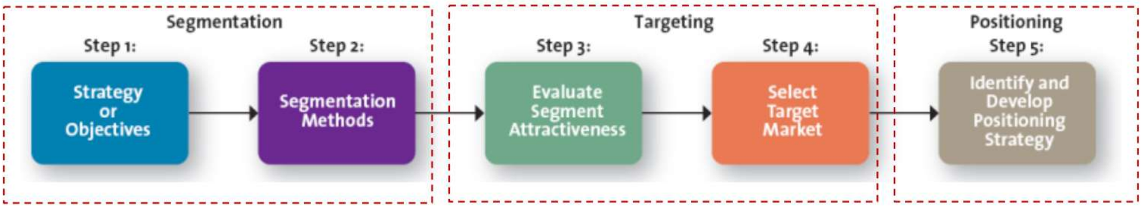
1. When many departments contribute to a single customer service experience.
2. When a company would like to check whether its key processes are sufficiently human-centered.
3. When a service improvement is needed to improve the customer experience.
4. When a service is changing or needs to be re-designed.

5. When an organization is transitioning from a high-touch service to a low-touch service (e.g., when you want to design a new cost-effective model with lower audience volume).



Example of a Food & Beverage Blueprint (Bar)

Segmentation, Targeting & Positioning



Firms need to outline the different methods of segmenting a market, describe how firms determine whether a segment is attractive and therefore worth pursuing, articulate the differences among targeting strategies: undifferentiated, differentiated, concentrated, or micromarketing and define positioning and describe how firms operate

Step 1:
Segmentation strategy - MUST be consistent with – Firm's mission/objective – Firm's current situation (SWOT) (ie. Who is your consumer, and what the are looking for)

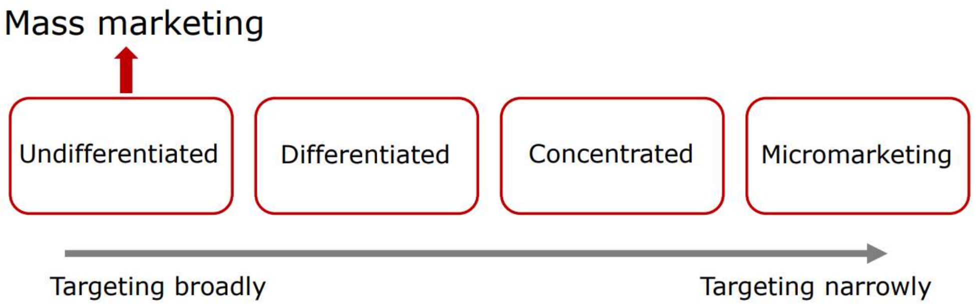
Step 2:
Segmentation method can be categorized as follows:-
Geographical – according to where the consumer in located (young adult – free Wi-Fi, women – healthy food etc)
Psychographic – according to the basis of lifestyle
Behavioural – according to the basis how they use the product; use frequently, brand loyalty, benefits needed, occasion

Step 3

Segment Attractiveness

- Identifiable (who is in this market)
- Substantial (can you create a specific message to this audience)
- Reachable (existence of product, understand the usage and where to purchase)
- Responsive (guest must be able to react positively, accept firms value proposition, trust firms' ethics and reputation)
- Profitable

Targeting Strategies

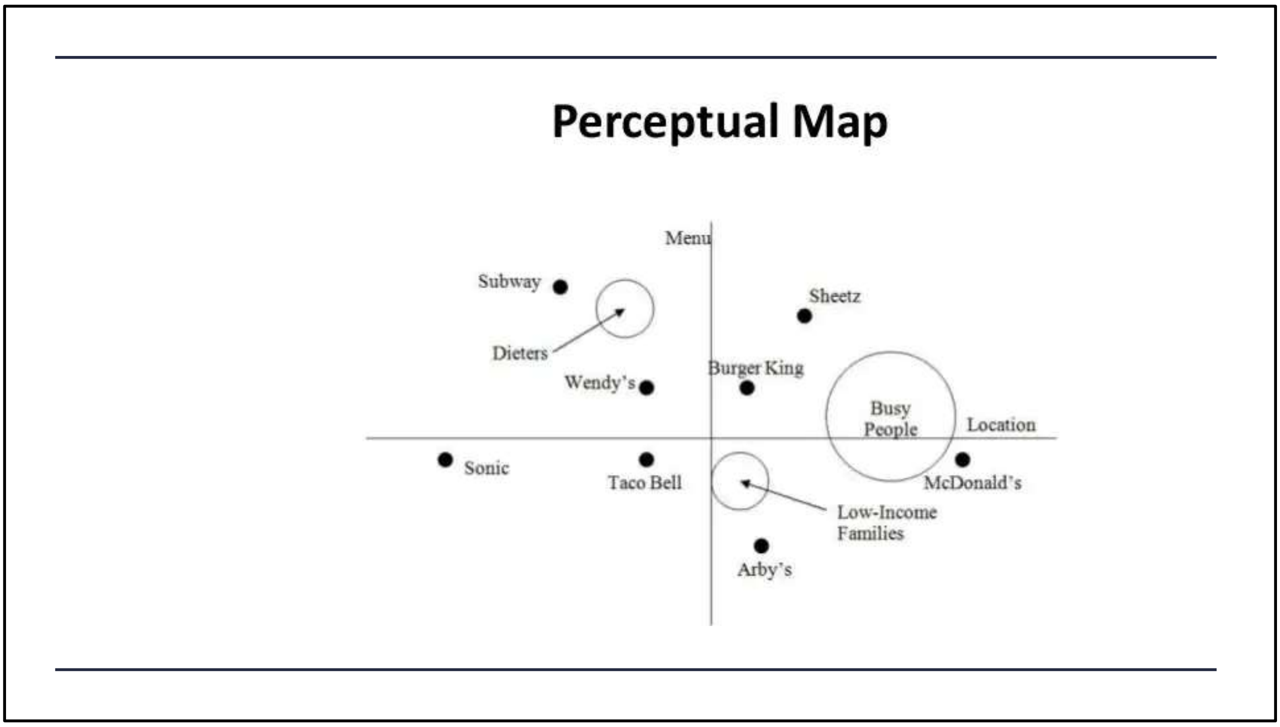


Step 4
Assume a restaurant is trying to market its new business.

• Using a differentiated marketing strategy, the restaurant can appeal to the college crowd by marketing cheap specials on food and drinks, the family crowd by marketing kid-friendly meal options and table entertainment and to the elderly by marketing senior discounts and early-bird specials.

• Using a concentrated marketing strategy, the restaurant can market its convenient location to a group of residents within 10 miles of the business.

• Using an undifferentiated marketing strategy, the restaurant can highlight its grand opening celebration



Positioning methods
– Value (relationship price to quality)
– Salient attributes
– Symbol
– Competition

What sets your product or service apart from the others (unique value proposition)?
You already offer what they offer, but your company takes it to the next level!