

Restaurants and catering

Key concepts

The main concepts covered in the chapter are:

- The wide variety of types of catering
- Catering as part of leisure products
- The complex nature of the catering product
- Methods of segmenting the catering market and the benefits sought by these different segments.

Introduction

Catering is now a massive business across the world and is a crucial element in the product offered by many leading tourist destinations.

It is primarily concerned with preparing meals which are consumed either on the caterer's own premises or at the consumer's home. The catering product is a combination of tangible elements such as the food and drink, together with an intangible service element.

Traditionally, catering has been seen to be distinctly different from food manufacturing and food retailing, but these distinctions have become blurred in recent years. Some aspects of catering, such as contract catering, have more in common with the production lines of food factories than with traditional restaurants. At the same time, more and more supermarkets are selling preprepared convenient dishes to compete with 'take-away' catering outlets.

However, even within mainstream catering, there are many sub-sectors with very different characteristics, from a marketing point of view, some of which are illustrated in Figure 24.1:

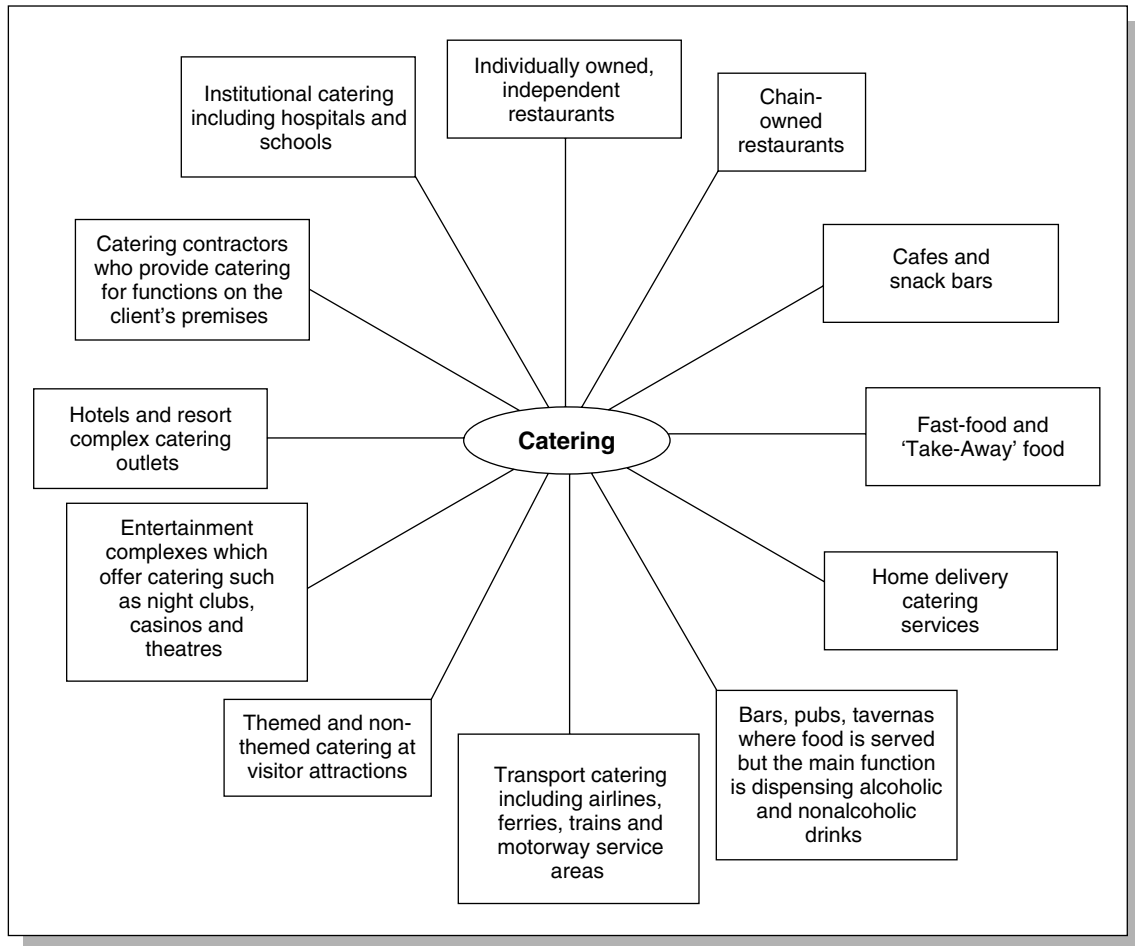


Figure 24.1 Different types of catering

Clearly, this picture is simplified and relates largely to terms which are used in the UK. However, the types of catering it outlines are generally found around the world, although the specific names may be different.

There are a number of general points that need to be made in terms of the marketing of catering in Europe that relate to *ownership and marketing objectives*. These include the following:

- Some of the major players in some areas of catering in Europe are non-European, for example, McDonald's and KFC. This had led to the introduction of American concepts of catering and service to the European market which have affected the approach of European players such as Burger King.
- While most of the catering trade is in the private sector where profits and market share are the key marketing objectives, there is a welfare element which exists in the public sector, such as schools and hospitals, which have social objectives.
- The majority of catering outlets are small businesses operating single units, while the rest are generally parts of chains which offer a standardised product in a number of locations.

There are some interesting *links between catering and tourism and leisure* which are becoming increasingly interrelated, as the two following examples illustrate:

- At many leisure facilities and visitor attractions, catering is a major element of the product on offer and contributes a significant proportion of overall income. In some cases, a particular catering outlet at an attraction can be almost as powerful a factor in a decision to visit a particular attraction as the attraction itself.
- Catering can be an attraction in its own right, encouraging people to visit a particular location, usually a famous restaurant. Certainly the quality of catering outlets has been a major element of the marketing campaign of Kinsale in Ireland. Likewise, many people choose to travel to the Lyonnais region in France, amongst other reasons, because of the restaurant of Paul Bocuse which is located there. There is also a strong link between food production, catering and tourism which is clearly shown in the case of the Bourgogne (Burgundy) region of France. People travel to this region to visit wine producers and enjoy meals in local restaurants which feature traditional local dishes made using locally produced ingredients.

Therefore, as we can see, catering is not only marketed by caterers, but also by attraction and destination marketers, for example. However, it is also marketed by *accommodation operators* for whom catering is often a major source of revenue, through in-house catering operations, such as hotel restaurants and banqueting facilities.

The general conclusion from this section of the chapter is that while catering is the core business of most catering businesses, it is an important ancillary product for other leisure organisations, which may encourage potential customers to purchase that core product.

Now that we have looked at several issues that provide the context for catering marketing, it is now time for us to begin to look at the practice and techniques involved in such marketing, beginning with the Marketing Mix.

Clearly the precise nature of the catering *product* varies depending on the type of catering, but it usually includes the following elements:

- (i) A meal, in a form in which it can be consumed immediately. The meal itself, a product, is a combination of the food and the way in which it is presented visually.
- (ii) The efficiency of the person serving the meal in terms of ensuring that the order is taken quickly and processed accurately to make certain that the person receives the meal they ordered. However, as well as efficiency, the service element will also be judged by the consumer on other criteria such as the member of staff's knowledge of the product and their attitude to the customer.
- (iii) The decor, comfort and ambience of the catering outlet, whether it be a restaurant or a fast-food area where one collects a meal that will be consumed off the premises.
- (iv) The location of the outlet which will determine the type of customers that will be attracted.
- (v) The days of the week the outlet is open and its opening times.
- (vi) The range of items which are offered and how clients are able to combine them through à la carte or fixed table d'hôte menus, for example.
- (vii) The methods of payment which are accepted including cash, cheques and credit cards.
- (viii) The product's reputation which may be reflected in a brand name, whether it is an individual high-class restaurant such as Le Manoir aux Quat' Saisons of Raymond Blanc in the UK, or a chain of restaurants such as Harvester in the UK or Flunch in France.

This list relates to mainstream catering, but there are, as we saw in Figure 24.1, more specialist forms of catering where the core product is different. For instance, we have:

- home delivery services where food is delivered to the consumer's home;
- contract catering where a catering service is provided for a client either on the client's premises or, at least, on premises chosen by the client which are now owned by the contract caterer.

Clearly in these cases, where the core product is not the standard catering product, different approaches to marketing have to be adopted.

In general, *prices* in catering are fixed and are based on the principle of cost-plus pricing. However, *discounts* are used and are usually given for one of the two main reasons, namely:

- to stimulate business at quiet times such as the early evening and also particular days, such as Mondays;
- for group bookings, where the discount is given in recognition of the volume of business.

Customers, however, do not always pay a discrete, separate price for a catering product. Sometimes it can be included in a package for which an overall price is paid. An example of this are the in-resort excursions offered by tour operators. Thus, an excursion sold as a day trip to an archaeological site in Greece might include lunch in a taverna, with a total price for the excursion of 40 Euros. However, the client will not know what proportion of this charge is specifically for the catering, rather than the other elements of the package, such as transport and entrance charges.

Lastly, prices in catering are not always true market prices, as in some European countries there are statutory regulations that control food and drink prices.

The concept of *place* or distribution is generally very simple in the catering sector. Where prebooking is the norm, reservations are usually made by telephone with the relevant outlet. However, in many cases there is no prebooking and consumers simply look for an outlet when they are hungry, and enter.

Likewise, in many cases the *promotional techniques* used by catering outlets are simple, reflecting the relatively low unit price of the product and the generally small capacity of outlets.

Most restaurants, for example, rely on local press advertisements, 'point of sale' material, such as advertising boards outside the restaurant, and the occasional 'special offer' sales promotion, together with word-of-mouth recommendation to generate most of their business.

However, the catering chains do indulge in more expensive and sophisticated promotional campaigns, involving national television and press advertising, together with sales promotions. Such promotions can be either added value (for example, two main courses for the price of one) or discounts (such as £1 off for a fast-food meal). Often these products are offered through partner businesses so that it is only the partner business customer that can benefit. Restaurants may, for example, use such joint promotions with cinemas or urban bus operators. Some of the more up-market restaurants find they do not need to do any promotion, as they are full because of their reputation and word-of-mouth recommendation, while most of the sophisticated marketing offers tend to be seen in the competitive fast-food sector.

If we turn our attention to the *catering market*, it is difficult to make generalisations both in terms of how the market segmented and what benefits consumers seek from different catering products.

In terms of market segments, Figure 24.2 illustrates how segments can differ depending on the type of catering outlet we are considering.

Type of outlet	Main segment or segmentation criteria
Famous Michelin three-star restaurant in France	<ul style="list-style-type: none"> ● Affluent people from the region who can afford the price ● Foreign tourists – business and leisure ● Higher social classes ● Occasional users, mainly couples
Fast food 'Fish and Chip Shop' in England	<ul style="list-style-type: none"> ● People in lower social classes with limited income ● People living within a kilometre of the outlet ● Regular users ● Couples, individuals and families
Greek taverna in a village	<ul style="list-style-type: none"> ● Local people who live in the village ● Greek tourists ● Foreign tourists of different classes and incomes ● Occasional and regular users ● Families
Conference venue in Germany	<ul style="list-style-type: none"> ● Business people – local, regional, national or international, or a mixture of all four

Figure 24.2 Segments and different types of catering outlets

There are similar differences in terms of the benefits which consumers seek from catering products, as we can see from Figure 24.3.

Clearly, the real world situation is never as simple as this for a variety of reasons. First, different consumers in a restaurant will all have their own individual sets of benefits they are seeking, and they will be different, as with the case of the different users of a Greek taverna. Foreign tourists will see a taverna as a special place that offers them a chance to glimpse the 'real Greece' and try new dishes. For locals, the visit will be an everyday activity which simply provides them with a chance to socialise with friends and eat the

Catering product	Main benefits sought
Famous Michelin three-star restaurant in France	<ul style="list-style-type: none"> ● Reputation ● Once-in-a-lifetime experience ● Status ● Special atmosphere ● Aesthetic pleasure of a sophisticated meal
Fast food 'Fish and Chip Shop' in England	<ul style="list-style-type: none"> ● Economy ● Convenience ● Reliability ● Speed ● Familiarity
Greek taverna in a village	<ul style="list-style-type: none"> ● Social atmosphere ● Informality ● Simple food ● Relaxation
Conference venue in Germany	<ul style="list-style-type: none"> ● Chance to talk about business to other people ● Novelty of trying foods not tried before ● The meal is served quickly enough that the conference timetable is not disrupted

Figure 24.3 Benefits sought from different catering products

familiar foods. Likewise, in the case of the German conference venue, there is a difference between the benefits sought by the customer (the company organising and paying for the conference catering) and the consumer (the delegate who eats the food). The former sees the meal as a utilitarian activity where economy and efficiency of service are the key benefits sought. On the other hand, the consumer will see the meal as a chance to enjoy the pleasures of eating and may want to try new dishes, and so on.

There are many other benefits which different groups of consumers look for in a catering product and, in marketing terms, these benefits can be used as a basis for segmentation. An excellent example of this are those people who are interested in healthy living and want to buy catering products which help them enhance their health. This may involve them seeking low calorie or low fat meals or dishes prepared using organically produced ingredients. These people represent a particularly lucrative, identifiable, targetable market segment.

At the same time, it appears that the European catering market is becoming ever more 'internationalised'. Chinese and Indian restaurants are very popular in many European countries, as are Italian and French restaurants.

Japanese restaurants are becoming more common while much of the fast-food sector across Europe is dominated by major American competitors. However, at the same time, many European tourists who holiday in other European countries seek out food like they eat at home, while they are on holiday. Hence, the British may look for fish and chips in Fuengirola and some Germans search for Bratwurst in the Balearic Islands.

Competition in catering is generally intense, but this competition can take a number of forms as follows:

- Competition between different types of catering outlet such as independent restaurants versus outlet chains;
- Competition between different types of cuisine including Italian, French, Asian and American fast food, for example;
- Competition within sectors of the catering trade such as fast-food sector;
- Competition between the major chains in the catering business;
- Competition between catering outlets and food retailers who offer preprepared dishes such as Marks and Spencer plc in the UK and the *traiteurs* in France;
- Competition between all types of catering outlets in a particular geographical location.

In some cases, however, there is no competition, namely in the case of hospitals and schools catering, where there is in effect a captive market and a monopoly situation.

Finally, in relation to competition, catering can be used as a way of achieving competitive advantage by organisations in other sectors for whom catering is not their core business. Hence, many airlines promote the quality of in-flight catering when selling their business-class brands. Likewise, hotels may promote their own restaurant's quality, as a way of persuading clients to book into their hotel.

Where catering businesses wish to expand, their main *growth strategy* has traditionally been through horizontal integration, with the purchase of other existing catering outlets. At the same time, catering companies may also, obviously, create new outlets or brands. However, franchising has also started to become common, particularly in relation to international chain-owned fast-food outlets and themed restaurants. For example, the UK brand, Burger King franchises are now found in a number of other European countries, most notably France, Germany and Spain.

Technological innovations in *management information systems* are providing more data for catering marketers. Restaurant systems can provide information on indicators such as

average spend per cover, customer profits, table turnover ratios and the popularity of particular menus, dishes or drinks.

Because of the level of competition in urban areas in some countries in Europe, many urban hotels in these countries no longer offer a *hotel restaurant*. This is particularly true in France, for example. There is also a phenomenon in some European countries, most notably again in France, where the restaurant within the hotel is franchised or leased to a separate operator.

Conclusion

Catering marketing is a complex matter, reflecting the diverse nature of the sector. There are clear distinctions in terms of marketing practice between independent and chain-owned outlets, and take-away and eat-in outlet, for instance.

Discussion points and essay questions

1. Compare and contrast the core, augmented and ancillary products of fast-food outlets *and* a Michelin three-star restaurant.
2. Discuss the links which exist between catering, and tourism and hospitality.
3. Evaluate the application of the four classic methods of segmenting a market to the catering sector.

Exercise

You have been engaged as a consultant by an entrepreneur, who wishes to develop a new restaurant in your local area. Your brief is as follows:

- to devise an overall concept or theme for the restaurant;
- to identify the target market or markets for the restaurant;
- to suggest an appropriate location for the restaurant;
- to advise the entrepreneur on how the proposed restaurant might differentiate itself from other restaurants in the area.

Your results should be presented in report form, supported by a verbal presentation.



Conclusions

In the preceding chapter we have explored the key issues in marketing in the different sectors of leisure. Many differences between these sectors can be identified but there are also some general points which can be made which appear to be relevant to a number of different sectors, including:

- Organisations in the public, private and voluntary sectors have different marketing objectives. These different objectives influence marketing activity in a number of ways including their pricing policies and their willingness to cooperate with other organisations in a similar business. The existence of different types of organisation also has an impact on the nature of competition.
- The product which is offered is largely intangible, and the service element is highly important in determining the quality of the product which is enjoyed by customers.
- Tactical pricing is widely used to stimulate purchasing at times when demand is low.
- Place or distribution methods depend on whether or not prebooking is the norm. Where it is, marketing intermediaries such as travel agents are widely used, while direct sales are the standard form of distribution where prebooking is unusual or impossible.
- While large private organisations often make great use of advertising, particularly on television, smaller private companies and public and voluntary organisations often have to rely more on brochures, sales, promotions and press and public relations, together with limited advertising. Face-to-face selling is only a key element in promotional strategies generally in relation to high spending customers or individual customers who purchase large amounts of the organisation's products.
- Markets are often segmented on the basis of geographical and demographic factors, and they are frequently divided between leisure use purchasers and business people.

- Benefits sought by consumers vary between sectors but in all of them, status is an important factor.
- Competition is intense in some sectors, particularly where the product is largely provided by private companies. On the other hand, there may be little real element of competition in a market which is largely the preserve of public-sector organisations.
- In many cases, the products of one organisation in one sector are sold on its behalf by another organisation in a different sector.

This last point raises the wider issues of links between leisure. We have seen how closely these three fields can be in marketing terms. For example, tour operators sell hotel beds, hotels offer leisure facilities and leisure-based short break holidays, while resort complexes and business tourism, for instance, bring leisure together.

Unfortunately, space precludes the possibility of looking at differences between marketing practice in different countries. However, we have sought to use case studies from different countries to illustrate some of the different approaches which are taken to marketing across the world.

Nevertheless, it is reasonable to assume that marketing will be different to some extent in different countries, even within a particular sector, in response to factors such as the following:

- government legislation and policies;
- economic situations;
- patterns of consumer demand;
- business culture and practices.

These differences are a particular challenge for those organisations, in all sectors, which are involved in operating in, or selling their product to people, in other countries.

Overall, however, it appears that the main characteristics of marketing in particular sectors are fairly standard. This may be because the nature of the product, and its appeal to consumers in individual sectors is largely the same, regardless of which country we are discussing.

Having looked at marketing in individual sectors within leisure, it is now time for us to look at five topical issues in leisure marketing.