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KEY FACTORS OF A SUCCESSFUL RESTAURANT STRATEGY IN HUNGARY

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Summary: Eating out is a popular form of entertainment all over the world; the food service sector is one of the most dynamically growing sector of our times. Dining trends are changing, new styles and catering forms appear, and disappear, the consumers' choice is influenced by many factors. The financial and economic crisis, which was started in 2008 has brought a remarkable declining tendency of the sector worldwide, resulted by the impacts of recession, the squeezed incomes, and the rising food costs, but nowadays a significant recovery may be seen in developed countries. The role of eating out in Hungary differs significantly from Western European markets in many aspects: customers' habits, trends, physical facilities, financial background etc. The changes of the economic environment has brought new challenges for the players of the sector even in well-developed countries, they should check and re-think their business strategies. The aim of our research was to detect and evaluate those factors which may help in the development of successful strategy for restaurants in Hungary. Based on the results of our survey it may be stated that the key success factors of restaurant strategy are the proper selection of target group, and the right service level, communication and atmosphere. These findings may set the directions to be followed in the strategic planning process of the representatives of the whole sector.

Keywords: eating out, restaurant selection, consumer behaviour, strategy.

1. Introduction – the theoretical framework

The eating-out-of-home market is dominated by 10 countries, this Top 10 form the main trends of the market. Their joint market share was 935 billion USD in 2010. The ranking of the countries based on their market share is the following: USA 40%, Japan 11%, UK 8%, Germany 8%, Italy 8%, France 8%, Spain 6%, Canada 5%, Australia 4%, and China 3%. The ratio of eating out compared to total food spending falls between 10 and 55%, the highest is in Japan and in the USA (above 50%). (www.food-service-europe.com, 2011)
The two main markets differ significantly considering the ratio of independent food service units and domestic and international chains, and the structure of forms of eating out show also remarkable differences.

Table 1. Proportion of forms of eating out based on the distribution of spending in the US and in Western Europe (2010)

Forms of dining	United States %	Western Europe %
Restaurants	42	43
Cafés and bars	9	33
Fast food restaurants	42	14
Home delivery	4	5
Self-service restaurants	0,4	3
Street food and kiosks	2	2

Source: Eurobarometer, 2011.

The most significant differences are in the categories of fast food restaurants and cafés/bars. While fast food restaurants are dominant in the US, the role of cafés/bars is highly important in Western Europe. The main Western European markets also show significant differences in the proportion of forms of eating out.
The financial-economic crisis that begun in 2008, caused a remarkable decline in both North American and Western European markets, and according to forecasts this trend will continue (Eurobarometer, 2011).
The role of different forms of eating out in Europe can be summarised in the following four statements:

- The out-of-home market is fragmented, not concentrated, the aggregated share of the Top 10 participants was 14% in France and 25% in the UK in 2007.
- The increasing role of food service chains is a remarkable trend, which is principally caused by the concentration of dining-related activities.
- Traditional restaurants mainly rely on the following types of suppliers: C+C retail chains and general or special wholesale companies, while the majority of food service chains build up concentrated procurement systems.
- As the effect of the financial-economic crisis of 2008, the sizes of the main markets and the leading forms of food service decreased or stagnated, causing great price and cost pressure, which led to the increasing role of price reductions and coupons.

The main dilemmas of eating out-of-home and consumer behaviour are:

- Making a balance between health requirements and pleasure.
- Increasingly building on local, cultural traditions.
- Providing speciality in ingredients.
- Taking into account the aspects and criteria of environmental, social and ethical sustainability.
- Development of food quality; the main directions are freshness, minimal processing, organic food, etc.
- Building and strengthening strategic relationships with suppliers.
- Supporting real and local charity efforts.

Trends of consumer behaviour in moderately developed countries like Hungary show up with a delay of approximately 5-10 years. The LOHAS (Lifestyles on Health and Sustainability) lifestyle segment is already traceable in Hungary, its core group makes out 4% that adds up until 21% with their followers. Beside natural and market sustainability they consider (corporate and consumer) ethics also as important factor (Rácz and Lehota, 2014).

2. Eating out of home in Hungary

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The role of eating out in Hungary differs significantly from Western European markets in more aspects. The rate of spending on eating out (with room reservations) is only 15%, in which eating out can be estimated to 13-13.5%, which is low compared to international average. Such a low rate features usually countries with medium or lower-than-medium GDP. Eating at workplace makes out a considerable part of eating-out-of-home, it falls between 37-40%. There is no significant change in the ratio of household spending on eating-out-of-home from 2006 to 2012 (15.0% and 15.1% respectively). It means that the fallback during the last years was caused by the economic crisis and – as a consequence – the decreasing net income.
The most representative form of eating out is meal consumption (72.5%), followed by the consumption of alcoholic beverages (10.8%), non-alcoholic beverages (3.4%), while the rest

of the products (tobacco, coffee, etc.) gave 13%. During the last years the ratio of meals has grown while the ratio of beverages (alcoholic and non-alcoholic) has decreased.
Due to the trends above and the shrinking market, the number of restaurants and snack bars shows a decreasing tendency (slow decrease until 2007 and fast decrease after 2008). The number of restaurants and snack dropped to 76.4% between 2001 and 2013, much of the drop (76.4%) occurred after the crisis. In the last years the number of restaurants and snack bars fluctuated between 25 500 and 26 000, giving 46.8% of all catering units.
The frequency of visiting and eating in food service units is very low in Hungary. According to the surveys of M.A.P. Közvélemény és Piackutató Társaság (2006) 71.7% of the adult population visit a restaurant at least once a year, 25.5% of them once a month and 4.3% more than once a week.
The main motivations for visiting a restaurant were:

- Eating Hungarian meals (77.4%), which is followed by Italian (29.8%), Chinese (15.0%) and Greek restaurants (11.7%) as most popular international cuisines.
- The occasions for the visits were: family celebrations (46.0%), meeting with friends (40.4%), eating while on a trip (36.8%), meal with no special occasion (16.6%).

According to the data published by Fehér, Füredi and Vizvári (2010) the spending in restaurants varies between HUF 2060 and 4497 per capita per occasion. This is above the international average (USD 10-20). The high level of spending indicates one of the most important problems of Hungarian competitiveness, and is also a barrier to market expansion.

3. Aspects of restaurant selection and consumer behaviour

The most important results of researches on restaurant selection are:

- The key criteria of restaurant selection are food and meals, which also drive customer satisfaction (Gyimóthy and Rassing, 2000). Several publications (e.g. Gyimóthy and Rassing, 2000; Hwajalange and Corigliano, 2000) verify that food plays a key role in the selection of travel destination, which makes it an important factor of competitiveness.
- Several sources prove that the factors of restaurant selection differ significantly according to place of residence (Bojavic and Shea, 1997; Gregorie et al., 1995; Kara et al., 1997; Soriano, 2001).
- Significant differences of consumer preferences can be observed between the different types of restaurants, i.e. fast food restaurants, traditional familiar restaurants and gourmet restaurants (Kivela, 1997).

According to published data, restaurant selection is a multi-criteria decision making system, the key criteria of which are food and meals. There are significant differences in consumer preferences, criteria of restaurant selection, and customer satisfaction between cultures and sub-cultures (in case of continents, regions, countries and sub-cultures within a country). The main factors are the type of the restaurant (fast food, traditional, luxury), consumer demographics (place of residence, age, qualification level, income level, value system, local consumer or tourist), and the characteristics of the restaurant (location, exterior and interior design, selection, staff). This means that consumer behaviour and restaurant selection should be continuously researched, since there are strong local characteristics. Food consumption including eating out-of-home has strong cultural links, dominated by local influences, while global influences are relatively weak for the time present. The other important implication is that differences between consumer groups within a culture or a country can be remarkable, and should be studied by consumer behaviour research and segmentation.

4. Results of the survey on Hungarian people's restaurant selection habits

As a preparation for the restaurant selection survey, we performed a focus group research to identify the factors of restaurant selection and their special characteristics. Using these results we performed a questionnaire based survey (N: 1023, age group: above 15 years). The survey was done between March and May 2014.

The structure of the sample does not differ significantly from the composition of the main target groups defined in the food consuming behaviour researches of GfK. This made possible to analyse the following segments in our research:

- regions (Central Hungary, Northern Great Plains),
- gender,
- type of settlement,
- income groups,
- education level,
- age.

For the frequency of restaurant selection we found that the frequencies and their differences regarding the separate restaurant types are determined primarily by age and education level. Gender and type of settlement play a medium role. The least differentiating factor is income per capita.

In spending per occasion the maximum spending shows significant difference between men and women: men spend more by 6.9% (HUF 5,158 per occasion). There is no significant difference in minimal and average spending between income categories, but maximum spending differ significantly. Groups with different educational level show differences in average and maximal spending in favour of the group with college/university degree. Among age groups 26-35 year-old people make significantly higher minimal and average spending.

Distance from the restaurant is significantly different in the separate income groups. Choosing a restaurant closer than 5 kilometres is typical in groups with low and very low income.

Restaurant selection criteria can be assigned to 3 groups:

- Hygienic conditions of the restaurant,
- Key characteristics of the service (staff, price-performance ratio and product/meal),
- Complementary characteristics of the service (accessibility, external communication).

It is important to emphasize that price and performance characteristics are ranked only to the third place, both hygienic conditions and behaviour of the staff have significantly greater importance.

According to our research the differences in restaurant selection criteria is determined mainly by regional and gender differences, while income plays the least important role.

5. Differences of restaurant selection criteria based on traditional demographic segments

We analysed the differences of restaurant selection criteria along the following factors (besides regional influences): age, gender, educational level, place of residence and income groups.

Belonging to different age groups caused significant differences in most of the observed selection criteria.

Quality and variety of meals was more important for the older age group, offering a children's menu was relevant for 36-45 years and older groups. There is no difference in size of meals and variety of beverages.

We found no difference regarding the classification of restaurants and the speed of getting menu cards, but live music and background music, speed of payment, kindliness of welcome

and kindliness of leave-taking are significantly more important for the older age groups. Also the older age groups have higher expectations for courteous and helpful staff and hygiene.
Differences by gender are also important, since two-thirds of the observed criteria differ significantly. Women gave higher values for nearly every criteria (i.e. product characteristics and variety, level of services, courtesy of staff, restaurant atmosphere and reputation), which means that they are more demanding than men – except for the size of portions, which is more important for men.
Our results show that educational level, type of settlement and income category has little influence on restaurant selection.

6. The effect of service time and complaint factors on satisfaction

Satisfaction with a restaurant highly depends on the speed and timing of service. For this we analysed the maximal acceptable times of some phases of restaurant service (receiving menus, serving beverages, serving first meal, payment process).

Table 2.Timing of restaurant services and maximal acceptable times

Service phases	Maximal acceptable time in minutes
Receiving menus	5,12
Serving beverages	8,23
Serving first meal	19,11
Payment process	7,27

Source: own research

Service time differs significantly only by region and gender, which means that guests' expectations of maximal times are quite alike.
One of the important factors of customer satisfaction is the documentation, assessment and handling of complaints. According to the results only 22.7% give voice to their dissatisfaction, nearly 80% do not complain directly.
59.2% of the sample expresses their dissatisfaction by giving less tips, while 64.6% complain to friends and acquaintances (negative mouth marketing). Posting negative experiences on blogs or forums is relatively rare by now (6.9%) but a rapid growth can be expected in the near future.
The most frequent reasons for complaints are the criteria that are the most important in restaurant selection. This shows that there is a remarkable gap between the expectations of guests and the performance of restaurants. Another important result is that complaints regarding price and payment conditions have a low frequency – only 15.8%.
Most of the reasons for complaints could be decreased or eliminated by HR development and better motivation. Food and drink quality could be improved partly by better ingredients, partly by improving know-how and behaviour of kitchen staff.

7. Conclusions

The factor analysis on restaurant selection resulted that the sample showed the smallest differences regarding the quality and selection of food and drink, and the experience factors. The greatest part of differences in restaurant type selection can be explained with the criteria on restaurant service elements, communication and the atmosphere of the restaurant.
The key success factors of restaurant strategy are the proper selection of target group, and the right service level, communication and atmosphere. Expectations towards products and services are high, represented by high scale values (1-5 scale), but restaurants have great

differentiation potential in food and drink selection. There is a local competition: the local market (with competitors within 10-15 kilometres distance) is relevant in restaurant selection. Differentiation and creation of competitive advantage in key selection factors can be the basis of a successful restaurant strategy.

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