ISCTE Business School
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INTERNATIONALIZATION OF A PORTUGUESE FOOD BRAND TO LONDON

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Master Thesis in Marketing

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Sumário Executivo

A variedade da alimentação e dos hábitos de consumo mundiais dependiam de muitos fatores: posição social, riqueza, localização e clima. Atualmente, a comida denominada como *fast food* tem permeado quase todos os níveis da sociedade e culturas.

Os restaurantes de *fast food* surgiram nos Estados Unidos da América (EUA), em 1950, e junto com um enorme número de restaurantes de *fast food*, cafés/bares, *franchisings* de motéis que abriram ao longo do sistema interestadual de autoestradas. Os *franchisings* mais conhecidos incluem Kentucky Fried Chicken (1930), Dunkin Donuts (1950), Burger King (1954) e McDonald's (1955) (Dant, 2011). A população tinha uma vida atarefada, por conveniência comiam fora de casa e compravam comida-para-levar com frequência.

No contexto de um mercado interno maduro e de alta competitividade, as cadeias de *fast food* expandiram as operações para países estrangeiros. Habitualmente, as cadeias multinacionais de *fast food* personalizam o formato e menu que oferecem de acordo com as preferências, tradições e costumes da população da região/país onde pretendem implementar os restaurantes.

De acordo com a Euromonitor, espera-se que mercados mais desenvolvidos de *fast food* sigam direções diferentes. Uma parte dos Clientes de *fast food* procura experiências de consumo/serviço e alimentos com maior qualidade, mais frescos e opções flexíveis - mesmo pagando mais. A outra parte valoriza as características que tornaram a comida *fast food* popular – rapidez, comodidade, preços baixos.

Esta tese de mestrado foca-se na pesquisa e avaliação das possibilidades de internacionalização da cadeia de restaurantes portuguesa h3™ para Londres.

Palavras-chave: Internacionalização, Marca de comida rápida, Estratégia de Marketing, Mercado londrino.

Executive Overview

In recent times, in Europe as in other continents, eating and drinking habits varied tremendously depending upon many determinants including social standing, wealth, geographical position, climate, among others. Nowadays, fast food has permeated almost every level of society and cultures.

Fast food restaurants emerged in United States of America (USA), in the 1950s, as a massive numbers of fast food restaurants, diners and motel franchises opened up along the newly constructed interstate highway infrastructures. Some of the well-known franchises (and their inaugural years) include Kentucky Fried Chicken (1930), Dunkin Donuts (1950), Burger King (1954), and McDonald's (1955) (Dant, 2011). People would eat out frequently, and have food-on-the-go because of their busy life-style.

With such a maturing and highly competitive domestic market these fast food chains expanded operations to many foreign countries. Multinational fast food chains have to customize their format and menu offerings according to the population preferences, tastes and customs from the region/country where they are implementing the restaurants.

According to a Euromonitor report, the more mature fast food markets headed in two different directions. One part of the fast food Customers look for higher quality and foodservice experiences, fresher food and flexible options – even if it means pay a bit more. The other part of the Customers were more focused on what made fast food popular, speed, convenience and low prices.

The scope of this master thesis is to investigate and evaluate the possibilities for the internationalization of the Portuguese restaurant chain h3™ to London.

Key-words: Internationalization, Fast food brand, Marketing strategy, London market.

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List of Abbreviations

BIP - Border Inspection Post

BFA – British Franchise Association

CFO – Cash Flow

CFT – Cash Flow at a specific Time

CFTA – Cash Flow at a specific Time Adjusted

CDR – Casual-Dining Restaurants

CVS LTO - Chinese Value Survey

CGSMC – Costs of Goods Sold and Materials Consumed

EBT – Earnings Before Tax

EC – European Commission

EMS LTO - European Media and Market Survey

EUA – Estados Unidos da América

EU FIC – EU Food Information for Consumers

FCR – Fast-Casual Restaurants

FIR - Food Information Regulations

FSA – Food Standards Agency

FSR – Full-service Restaurants

GDP – Gross Domestic Product

GLA – Greater London Authority

GM – Genetically Modified

GVA – Gross Value Added

HMRC – Her Majesty's Revenue & Customs

LSR – Limited-Service Restaurants

NBV – Net Book Value

NPV – Net Presented Value

NPDs - New Product Developments

NCDs – Noncommunicable Diseases

PIIGS – Portugal, Italy, Ireland, Greece and Spain

PE - Private Equity

PR – Public Relations

QNA – Quarterly National Accounts

QSR – Quick-Service Restaurants

RSV – Residual Sales Value

SSC - Supplies and services costs

TFEU – Treaty on the Functioning of the European Union

UK – United Kingdom

USA – United States of America

WHO – World Health Organization

WIPO – World Intellectual Property Organization

1. Introduction

Nowadays, the Portuguese CEOs know the importance of internationalization to other markets in order to continue to grow. h3™ is a Portuguese brand that has hamburger restaurants in Portugal, Brazil and Angola and all these countries have their specificities and successful factors. But before moving on to another market, it is necessary to gather information to enable strategic decision making.

When companies are deciding their strategy it is important to gather and categorise market data and Customer needs - business environment (Mady, 2008)[1], Customer needs (Conell, 2010)[1], competitors actions and internal resources (Murray *et al.*, 2011)[1]. However, for the service sector, the definition of the competitive priorities is more complex because of its intangible nature.

It is very challenging to assess the characteristics needed for a quality service, due to the number of factors that can influence the outcome of operations. The fact that a brand is attending to the public, the Customer contact, the interaction, the encounters, the Customer participation, or the involvement can, to a certain degree, influence the perception of a quality service.

The simultaneity of production and consumption of services also demands that managers direct their attention not only to delivery processes, but also to the quality of product served (Nie and Kellogg, 1999)[1].

Has the thesis will reflect on the present and possible future of the company, the type of thesis that better fits this type of content is a Company Project. We will study the Londoner consumer, the direct and indirect competitors, and identify the critical success factors for this type of market. With this research we will be able to conclude if the h3™ has the characteristics and the strategy to be successful in London.

[1] Prajogo & McDermott, 2011

For this study, the survey was designed as direct search methodology that would allow an exploratory study of the target consumer, of the potential differentiation factors between different food chain restaurants and consumer's preferences.

The questionnaires were sent via email, in digital format, and some data was collected in street interviews to people that live and/or work or study in London, and were draw to provide qualitative data about what London consumers look for in a fast food restaurant - differentiation factors for this type of business and their favourite burgers toppings.

We also performed secondary data analysis to information gathered about the fast food market in UK, more focused in London, and about the already established competitors of h3™. This information will have mainly a contextualising role on the market information and a validating role on some of the information collected in the survey.

This thesis is organized as follows, firstly we start by explaining the concept of the Portuguese brand and developing a few main aspects of their marketing mix.

Secondly, we talk about the revised literature where we are able to address the different internationalization strategies and the differences between the UK and the Portuguese population.

Thirdly, we disclose the internationalization process that has been used by the Portuguese brand until now in the different markets that they entered – the successful and unsuccessful internationalization – and the possibilities of internationalization to London, knowing briefly some key market figures.

Next, we present the Marketing Plan suggested for implementation in the Londoner market – SWOT analysis, Target Customers, Positioning of the Brand and its Marketing Mix – as well as a preliminary analysis of the capital of investment needed, the financial viability and the estimative of the period of time that it would take to reach the break-even point.

Finally, at the end we will be able to draw some conclusions if whether the h3™ brand strategy could find a place in the London market and future potential investigations.

2. h3™ – Hamburgology

This thesis is a company project, developed specifically for h3™, a Portuguese burger brand that has succeeded on the national market and has started to expand internationally.

The main goal of this thesis is to provide quantitative and qualitative strategic information about the potential market for h3™ in London and identify which are the critical success factors for a fast food restaurant in London.

The project was initially founded by three friends that opened in Lisbon city centre *Café 3*:

- Albano Homem de Melo, ex-publicist, responsible for the Marketing and Quality Department;
- António Cunha Araújo, former lawyer, responsible for the Business Expansion and Financial Department;
- and Miguel Van Uden, former real estate broker, responsible for Operations and Implementation Department.

The *Café 3* served as experiment for the h3™ launch, opened by the three friends in Tivoli Fórum in Lisbon, in 2004. *Café 3* served fast and good quality meals at affordable prices; their burgers were already one of the house specialties. In addition, *Café 3* was also committed with Customer service, serving lunch until 4:00 p.m. and dinner until 00:30 a.m.

Besides its success, examining the results vs. expenses they realised that it would take around 10 years to reach the break-even point. Thereby, the three friends decided to change the strategy and develop a new approach that included the restaurant's best selling product and that would be capable to succeed and thrive in a highly competitive fast food market.

They spent a year observing and analysing the consumers' behaviour and preferences in food courts of various Portuguese Shopping Malls, studying different implementation strategies, and the experience in *Café 3* allowed the three partners to plan and launch the first store h3™ in Monumental, also in Lisbon, in 2007 (source: Blog A minha gestão, 2010).

2.1. h3™ Concept

In an interview given to Food and Solutions in April 2009[2], one of the partners stated the five lessons they learned and had been the base for the development of the business concept.

1st Lesson: Pay strong attention to clients and understand their wishes

"We understood that the most popular dish at *Café 3* was hamburgers, so we began thinking of changing it into a fast food business."

2nd Lesson: The economic situation was not a constraint for the decision to go ahead

"Fast food consumer goods are not directly dependent on the economic crisis in the way that low prices and various promotions still make them attractive."

3rd Lesson: Specialization – *h3* restaurants only sell hamburgers

"In recent years the fast food sector has stagnated; no new concepts have emerged but only copies of already existing ones. The food court of a shopping centre has to offer a varied and complementary range."

4th Lesson: Maximum Quality

"From the moment that we came up with the *h3* concept, we decided to put quality above all and in everything we do: image, service; suppliers, location, amongst others."

5th Lesson: Do Not Be Afraid

"From the outset, the key to success was to act as if we were operating a big brand, because that was what we wanted to be at the time, and what we still strive for."

2.2. The Brand

The h3™ brand was strongly influenced by *Café 3*, the first restaurant opened. "hc3" (Hambúrguer *Café 3*) was originally intended to be used, but the brand name was adapted to "h3" – the image became simpler and was a more catchy name.

[2] Carvalho, JC *et al.* 2014

In the new logo, they included the same font used on the “3” as in *Café 3* symbol. This “3” represents the three founding members, and as you may see in Figure 1, also can be perceived as a “g”, reinforcing the image of *gourmet*.

Betting once more on differentiating themselves from the competition, h3™ chose colours that were associated with their h3™ burger concept – reliability and productivity (blue), transparency and hygiene (white), and quality and richness (burgundy). Additionally, in the food-courts of shopping centres we see predominantly the colours red and yellow, so decorating their stores with a highly intense luminosity and big blue luminous boxes will allow them to be easily recognized from afar.

Figure 1 – h3™ logotype.

The brand h3™ - Gourmet Burger and its logo are already registered in Portugal and within the EU, and the terms "New Hamburgology" and "Not so fast food" are also registered as patents of the brand in the World Intellectual Property Organization (WIPO).

> *New Hamburgology*
>
> A new doctrine which defends that hamburger doesn’t have to be thin, frozen, and tasteless or be served between two slices of bread. Originated in Europe, it was developed in 2007 by h3; Scholars believe that this approach will soon become global.” h3 (2013)[3]
>
> *Not so fast food*
>
> Developed in the early XXI Century, this Mass Production system comes to opposition to the traditional fast food method. What this new system has in common with the previous one is its capacity to serve food at a low cost in a short period of time; yet it

[3] Nunes, P. (2014)

> distinguishes itself by presenting food of excellent taste instead of the usual uninteresting one." – h3 (2013)[4]

The h3™ concept, inspired by the great chefs in London and New York - burgers with high quality and fresh ingredients, was really innovative in Portugal. In a period of economic crises (2007), where the shopping centres were filled with burger places, h3™ was able to differentiate themselves from the other competitors.

2.3. Product and Price

The founding partners were keen on providing high quality and fast service at reasonable prices. So they consulted trendy chefs, and came up with a set of ideas that would be simple to implement.

The burgers are 200 g of pure meat, grilled (not cooked in a hot plate or pressed) at the point chosen by the Customer - well done or medium, with pure sea salt. Finally, the burgers are served on warmed plates with Thai rice and/or fresh fries (only one choice with bread), to eat with metal fork and knife. To drink there are industrial or natural drinks available, such as lemonade and iced tea, beer or a glass of wine. As a side it is possible to ask for a salad, bread and creamy spinach. In h3™ it is also the possible to ask for an entrant (*Alheira* croquettes) and for desserts. The sauces are made in house with fresh ingredients.

The prices on the menu range from 6.75€ (£4.70) to 10.50€ (£7.32). Desserts vary from 2.10€ (£1.46) to 3.00€ (£2.09). In h3™ the average meal per person, is approximately 8.60€ (£5.99) that is significantly higher than its two competitors with more global expression – menu around 5.00€ (£3.48) per person. The pricing strategy has been designed to offer a value for money proposition. They use fresh and high quality ingredients, like *foie gras*, sun-dried tomato, and fresh mushrooms and as a consequence the products are slightly more expensive than the usual burger fast food brands. The higher price is also consisting with the character of the brand, which differentiates from the other fast foods restaurants with tangible differentiation anchored on the higher quality of its products.

[4] Nunes, P. (2014)

h3™ Menu

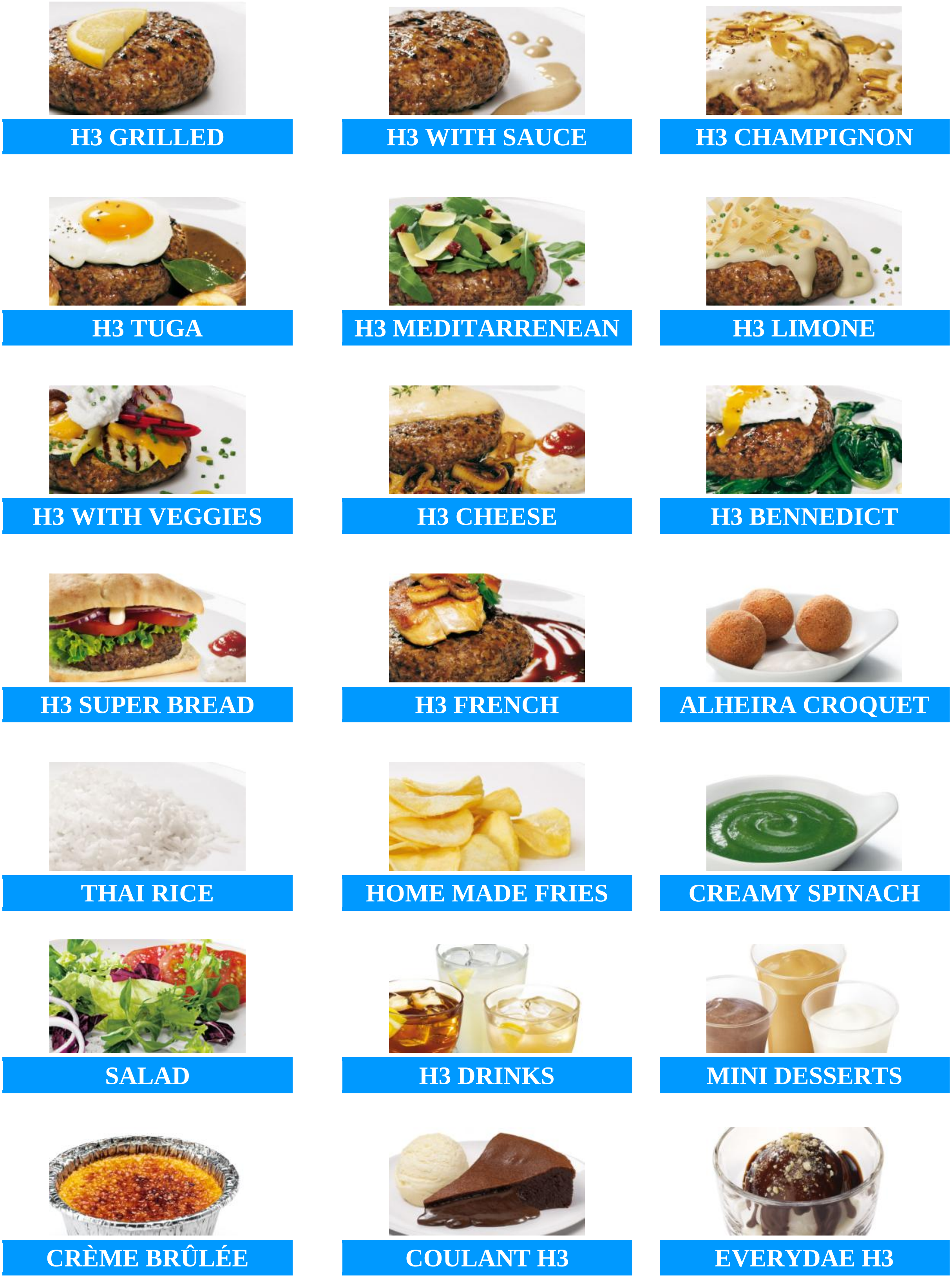

Figure 2 – The photos used were withdrawals from h3™ website.

2.4. Place & Process

According to Nuno Van Uden, initially it was extremely difficult to have a space in a shopping centre, because the shoppings already had enough burger restaurants and h3™ was unknown. When they finally convinced them that this was a differentiating element on their food-court it was still difficult to get hold of top notch locations for their restaurants.

The layout of the restaurants is defined accordingly with the space available for cash registers. They have three set formats and the key concern is to keep the client waiting time to a bare minimum. The average waiting time per client is around 30 seconds, but a record time of 13.5 seconds has been achieved.

The ingredients that are used in making every product sold at h3™ are distributed directly to the individual restaurants in Portugal and Brazil, logistical and procurement efficiency is particularly important to maintain the quality of the burgers.

Another critical point of h3™ operations is that they undergo periods of peak demand and very quiet periods, and it is difficult to find a balance on the human resources needed. Therefore within the h3™ group, the key to operational efficiency during lunch and dinner time are understood to be process standardization and service customization. *KIS* (*keep it simple*) is the company policy – they decided to use the same type of meat and only one size burger for all the menus, this way they manage to have a single operation in the grill, saving time and space inside the store, and manage to have less waste – the burgers that stay in stock can be used the following day. This year, the company announced that at the busiest stores already served 258 meals per hour.

However, due to their success, currently h3™ have a presence in Portugal's most important shopping centres. h3™ is now considering opening more street restaurants in city centres. Two have already opened in Lisbon, in Chiado and Parque das Nações (2011) – see Annex I.

In order to be able to reach more people, h3™ developed a partnership with two delivery companies, No Menu (www.nomenu.pt) and Central Menu (www.centralmenu.com.pt). These companies work as indirect distributors for several restaurants; they are specialized in home deliveries for several areas in Portugal – Aveiro, Almada-Seixal, Cascais, Expo, Figueira-da-Foz, Linda-a-Velha, Lisboa, Maia, Porto, Oeiras and Sintra.

Figure 3 – Other data about h3™ (source h3™, 2015).

Street Restaurant Photos

Figure 4 – First h3™ street restaurant, at Chiado (source: MiguelSoeiroWorks, http://miguel-soeiro.com/pt/interiors/h3-chiado-restaurant-2011/, 24th May 2015).

Figure 5 - h3™ restaurant at Chiado, view of the attending counter (source: Lisboa ConVida, http://lisboa.convida.pt/poi/comer-beber/h3-3306, 24th May 2015).

2.5. People

h3™ currently employs 830 workers, 650 in Portugal and 180 in the rest of the world. Human resources are one of the main concerns of h3™ managing partners. They acknowledge that their employees are a big part of their organizational success and for its marketing – the employees are the h3™ ambassadors.

As a result, investment in internal communication and professional training has become a central thrust of the organization with the ultimate aim of ensuring that employees are both happy and proud to be associated with h3™.

All of the store employees have a one month training where they learn all the procedures, practice each type of chore that they may have to perform, and have an internship at one of the stores.

Special attention is also given to trainings that improve the relationship with the Customer – sympathy, fast service and cordiality, be careful with the food handling and personal presentation.

To motivate and to compensate the employees for their effort, the company has an evaluation based on a points system – the employees with better score at the end of the year receive prize money. Additionally, all the employees have health insurance.

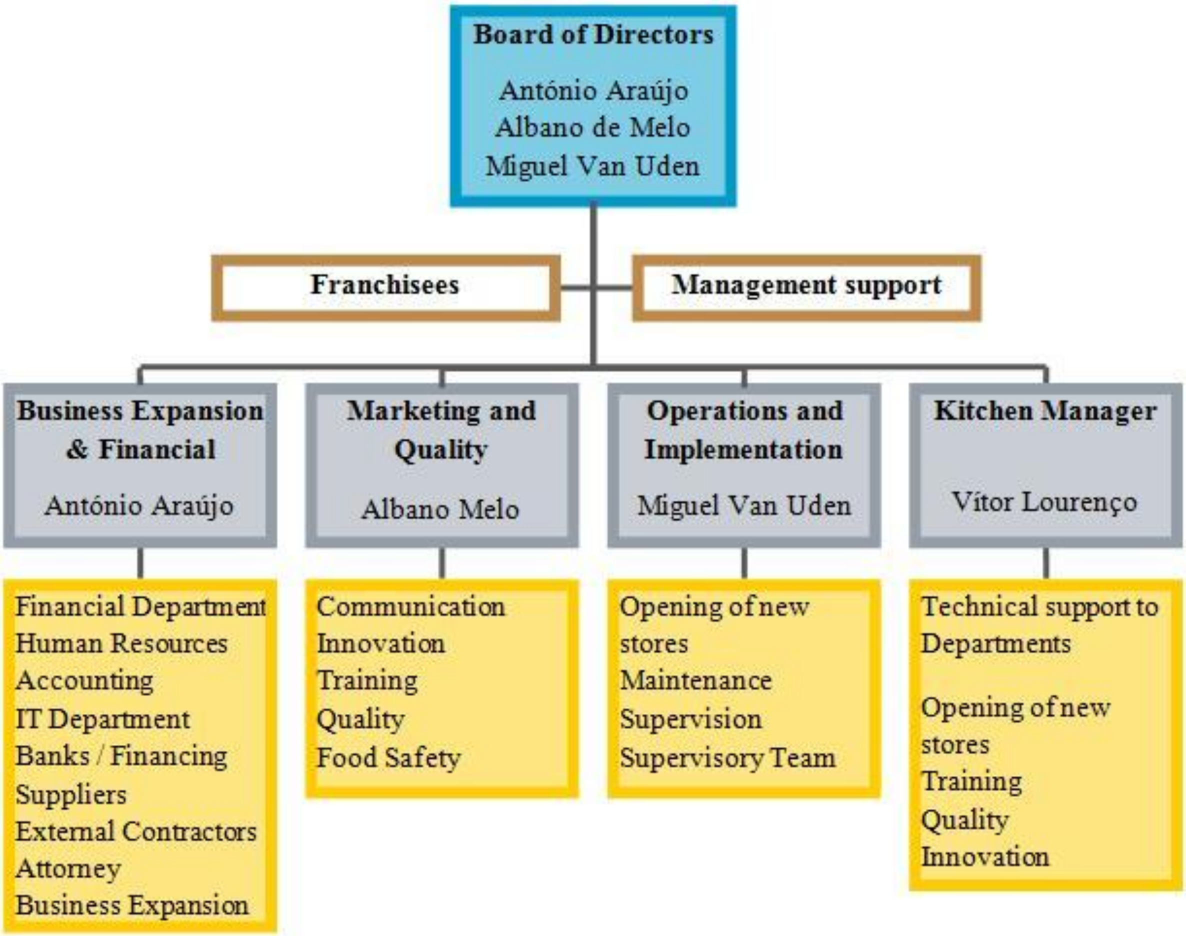

Figure 6 – h3™ Organization Chart (source h3)

2.6. Promotion

Due to the low budget that h3™ had at the beginning, they chose to direct most of its marketing budget to internal rather than external communication.

The employees are seen as internal customers that need to be supported with many types of information in order to understand the company vision and mission, and to make staff members feel very involved in the business and have higher morale. Internal communication is a vital aspect to the effectiveness of the company.

Believing that their employees are a big part of their organizational success, and a big part for its marketing, the investment is mostly focused on internal communication and professional training, so that people feel motivated and proud to be associated with h3™.

This pride should be very clear and immediately intuitive to clients as they are about to order a meal at any h3™ restaurant.

Occasionally, theme parties are organized for all the employees. Informal parties with open bar in some Lisbon Clubs, with the purpose of offering a moment to relax, to meet up with friends and colleagues and have fun.

Regarding the external communication, they also strongly believe in *word-of-mouth* as a powerful communications weapon. Most external communication with the consumer is made on-line through their website (www.h3.com) and through a strong presence in social networks, including Facebook.

They also perform loyalty campaigns, like “Tuga Resists” that consists on the Customer having a card that is stamped for each meal and after 9 stamps had been gathered, the 10th meal is free of charge. This campaign was launched by the time that the VAT in the Portuguese food restaurant sector was increased from 13% to 23%, and the campaign said something like “I am going to eat the VAT”.

Recently h3™ launched an application (app) for Smartphones, ending the card stamping system, but maintaining the “Tuga Resists”, and all the information is in a digital format. The Customer downloads the app for free, insert their personal data, and each time a Customer buys a meal, access to the app, a QR code is generated and that updates in the Customer’s app the number of meals, and automatically the sale invoice is issued with the Customer’s data.

The app also communicates the menu novelties, and launched other loyalty campaigns, one called “The Greater Tuga in Portugal” – the Customer who eats more burgers in that month will receive 10 free menus to use during one year; and “Gotta eat ‘em all!” – the Customer who eats all the types of burgers in the list (10 varieties) will receive a free meal.

Periodically, the company will also engage in publicity stunts mostly related to the announcement of the opening of an h3™ outlet somewhere in Portugal, and most typically in shopping centres. The company has made a decision not to invest in advertising in other media, including newspapers or TV.

3. International Development Strategy

Has explained in Mercator (2013), after a first experience, it is necessary to formulate an international development strategy. At this stage, the decision to enter a new country is based generally on three major criteria: market potential, country-specific regulations and political risks.

To evaluate the potential market it is necessary to have the following information:

- Demographic situation and trends;
- General economic situation;
- Market size and trends;
- Social and cultural factors;
- Competitor analysis;
- Characteristics of existing distribution and communication channels.

Regarding the regulations, the main subjects must be taken into account:

- Possible restrictions on import, production or sale of the products of interest;
- Pricing laws and regulations;
- Movement of capital or repatriation of profits restrictions;
- Possibility to obtain assistance from political powers;
- Social legislation, labour laws, wages levels, licensing restrictions, etc.;
- Marketing and advertising regulations.

3.1. h3™ Internationalization

There are several reasons that can lead companies to internationalization. According to Root (1987), some of the reasons for companies to go international may be that the domestic market is stagnant, or foreign markets are growing faster, that there is need for higher volume to reduce costs, or that Customers or domestic rivals are going international.

Due to the market size and due to years of economic recession, internationalization is many times the solution for Portuguese companies that want to expand and to increase sales. Fortunately, in the last decades this process has become easier than before:

- the development of means of transport and communication;
- the reduction of barriers to movement of goods and international trade, especially in areas of free exchange as the European Union (EU) or Mercosur;
- the tendency to reduce differences between countries in terms of production and consumption habits.

The first two decisions that companies that want to pursue internationalization have to make are the choice of countries and the international entry-mode strategies to be adopted.

The first internationalization experience is usually a result of an opportunity. Johanson and Vahlne (1990) suggest psychic distance as a decision factor in the choice of country markets for international expansion. According to this view, firms start internationalization by going into markets that are similar to their home markets. Because it is a risky decision, and not having experience, most companies search for a market that they know the language, with geographical proximity, and without administrative and customs restrictions.

After opening 33 stores in 3 years in the national territory, h3™ began its internationalization process with the opening of the first store in Poland, in December 2010. The Polish market was elected to the opening of the 34th store brand, because according to António Cunha Araújo, partner responsible for expansion of h3™, “this is a natural market for the brand, since Poland is a country in great development, with 40 million people and with many shopping centres”. In 2011, h3™ opened two more stores abroad, this time in

Spain under a franchising licensed to Vips Group. The two restaurants were located in shopping centres in Madrid: Kinépolis de Pozuelo de Alarcan and Diversia Shopping Centre. Even though these markets in theory seemed similar to their home markets, these first internationalizations did not succeed.

In Poland they were not able to optimize the production, because they do not have a time to have lunch or dinner, they would have a burger at any time of the day. In Spain, although their culture may be similar to the Portuguese one, they are geographically close to Portugal and there are no customs restrictions, still the franchise stores were not successful. This may also be related with the consumption habits.

In Madrid people do not have the "cult" of shopping centres; they rather walk at the city centre streets. Furthermore, the shopping centres are out of town and all stores can be found in the city centre. At the end, Brazil has shown to be the more fitting country to continue the internationalization.

There are currently 46 stores in Portugal and 17 stores in Brazil. The h3™ group turnover totalled 33 million EUR in 2014, over 6,35 % compared to 2013 and over 24,07% compared to 2012, and will continue to invest in new stores in Portugal and Brazil by the end of this year in h3™ and in their new restaurant brand SLOW™.

The internationalization of the h3™ group in Brazil began with the opening of a store in Morumbi Shopping in São Paulo, in November 2011, followed by another store in December of that year, in Vila Olimpia, and seven more stores in 2012. In 2013, they opened 3 more stores in Recife, Salvador and S. Paulo, and last year they opened the first restaurant in Rio de Janeiro. The latest information provided by h3™ stated that in Portugal there are 46 restaurants (29 company owned and 17 franchisees), in Brazil there are 17 restaurants (15 company owned and 2 franchisees)[5], employing 830 workers (650 in Portugal and 180 in the rest of the world). The business plan foresees opening 10 stores per year by the end of 2018.

In the charts presented in Annex II, we are able to see the success and rapid business growth of this fast food restaurant chain. In Portugal, h3™ is a profitable company since its inception.

[5] Please, see the restaurants list in Annex I.

4. Literature Review

4.1. Internationalization Strategies

Companies interested in internationalization of their business need to possess the ability to think globally and have an understanding of international cultures.

According to Pearce and Robinson (2013), globalization "refers to the strategy of pursuing opportunities anywhere in the world that enable a firm to optimize its business functions in the countries in which it operates".

There are three distinctive orientations with different sets of beliefs about the management strategy identified on global companies:

- Ethnocentric orientation – follows the parent organization strategy and manages all international operations; products are standard; and the profits are repatriated.
- Polycentric orientation – the parent organization allows that the strategy to be adapted to the host country needs; local product development; retention of profits in host country.
- Geocentric orientation – the parent organization has an integrated global strategy and there is some personalization according to the host country needs; global integration and national responsiveness; profits redistributed globally.

Besides the organization strategy, before a company decides to enter international markets, there should be identified the basic strengths of the firm's operation and the critical features of the overall economic / political environment and stability of the host nation.

There are different options for entry strategies attending to the different degrees of commitment and risk which a company wants to assume. The following table shows a resume of the different internationalization strategies for the different key factors.

Table 1 - International strategic moves (Cruz, 2011): Internationalization – Method Freire, 2000.

Key Factors	Strategic options	Definition	Concept
Internationalization	Transaction	Marketing of products, patents and company brand to foreign entities, restricting the internationalization to the transposition of the product-market matrix	Spot export activities; medium and long term exports; export via agents or distributors; brand licensing; *franchising*
	Direct investment	Complete or partial implementation of the operational chain activities in foreign markets	Marketing and distribution *joint venture*; integrated *joint venture*; marketing and distribution subsidiary; integrated subsidiary
	Projects	International involvement in specific projects, limited in time	Turn-key projects; BOT (Build Operate Transfer) project; management contracts

The choice of entry mode is up to each company, according to the corporate global strategy, country risks and opportunities, company knowledge and capital, timing and government constraints (Lasserre, 2012). In this specific case of the internationalization of h3™, the brand started their expansion with a Direct Investment Strategy and because of the experiences gained through the years and the fast growth of the restaurants they are adopting in some cases a Transaction Strategy.

4.1.1. Transaction Strategy - Entering via a franchising arrangement[6]

In London, the quick service segment is the most common franchised restaurants. However, most restaurant groups want to control their operations and protect their brand equity in such an important location.

There is no specific profile for a franchisee; there can be a private equity (PE) firm, a food-related group or an individual. To reach out to potential franchisees, a brand can exhibit in key franchise shows such as the annual The Franchise Show in London (19th-20th February

[6] Source: Godart and Mei Ling (2014)

2016), or the National Franchise exhibition in London (11^{th}-12^{th} March 2016) where thousands of entrepreneurs and business owner visit to find the best franchise.

Some franchisee companies join the British Franchise Association (BFA), to add more credibility to their business. The BFA is the only entity for the UK franchise industry, with a standards based approach to membership. Its aim is to promote ethical franchising practice in the UK and help the industry develop credibility, influence and favourable circumstance for growth.

4.1.2. Direct Investment - Entering via own setup[7]

The main advantage to retain the full or majority of the restaurants is that allows them to control their brand and management in a key market like London. For small, medium and multinational brands, this appears to be the most common operation mode.

Entering the market alone can be challenging, because of the lack of knowledge of this new market and the initial investment needed. The capital expenditure estimated for quick casual restaurants is around £1 - £2 million, for a higher end restaurant this value doubles. One strategy is to enlist the successful restaurant groups or contact London-based consultants, which could help to adapt the offering (in terms of menu, pricing and branding) to the local market.

Another way to enter the market is through a pop-up restaurant, or with a food truck. This allows the company to test the market, with a lower initial capital (average costs starting from £10,000), that also helps to create some brand awareness and to search for a partner in the market.

4.1.3. Direct Investment - Joint venture (JV) with local partner[7]

Restaurants and retailers can be potential partners in a business agreement, lowering the investments risks and sharing their experience in local retail operations. Some experienced

[7] Source: Godart and Mei Ling (2014)

companies may be open to partnerships with new entrants; however it is not uncommon for them to want to influence the operations.

Another group of potential partners are PE firms, which are able to provide capital so business can grow. The PE firms in London are quite active in the food retail business, and generally invest in concepts that already are implemented in the market, that have a proven track record and are scalable. PE firms usually want to have the majority of the shares, and want to participate in the commercial and operational decisions. Typically this partnership lasts five to seven years, and after that they sell their part.

Table 2 - List of UK PE firms with interests in leisure (non-exhaustive), adapted from Godart and Mei Ling (2014).

Funder	Portfolio Companies (Food Service)
Active Private Equity	Leon, Soho House, Deliverance
Risk Capital Partners	GAILS, Patisserie Valerie, Laine Pub Company, Giraffe
Phoenix Equity Partners	Busaba Eathai
Limecourt Ventures	Galvins, Goodman, Steam and Rye, Tapas Revolution, El Pirata, Chapters Restaurants
Rutland Partners	Pizza Hut
CBPE	Côte Brasseries
LDC	D&D Restaurants
Graphite Capital	Hawksmoor, Wagamama

4.2. International Strategy Implementation

In the mid-eighties, some authors like Levitt (1983) believe that companies should offer global standardize products that are advanced, functional, reliable and low price. The long term success was to concentrate on what everybody wants instead on the details of what everyone thinks they might like.

Turning to the new century, some authors (Vignali, C., 2001) realized that an internationalisation strategy involves tailor-make the company marketing strategies for different regions of the world according to their cultural background, regional and national specificities in order to serve specific target markets. So, in order to standardise the marketing mix, the strategy needs to group countries by social, cultural, technological, political and economic similarities. Brand name, product characteristics, packaging and labelling are the easiest of the marketing mix variables to standardise. The least favourable are the communication, promotion a supply-chain policies.

For a company to be successful it should blend the global and standardise strategies, in order to be able to obtain benefits from both strategies (Transnational strategy).

Table 3 - Actions in International Market (Cruz, 2011): Practices in the Market – Freire, 2000.

	Management Subjects	Actions	Definition
Practices in the Market	Product Promotion Price Place People Process management Physical evidence	Adaptation	Adapt the management factors to the characteristics of the local market
		Standardization	Standardize the management factors according to the characteristics of the country of origin

4.3. Cross-cultural Customer Service

Hofstede (2001) presented a study where he explained that to define strategies in a cross-cultural context cultures and differences in thinking needed to be taken into consideration. People acquire patterns of thinking, feelings and potential acting during their childhood which are formed afterwards by their social environment. So, the author identified five dimensions of culture which are described in the points below.

1. **Power distance** - the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally. In a society there can be several types of inequalities, basic human characteristics like physical and mental capacities, or society and cultural related characteristics like social status and prestige, wealth, power, laws, rights and rules.

2. **Individualism** (vs. Collectivism) - the degree of interdependence a society maintains among its members. Differences in the complexity of family units, society structure and norms of institutions (educational, religious, political and utilitarian).

3. **Masculinity** (vs. Femininity) – refers to the dominant patterns in the majority of each society: the patterns of male assertiveness and wanting to be the best, and female nurturance, wanting to like what you do.

4. **Uncertainty avoidance** - the extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created technology, law or beliefs to try to cope with this basic fact of human life.

5. **Long-term orientation** (vs. Short-term) - the extent to which a society shows a pragmatic future-oriented perspective rather than a conventional historical short-term point of view. Long-term orientation country promotes qualities directed to future rewards – perseverance and thrift; a short-term orientation country promotes past and present-related qualities – preservation of reputation, respect for tradition and social obligations.

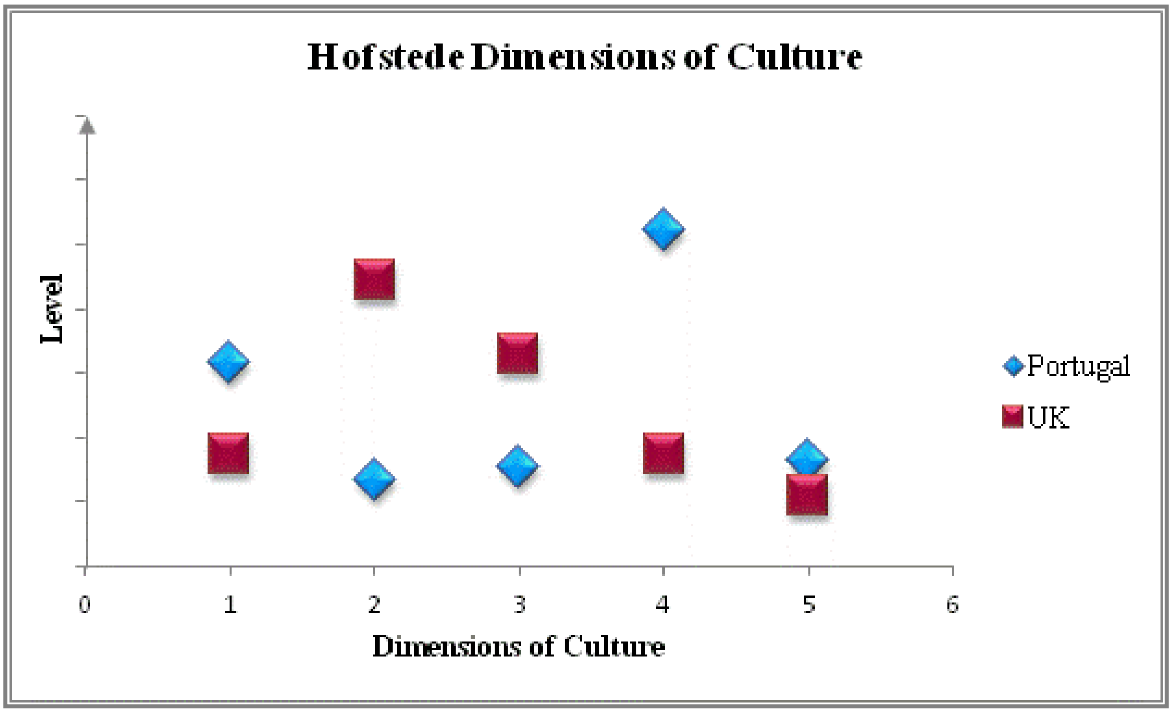

Chart 1 – Representation of the differences between Portugal and UK's Dimension of Culture (Hofstede). 1. Power distance; 2. Individualism; 3. Masculinity; 4. Uncertainty avoidance; 5. Long-term orientation.

4.3.1. UK and Portugal

As we can see in Chart 1, in UK's society the distance to power and the uncertainty avoidance is smaller than in the Portuguese society. This indicates that in UK the society is less hierarchical, competition between groups and leaders is encouraged; the power of the leaders is more controlled, the democracy is promoted and information sources are independent.

In low uncertainty avoidance society, in the work situation, there is a weak loyalty to the employer and a bigger job rotation, the top managers are involved in the strategy not in operations, there is not a formalized conception of management, the superiors are optimistic about employees' ambition and leadership capacities. Regarding the consumer behaviour, the low uncertainty avoidance society is more likely to consume convenience products and to have more access to information.

On the other hand, UK's society is more individualist and more masculine society than the Portuguese one. According to these positions, in UK's society work is very central in a person's life space, there is a sense of achievement in terms of ego boosting, wealth and recognition, self is ego, the decisions are ego oriented, big and fast are beautiful, and there is a maximum differentiation between genders values and emotions.

In Portugal, work is not central in a person's life space, there is a sense of achievement in terms of quality of contacts and environment, there is empathy with others regardless of their group, the decisions are relationship orientated, small and slow are beautiful, and there is a minimum differentiation between genders emotional values and emotions.

Regarding the long-term orientation index, the values used to classify the UK population were the values reported by the Chinese Value Survey (CVS LTO) and to classify the Portuguese population we used the values reported in the European Media and Market Survey (EMS LTO). Although Portugal presents a higher value, it is quite close to the UK's value, and comparing to Asian countries, they both present a short-term orientation index. This type of populations are described has expecting quick results, their status is not a major issue in relationships; they respect traditions and like reciprocation of greetings, favours and gifts. They also value their leisure time and thrift is important, but not their priority.

5. United Kingdom Market

Western Europe Islands, England, Scotland, Wales and the North of Ireland, located between the North Atlantic Ocean, the North Sea and the northwest of France, compose the United Kingdom (UK). The Compendium of UK Statistics in mid-2013 reported that UK's total population is 64.1 million (England has 53.9 million inhabitants).

UK is one of the largest economies in Europe, along with Germany and France. UK is known as a leading trading power and financial centre, banking, insurance, and business services are the main drivers of the British GDP growth. Over the past twenty years, the government implemented several techniques that would help to lower the government costs, like increased privatizations and support the primary sector. Agriculture is intensive, highly mechanized, and efficient by European standards, producing about 60% of food needs with less than 2% of the labour force. There is also a general awareness of the importance of producing sustainable livestock farming.

Accordingly with the Quarterly National Accounts (QNA) the UK economy grew by 0.6% in the final 3 months of 2014 – 0.1 percentage points higher than previously estimated. The recovery of GDP following the 2008-09 economic descent was followed by a rise in 2010 and 2011, which slowed during 2012. Only after the beginning of 2013 the sustained growth occurs (Chart 2). The results in Q4 2014 were 3.0% higher than in the same period a year earlier: the fastest such growth rate since 2007.

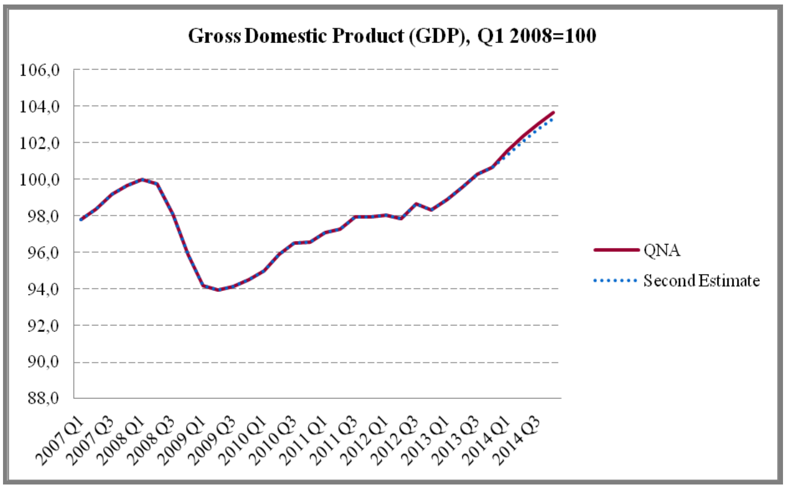

Chart 2 - UK Gross Domestic Product (GDP), Quarterly National Accounts (QNA) compared with second estimate, chained-volume measure, seasonally adjusted. Source: Office for National Statistics.

In Portugal, the economic situation is very different from the economic situation of UK. Portugal has almost the same number of inhabitants as London (around 10.4 million) and is part of the PIIGS economy group. This group referred to the countries (Portugal, Italy, Ireland, Greece and Spain) with the most vulnerable economies during the European sovereign-debt crisis; countries with high national budget deficits relative to GDP and high government debt levels.

After being in an economic adjustment programme and having achieved considerable progresses, there are still great concerns regarding the low growth, the low inflation and the high unemployment rate.

Portugal has an unstable macroeconomic environment; there is a certain loss of trust in politicians and in government efficiency; and, above all, increasing difficulties in accessing financing. On the other hand, the country is striving to regain productivity and competitiveness by increasing liberalization of the markets and labour market reforms.

Over the last decades, the services sector is gaining more importance in the Portuguese economy. In 2014, the service sector contributed with 76.7% of Gross Value Added (GVA) and employed 67.7% of the population. Within the services sector, the importance of tourism should be emphasized, benefiting from Portugal's geographical position, the climate, and its extensive coastline. Agriculture, forestry and fishing generated 2.3% of GVA, and 8.6% of employment, while industry, construction, energy and water represented 21.0% of GVA and 23.9% of employment (AICEP, Abril 2015).

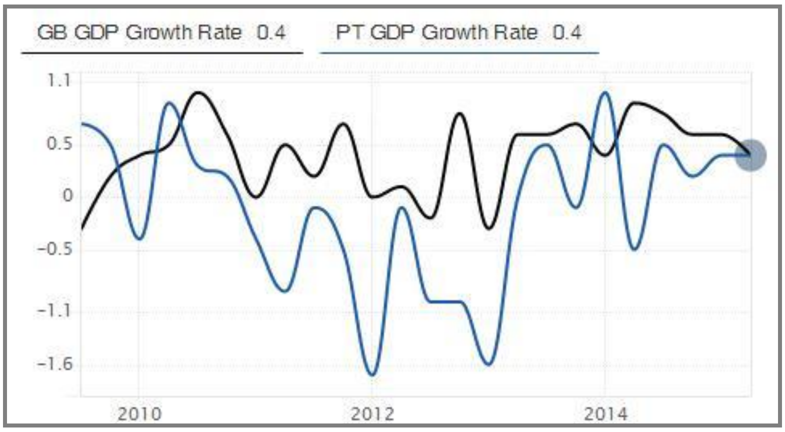

Chart 3 – United Kingdom (darker line) and Portugal GDP Growth Rate. Source: Office for National Statistics, Statistics, Portugal. http://ieconomics.com/portugal-united-kingdom.

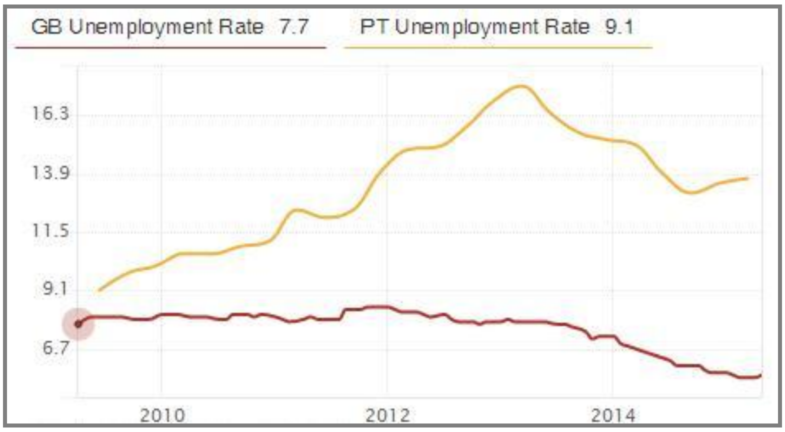

Chart 4 - United Kingdom (darker line) and Portugal GDP Growth Rate. Source: Office for National Statistics, Statistics, Portugal. http://ieconomics.com/portugal-united-kingdom.

UK's retail catering industry offers a wide variety of elements, but the fast food is the most prominent, dynamic and most rapidly growing. According to Peter Jones *et al.* 2002, beside some variations in the specific styles adopted by the fast food operators, there are a number of general characteristics that are common: offer a simple and fairly restricted menu; Customers queue up to be served at a counter; operators look to serve Customers within three minutes of their entry onto the premises; food is sold in disposable packaging without cutlery.

Restaurant chains can be classified accordingly with their practices. In a Technomic Information Services study research (2013), they presented the following classifications:

- Limited-Service Restaurants (LSR) – Establishments whose patrons generally order or select items and pay before eating, with check averages generally £4.25 - £12 (6.10€ - 17.22€). Food and drink may be consumed on-premise, taken out, or delivered to Customers' locations. This segment consists of traditional and quick-service operations, the fast-casual sub-segment, and cafeterias/buffets.
  - Quick-Service Restaurants (QSR) – Traditional "fast-food" restaurants; generally with check averages under £4.50.
  - Fast-Casual Restaurants (FCR) – Establishments with a limited-service or self-service format; check averages generally above £8.00, food prepared to order, fresh (or perceived as fresh) ingredients, innovative food suited to sophisticated tastes, and upscale or highly developed interior design. Alcohol may be served.

- Full-service Restaurants (FSR) – Establishments with a relatively broad menu along with table-, counter-, and/or booth service and a wait staff. These establishments offer meals and snacks for immediate consumption primarily on-premise, though they may also offer takeout service. This segment is composed of midscale and casual-dining restaurants, a newer upscale-casual sub-segment and fine-dining establishments.
    - Pubs (PUB) – Full service, strong alcohol focus; moderate check averages without alcohol (generally £7.50 - £12.00 ≈ 10.77€ - 17.22€).
    - Casual-Dining Restaurants (CDR) – Full service; check average generally £10.00 - £17.50 (14.35€ - 25.12€), alcohol is served.

5.1. The Top U.K. Chain Restaurants

The UK restaurant industry was worth over £40 billion (57.42 billion Euros) in 2013 (UK Restaurant Industry, 2013) and is expected to reach £52 billion (74.64 billion Euros) by 2017 (Big Hospitality, 2014). The latest study that we were able to find, regarding the largest U.K restaurant chains, was performed by Technomic Inc. in 2013. This study reported that the 100 largest U.K. restaurant chains registered a 6.4 percent annual sales increase in 2013, compared to 7.1 percent the prior year, and the number of units grew by more than 4 percent in 2013, compared to unit growth of 7 percent the previous year.

Dividing the results per restaurant categories, the limited-service restaurants grew more that 6 percent, the traditional pubs increased sales by 5 percent, the full service restaurant had a boost of 7 percent and the category which experienced a bigger growth were the casual-dining restaurants with 9 percent sales increase.

According to the same study, within the limited-service restaurants, the menu categories with the greatest sales were burger (£2.3 billion), coffee shops (£1.9 billion) and Italian/pizza (£1.3 billion). The ranking was led, as usual, by U.S.-based McDonald's, which generated more than £1.8 billion in sales in 2013, and on the coffee shops category Costa Coffee presented the best results with £937.5 million in sales.

Among the traditional pubs, Wetherspoon as the U.K.'s largest pub chain reported £1.2 billion in sales, 9 percent increase comparatively with the previous year. Wetherspoon is the second largest chain in sales revenue for 2013 behind McDonald's.

In total, the top 10 restaurant chains accounted for almost £8.2 billion (11.74 billion Euros), over half (52.7%) of total sales for the Top 100 U.K. Chains.

Table 4 - Top ten U.K. Chain Restaurants ranked by sales in 2013 vs. 2012. All U.K. sales figures are Technomic estimates.

Rank	Chain Name	2013 U.K. Sales (£MM)	% Sales Change	% Unit Change
1	McDonald's	£ 1,810	1.0	1.2
2	Wetherspoon	£ 1,217	9.0	4.6
3	Costa Coffee	£ 938	18.4	11.2
4	Greggs	£ 787	2.9	0.0
5	KFC	£ 685	4.3	1.2
6	Domino's Pizza	£ 623	14.0	7.1
7	Starbucks	£ 606	1.8	0.4
8	Pizza Hut	£ 532	0.2	0.9
9	Subway	£ 531	7.3	7.0
10	Nando's	£ 455	7.8	7.4
	Total	**£ 8,182**	**6.1%**	**4.2%**

In Portugal, the food service sector in 2014 grew 1.1% over the previous years, with 3,600 million Euros (approximately £2,520 million) estimated value – almost 16 times smaller than the UK market. However this growth was not able to overturn the decrease that started to be noticed since 2008 – since then the sector lost 32% of its value due to the crisis that led people to cut on expenses, and because of the highly competitive prices set in this sector.

Forecasts suggest that the food service market will continue to increase and that for 2015 it's expected to reach the 3,700 million Euros (approximately £2,590 million), 2.8% more than in 2014.

Accordingly to Informa D&B, the fast food segment is the top performer, grows four times more than the market. In 2014, sales registered on the fast food segment a growth of 4.2%, leaving the final figures at 693 million Euros (£485 million). This segment was favoured by the *gourmet* burger sales boom (grew 5.7%).

In Portugal, the fast food segment represents 17.5% of the food service market (Informa, 2015).

5.2. London's Food Service Market

London is the capital of the United Kingdom and it is also the country's economic, transportation and cultural centre. London is situated in south-eastern England, on both sides of the River Thames, with an area of 1,572 square km (Greater London) and an estimated population of 8.6 million.

Picture 1 – London's position in the United Kingdom (Google Maps).

The outlook for London's economy appears positive. The Federation of Small Business' London Small Business Index for Q1 2015 record a index score of +35, compared to the score +20 in Q4 2014.

Consumer confidence in London is positive, in particular 40 percent of those surveyed expected the general economic conditions for the country to improve over the next 12 months compared to just 25 percent who expected it to worsen.

In Annex II you can find two maps that represent the population density and the number of jobs in a borough. In Annex IV, there is the estimated number of people in a borough in the daytime during an average day, broken down by various sub-groups, and the 2011 Census workday population, released in April 2015 by the Greater London Authority.

5.3. Potential Competitors

In order to be able to present a compelling value proposition to potential Customers it is necessary to perform a market assessment, identify and prioritize the Customers that will more probably be interested, and knowing who are the competitors and understanding their value propositions.

When Customers are determining their purchase they can choose several variables, the price, the location, the level of the service and the products characteristics. So, to enter a new market and achieve a competitive advantage it is important to know thoroughly the competitors.

The research and study of the potential competitors will allow an understanding of the:

- existing Customers;
- potential Customers;
- business potential;
- competitors' strengths and weaknesses.

The collection of this information is essential to develop an effective competitive strategy. With these information's it is possible to begin to evaluate the top competitive threats and determine the availability of the market.

A direct competitor can be defined as another company that offers the same products and/or services aimed at the same target market and Customers, with the same goal of profit and market-share growth. In this specific case, we identify as direct competitors the fast food restaurants chains specialized in burgers and the restaurants known for having the best burgers in London.

An indirect competitor will offer the same type of services; however the strategy, the characteristics of the main products and goals are different. As potential indirect competitors of h3™, we considered other fast food restaurants chains that don't serve burgers and the healthy quick-service restaurants.

Direct Competitors				
	Nº Stores	**Price (£)**	**Price (€)**	**Description**
MacDonald's	50	£4.49	6.27€	Quick-Service Restaurants (Take-away / Delivery) Burger 115g (Beef or Chicken), Fish Sticks. Bun / Wrap Toppings: Cheese; Sirloin; Bacon; Tomato; Lettuce; Jalapeño; BBQ sauce; Onion; Mayonnaise; Mustard; Ketchup. Menu for Kids Salads Coffee, Breakfast, Desserts - ice creams, donuts, fruit, muffins, cookies, apple pie, milkshake
Byron	37	£15.76	22.00€	British casual dining restaurant chain, specialising in burgers. The beef is from Scotland. They mince it fresh and cook it medium and place it in a bun. Casual-Dining Restaurants (≈ 12% service tax) - Van /Take-away 170g Burger / Grilled Portobello mushroom / Bean patty Toppings: Mature cheddar; American smoked cheddar; Monterey Jack; Blue cheese; Emmenthal cheese; Lettuce; Tomato; Onion; Onion rings; Streaky bacon; Jalapeños; Pickles; BBQ sauce; Mayonnaise; Mustard; Ketchup. French fries, Courgette Fries, Homemade skin-on Chips / Salads Entrants - Olives, Tortilla Chips, Nachos Desserts - Banofee Mess, Brownie, White Chocolate Cheesecake, Ice Cream
Burger King	25	£3.99	5.57€	Quick-Service Restaurants (Take-away / Delivery) Burger 115g (Beef or Chicken, Vegan), Fish sticks Different types of Buns Toppings: Cheese; Bacon; Tomato; Lettuce; Cucumber; BBQ sauce; Onion rings; Mayonnaise; Mustard; Ketchup. Menu for Kids Salads Coffee Breakfast Desserts - Ice creams, Hot chocolate brownie, muffins, cookies, waffle, pancakes & syrup

Direct Competitors				
	Nº Stores	**Price (£)**	**Price (€)**	**Description**
Five Guys	10	£14.50	20.24€	Five Guys Burgers and Fries offer handcrafted burgers, fries, hot dogs and more. There are over 250,000 possible ways to order a burger at Five Guys. Only use fresh roll stamped prime beef. Nothing is ever frozen, there are only coolers. Only use Peanut oil. Fast-Casual Restaurants (Take-away / Delivery) Beef Burger 180g / Little Burgers 90g Sandwiches (Vegan options) Toppings: Mushrooms; Green peppers; Onions; Jalapeños; Lettuce; Tomato; HP sauce; BBQ sauce; Mustard; Mayonnaise; Ketchup; Hot Sauce; Relish; Pickles. Bun less Options Hot Dogs Breakfast (selected stores only)
Honest Burgers	9	£12.88	17.98€	Jumbo burgers, inspired by great British produce, glazed buns and rosemary-salted chips, served in a compact, trendy space. Casual-Dining Restaurants (≈ 12% service tax) Burgers (Free range Chicken / Ginger Pig Dry Aged Beef) Toppings: Lettuce; Tomato; Mustard; Mayonnaise; Onion; Onion relish; Mature cheddar; Red Leicester; Stilton; Smoked bacon; Pickled cucumber; Chimichurri; Brindisa chorizo, Manchego cheese; Jalapeño puree. All burgers served w/ rosemary salted chips Fritters: Cauliflower, Tomato, Sweet corn, Shallots, Spices, Coriander and Cucumber yoghurt Side orders: Onion rings; Apple, Beetroot and red cabbage coleslaw; House dressed green salad Kids Menu Breakfast Menu Toasts: Bacon Beans, Fried Egg on Sourdough, Garlic Mushrooms, Guacamole, Radish, Cumberland Sausage, Black Pudding, Bubble & Squeak, American Cheese. Drinks: Beer & Cider, Wine, Cocktails, Soft Drinks Take away

Direct Competitors				
	Nº Stores	Price (£)	Price (€)	Description
Burger & Lobster	7	£25.90	36.16€	Burgers, whole lobster rolls with chips and salad for set price in American-style diner. Casual Dining Awards 2014, 'Best Multiple Restaurant' shortlist. Casual-Dining Restaurants (≈ 12% service tax) Burger 280g - with bacon and/or Cheese; Lobster Roll - lobster meat dressed with mayonaise, served in a toasted brioche; Lobster - 680g lobster served steamed or steamed + grilled. Always served with fries and a side salad Drinks: Cocktails, Wine, Beer and Soft Drinks Desserts: Brownie or Lime Mousse
MEATLiquor burger	5	£15.12	21.11€	Home of American style burgers, chicken wings and cocktails at trendy diner with graffiti decor and loud music Casual-Dining Restaurants (≈ 12% service tax) Take-away Burgers w/ buns (Beef, Chicken); Vegan Mushroom burger; Buns: Boneless pork ribs, Shaved rump steak, Pork sausage. Toppings: Onions; Pickles; BBQ sauce; Mayonnaise; French mustard; Ketchup; Mushrooms; Emmental cheese; Cheddar cheese; Jalapeños; Bacon; Spicy relish; Lettuce; Spicy chilli butter; Halloumi; Blue cheese. Sides: Chicken wings, Marinated chicken fillets; Fries, Slaw, Hippie Fries, Chilli cheese fries, Cheese fries, Fried pickles, Jalapeño poppaz. Drinks: Beer & Cider, Wine, Cocktails, Spirits, Soft and Shakes.
Dip & Flip	1	£13.10	18.30€	Gourmet burgers and hot meat sandwiches served with gravy in a simple but stylish dining room. Casual-Dining Restaurants (≈ 12% service tax) Beef Burgers: Patty Melt; Cheese Burger; Bacon Cheese Burgers; Green Chilli Cheese Burger; Dip & Flip Burger (served with gravy) Sides: Fries; Poutine; Salad bowls; Extra gravy. Options: Sandwiches served with gravy (beef / lamb / chicken). Drinks: Ale, Craft beers, Wines, Soft Drinks. Dessert: Banoffe, Choc Salt Caramel.

Direct Competitors				
	Nº Stores	**Price (£)**	**Price (€)**	**Description**
Bleecker St. Burger	4	£10.50	14.66€	Started in a matt black burger truck. In 2012 opened their first store. They use rare-breed, pasture-fed beef from The Butchery in Bermondsey, is dry-aged for about 45 days. Sesame seed bun, scratch burger sauce and good old American cheese. Simple burgers. Quick-Service Restaurants / Van (Take-away) Beef Burgers or Veggie Burger (fried organic tofu) Toppings: American cheese; Onion; Bacon; Lettuce; Black pudding; Hot sauce; House sauce. Hand-cut fries: Regular; W/ hot sauce & blue cheese; Sweet Potatoes; Fries and sweet potato. Drinks: Shakes, Soft Drinks & Craft beer.
Burger Craft	4	£11.42	15.95€	Award-winning handcrafted burgers at four permanent PubLove London pubs. Eat in / Take away Casual-Dining Restaurants (≈ 12% service tax) Burgers (Dry-aged beef, marinated chicken), Vegan option Toppings: Slow-braised ham hock; Fried duck egg; Mustard; Smoked bacon; American cheese; House BBQ; House burger sauce; Red onion jam; Mayo; Apple & Sun-dried tomato mayo; Mozzarella; Watercress; Jalapeños. Other Dishes: Fish & Chips; Pulled Pork. All Day Breakfast; Grandma's chicken dinner. Sides: Hand-cut fries; Fries w/ ketchup, jalapeños and blue cheese sauce; Fries w/ ketchup, jalapeños, blue cheese sauce and pulled pork in cider hot sauce; hash browns. Desserts: Chocolate, Blueberry or Toffee sundaes w/muffins. Coffee and Hot Drinks
Boom Burger	1	£14.56	20.33€	Casual-Dining Restaurants (≈ 12% service tax) Burgers (British-bred beef or pork meat / Fish - pan-fried red snapper / Veggie - roasted sweet potato) Toppings: Cheese, Bacon Jam, Fried platain, Rocket, Mango, Pawpaw sauce, Chilli jam, Fresh avocado salsa, Bacon, Fried egg, Escovitch sauce, Jerk mayo, Fried pineapple. Sides: French fries, Platain fries, Chicken wings, Saltfish chilli & herb fritters, Chicken & Fish salad. Drinks: Ting, Ginger beer, Coke, Red Stripe, Cocktails

Direct Competitors				
	Nº Stores	Price (£)	Price (€)	Description
Patty & Bun	3	£11.75	16.40€	Short menu of gourmet burgers in brioche buns with skin-on, thin-cut chips in a tiny, simple space. Fast-Casual Restaurants / Van (Take-away) Burgers (Beef, Marinated chicken, Lamb) or Veggie. Toppings: Cheese; Lettuce; Tomato; Pickles onions; Ketchup; Smokey P&B mayo; Caramelised onions; Bacon; Pickled cucumbers; Garlic alioli; Coriander & chilli; Baby courgettes; Pickled aubergine; Cumin alioli; Feta cheese; Tarragon mayo. Sides: Chicken wings; Confit thighs; Chips with rosemary salt; Coleslaw; House Salad. Drinks: Beers, Spirits; Soft Drinks; Wines. Breakfast menu (selected restaurants)
Shake Shack	2	£10.70	14.94€	Modern day "roadside" burger stand. Quick-Service Restaurants / Take-away Burgers 100% Aberdeen Angus Beef, grass fed on UK pastures. Freshly ground. All burgers are cooked medium unless otherwise requested. Veggie option - crisp-fried Portobello filled with cheese. Toppings: Lettuce; Tomato; ShackSauce; Cheese; Crispy ShackMeister Alemarinated Shallots; British free range cure smoked bacon; Cherry pepper; Pickle; Onion. Other Options: Hot Dogs; Treats for dogs. Desserts: Frozen custard ice cream in vanilla or chocolate; Dense frozen custard ice cream blended with mix-ins. Drinks: Beers, Spirits; Shakes; Soft Drinks; Wines.
Lucky Chip Burger	2	£14.50	20.25€	Casual-Dining Restaurants (≈ 12% service tax) Take-away, Delivery Burgers (Aged Beef / Duck, Veal & Marrow / Chicken) Veggie (Portobello Mushroom); Hot Dogs. Toppings: American cheese, Ketchup, Mustard, Pickles, Applewood smoked bacon, Bacon, Onion, Special sauce, Blue cheese, Roasted jalapeños, Alioli, Foie gras, Truffle Aioli, Cheddar, Tarragon Butter, Pedro Ximenez onions, BBQ sauce, Aubergine, Ginger sweet chilli. Always cooked fresh. Sides: French fries, Cheese fries, Chilli cheese fries, Spicy mayo cheese fries, Wasabi mayo & ginger sweet chilli fries, Jalapeño coleslaw.

Indirect Competitors				
	Nº Stores	Price (£)	Price (€)	Description
Itsu	63	£7.66	10.80€	Eat Beautiful The early pioneers of *Pret-A-Manger* are the creative force behind *itsu*. New type of food place altogether: light, green and good for you. Menu celebrates the flavours of the Far East; high in nutrients, low in calories and fat. 30 min before closing there is a half price sale. Quick-Service Restaurants (Take-away / Delivery) Sushi, Salads, Sides, Itsu (hot), Frozen yoghurt & Puddings, Snacks, Drinks. Do not serve alcohol. Meal: sushi / hot pod (medium) and a drink
Yo! Sushi	30	£14.09	19.86€	Fast, Fun & Fresh Japanese Food. Choose plates from the belt or order hot food. Seven colours, seven prices. The plates are counted for you to pay. Quick-Service Restaurants (Delivery) Sushi, Hot dishes, Salads, Desserts and Soft Drinks, Wine, Beer and Sake. Meal: sushi / rice or noodles + soup and a soft drink
Abokado	24	£8.64	12.19€	Abokado is all about freshly made and healthy food, served fast. The suppliers have high standards of welfare and proper sustainability programmes. The packaging has a low environmental impact, compostable & biodegradable. Quick-Service Restaurants (Take-away / Delivery) Bottled Drinks, Treats, Healthy Breakfasts, Salad Pots, Shwraps®, Soups & Hot Pots, Sushi, Ground Coffee, Wraps. Does not serve alcohol. Meal: Sushi combo and soft drink.
Wasabi	37	£6.31	8.90€	Aimed to be the first outlet in the UK that would sell individually wrapped pieces of sushi, offering Customers a wide choice and the chance to truly experiment the Japanese cuisine. Quick-Service Restaurants (Take-away / Delivery) Sushi, Hot Food (Bento, Soup, Teppan and Side dishes), Salads, Snacks, Drinks and Ice creams. Does not serve alcohol. Meal: Sushi (set: 10-16 pieces), soft drink.
POD	22	£9.18	12.94€	Wants to help people to enjoy healthier lives, offering the very best fast, good food experience. Quick-Service Restaurants (Take-away / Delivery) Hot Pods, Soups, Salads, Boxes & Wraps, Baguettes, Breakfast, Smoothies & Blitzes. Does not serve alcohol. Meal: Hot Pod / Salad / Boxes & Wraps (all regular size) and soft drink.

Indirect Competitors				
	Nº Stores	Price (£)	Price (€)	Description
EAT.	90	£5.99	8.45€	At EAT. they create, make and serve fresh food to go. The recipes are made from scratch and served fresh to order. The unsold food goes to a charity at the end of the day. Quick-Service Restaurants (Take-away / Delivery) Sandwiches, Hot Pots, Soups, Pies, Salads, Desserts, Drinks, Breakfast. Does not serve alcohol. Meal: Sandwiches / Hot Pots / Salads and a soft drink.
Pret-A-Manger	187	£5.99	8.45€	Pret's farmers have won awards from Compassion in World Farming for higher welfare chicken, eggs and pigs. Highest practical levels of animal welfare and environmental stewardship at all times. Committed to reducing carbon emissions and produce less waste. The Pret Foundation Trust wants to alleviate poverty and hunger in the UK and help to break the cycle of homelessness. Quick-Service Restaurants (Take-away / Delivery) Soups, Sandwiches, Baguettes, Wraps, Pret's Hot, Salads, Sushi, Snacks, Desserts, Drinks, Breakfast, Organic coffee. Does not serve alcohol. Meal: Sandwiches / Hot Pots / Salads and a soft drink.
Subway	200	£5.00	7.05€	SUBWAY® is committed to provide a wide range of great tasting, healthier food choices while reducing our environmental footprint and creating a positive influence in the world. Quick-Service Restaurants (Take-away) Subs & Flatbread: Breakfast; Subway £3 Lunch™; £5 Footlong; Subs; Low Fat Subs. Salads, Treats, Drinks, Kids' Pak™, Snacks, Platters, Halal. Does not serve alcohol. Meal: £ 5 Footlong includes any dispensed drink, tea, coffee or water.
Domino's	114	£6.56	9.25€	Domino's Pizza Group plc - UK, Ireland, Germany and Switzerland. Freshest dough, secret recipe tomato sauce and 100% fresh mozzarella. Deliver deliciously hot greatest tasting food every time and make people happy. Quick-Service Restaurants (Take-away / Delivery) Pizzas: traditional, vegetarian, hot & spicy and gluten free crust. Sides, Desserts, Drinks and Movies. Meal: individual pizza and a drink.

Indirect Competitors	Nº Stores	Price (£)	Price (€)	Description
The Leon	24	£9.26	13.06€	Naturally Fast Food. Wanted to prove that it was possible to serve food that tastes good, does you good, and is easy for people to eat well on the high street. Quick-Service Restaurants (Take-away) Breakfast, Tagine, Hot Box, Salads, Warps, Baked Fries, Sauces and dips, Flatbread. Snacks, Treats and Drinks. Does not serve alcohol. Meal: Tagine / Hot Box / Salad and a drink.
Chipotle	6	£10.41	14.68€	Chipotle showed that food served fast didn't have to be a “fast-food” experience. Using high-quality raw ingredients, classic cooking techniques, and distinctive interior design, they brought features from the realm of fine dining to the world of quick-service restaurants. Quick-Service Restaurants (Take-away) Burrito, Burrito Bowl, Tacos or Salad. Chips, Salsa and guacamole. Drinks. Meal: Burrito with chips and guacamole, and bottled water.
KFC	91	£5.32	7.51€	KFC is a fast food restaurant chain that specializes in fried chicken. Quick-Service Restaurants (Take-away) Box meals, Burgers, Fried Chicken, Salads, Wraps and Burritos, Kids Menu. Snacks, Treats and Drinks. Meal: Burger (includes fries and drink) / Salad and a drink.
Wagamama	28	£12.74	17.96€	Fresh, lively food (with soul) Casual-Dining Restaurants (≈ 12% service tax) - Take-away Omakase, Ramen, Teppanyaki, Donburi, Curry, Sides, Salads, Fresh juices, Drinks, Desserts, Kids menu and Extras. Serves wines, beers, teas and soft drinks. Meal: Curry / Ramen / Donburi / Teppanyaki and a soft drink.
Pizza Hut	139	£11.90	16.78€	Pizza Hut Delivery opened its first UK store in 1988. Now, in London, only 8 restaurants are to eat in, the remaining 131 are take-away and/or delivery shops. Pizzas Large / Medium / Ind. (traditional, hot & spicy or vegetarian), Stuffed Crust, Cheesy Bites, Gluten Free, Thin and Pan. Sides, Drinks and Desserts. Does not serve alcohol. Meal: Thin individual pizza and a soft drink.

5.4. Market size and trends

According to a Research and Markets study about Fast-Food & Home-Delivery Outlets (2015), in 2014 this market continued to exhibit year-on-year growth, with total sales value increasing by 3.5% from the previous year.

We can divide the Fast-Food market in five sectors - burgers, pizza, fish and chips, chicken and other fast-food and takeaway outlets – and although it was registered growth by all of them, their sales performance differed considerably. The burgers continue to be the biggest sector in this market but last year presented the lowest growth rate, losing ground to other fast-food and takeaways such as Kebab shops, Chinese and Indian home-delivery outlets, emerging Mexican fast-food chains (different and exotic flavours), and the Chicken sector (based partially on the notion that chicken is healthier than red-meat). The burgers sector is currently in high saturation and growing competition from restaurants in the quick-service market.

In the UK over 64% of adults are overweight or obese (The Independent, 2015), there are increasingly more cases of diabetic children, and naturally this carries significant mortality and morbidity risks. In the UK, more than 1 in 20 people are thought to have either diagnosed or undiagnosed diabetes. About 90% of those affected have type 2 diabetes, with the remaining 10% having type 1 diabetes (NHS, 2014). Along with this growing awareness of the general population about these health issues, many brands took these facts into consideration for their strategy and there has been an entry of large numbers of healthier new product developments (NPDs) in this market. Leading companies are introducing temporary NPDs that are consistent with their strategy and market segment (tasty convenient food at a lower price), to avoid over-complicated menus, to avoid the potential dilution of brand appeal, and to retain a sense of exclusivity, while exploiting seasonal trends.

As Etemad-Sajadi and Rizzuto (2013) explained, competition in the fast food market is growing and success depends more and more on Customer retention. Therefore, service improvements are the key to competitive success. In fact, increasingly, firms are using Customer satisfaction as a performance metric in assessing their current and future prospects (Fornell, 2006). The shift in focus on Customer satisfaction is grounded on the assumption that satisfied Customers are likely to increase the share of purchases in the category (that is share of wallet), leading to greater Customer loyalty (Hallowell, 1996), to an increased price tolerance level, thereby potentially increasing the consumers' willingness to pay a price premium for products / services (Homburg *et al.*, 2005) and achieve higher levels of future cash flow, above-market returns, lower Customer transaction costs and increased shareholder value (Anderson *et al.*, 2004; Gruca and Rego, 2005).

UK is one of the few countries where the authorities and the general population pay much attention to food that is locally grown, that is sustainable in terms of wastage and energy, and that are produced in an ethical way. Many of the restaurants announce the origin of the ingredients, the meat, eggs and dairy products are usually free range, and in the supermarkets the labels Organic / Free range / Fair-trade continue to grow in their range products. With the recent exposure to the potential for food fraud, the issue of food provenance is a key trend in this market.

Despite the challenges that the fast-food market is facing, it is a fact that the products and brands in this market are widely recognized. The UK market for fast-food and home-delivery outlets is estimated to grow 9.2% between 2015 and 2019 (Research and Markets, 2015).

5.5. Social and cultural factors

A high stability in the general structure of domestic eating has been confirmed in the UK. Throughout the twentieth century it was structured in three daily food intakes, one in the morning, one at midday and a main meal in the evening (Murcott, 1982; Charles and Kerr, 1986)[8]. New generations retain the evening meal as the main family one, eaten at home after work (Marshall and Anderson, 2002)[8]. The recent growth phenomenon of people eating outside their home was confirmed in the UK, mainly because of work-related habits. Lunch eaten outside the home in the UK was a substitute for the family midday meal. Lasting only a short time, this midday meal possibly involves eating alone in the workplace.

The British spread their important meals through the day. Although the lunch time can be defined between 12:00h and 14:00h, for the rest of the day there are no major peaks of individuals eating at the same time. (Díaz-Méndez and Callejo, 2014)

[8] Díaz-Méndez and Callejo, 2014

5.6. Characteristics of existing distribution and communication channels

Distribution channels and communication channels are tools to get the product to be bought or used by the Customers. These tools must be aligned with the company's business concept, structure, purchase decision, and with their main targets. This way they can increase the possibility to be successful on raising the visits or the number of Customers, purchases, and Customers loyalty. Employing various marketing strategies and different distribution channels helps you reach a broader public and pass the correct message through the correct channel to each Customer segment. This would ideally result on highest brand awareness.

5.6.1. Food Supplier

The first step on the distribution channels for restaurants is the equipments and food suppliers. One of the keys to acquire a good reputation is selecting quality providers so that the restaurant can provide high quality food. A good supplier selection aims that the products are delivered to the right place, in time and at the lowest cost.

There are a series of activities taking place within the logistics chain, and according to Budacia, E. A. (2014)[9] they can be divided into the following components:

- Study of Customers – analysis of Customers needs in terms of quantity and quality of products;
- Management of product structure and assortment – management of products available at the restaurant;
- Transportation – creation of own fleet or renting transportation that has the adequate conditions for the ingredients or products delivery; largest share in cost structure (see cost structure on Chart 5);
- Storage and handling - involves handling storage spaces so that products are not affected in terms of quality, and space is effectively harnessed.

[9] *The Boot Leg*, *Trafic World* Magazine, July 19, 2004, p. 15, quoted by D. Patriche in *Tratat de Management Comercial*, Universitară Publishing House, Bucharest, 2007 (adapted).

- Packaging – for take-away meals is important that the packages protect the products during transportation, that can be easily stored and handled, and ideally made from biodegradable and recyclable materials;

- Information process – that allows a permanent connection between all the stakeholders in the logistics system, and informs about the products locations and stocks;

- Estimating market demand in different areas to be able to provide the required goods in adequate time and space;

- Production planning – depending on the restaurants feedback, the production specialist determine the necessary materials and if it's necessary products with new specifications;

- Procurement – acquisition of all the necessary materials; direct impact on the costs and quality of products;

- Location and strategic placement of restaurants – chosen according to needed infrastructure (for legal certification), location very visited for lunch and/or dinner, price and terms of contract.

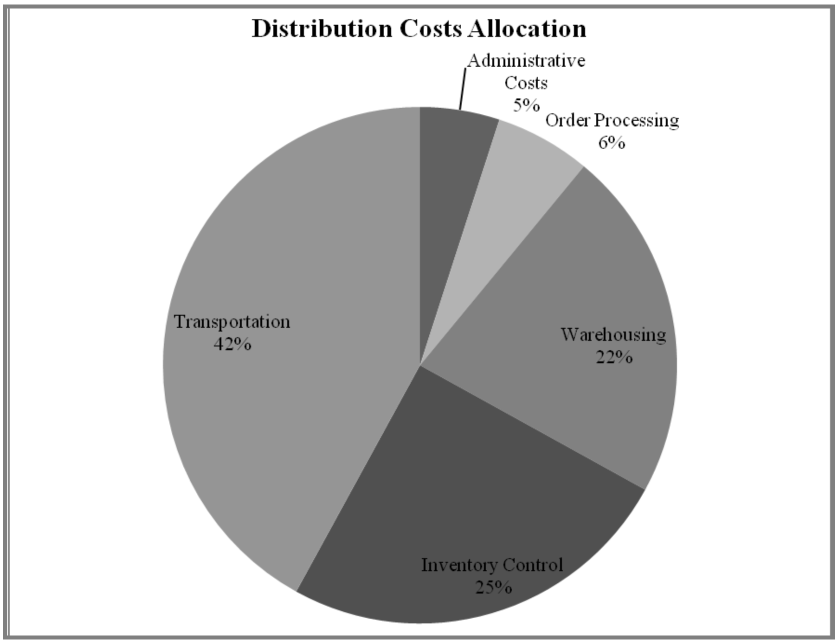

Chart 5 – Graphic representation of costs involved with the distribution process (source: Distribution Manual from Prof. Rogério Canhoto classes, ISCTE/INDEG, March 2014).

5.6.2. Operations Management and Restaurant Layout

Operations management is the management of the different processes in which inputs (restaurant facilities, equipments, ingredients, and employees) are transformed into outputs (high quality food and beverages). Several models exist to measure the quality of service perceived by the consumers.

According to Sasser et. *al* (1978)[10] there are eight attributes that a service must have as highly important tasks in the management of operations in services:

- Food safety – consumers confident that the restaurant will meet their expectations;
- Consistency – regularity on the food and service quality, for different Customers and in different stores from the same restaurant chain;
- Attitude – being able to foster an unique relationship between the company and the Customer;
- Expertise – capacity to offer to the Customer a personalized and complete service;
- Adequate Conditions – offer the Customer, to the employees and to the managers the necessary infrastructures for service operations occur;
- Accessibility – easy access for the Customer;
- Fast Customer Service – ensuring appropriate waiting period to deliver the order;
- Price – provide the required service at a suitable price.

In 1988, Parasuraman, Zeithalm and Berry[11] developed SERVQUAL, one of the most known used instrument which measures Customers' perception of the received service and relate it to their expectations and the gap measures client's satisfaction. SERVQUAL is composed of five dimensions which are:

- Reliability – providing the promised service dependably and precisely;

[10] Adapted from Nunes, P. M. A. (2014)
[11] Kristensen & Eskildsen (2012)

- Assurance – knowledge of employees and their ability to inspire confidence and trust;
- Responsiveness – willingness to help and provide prompt service;
- Tangibles – physical facilities, equipment, personnel with professional appearance;
- Empathy – individualized attention and take care of Customers.

One of the main advantages of SERVQUAL is the fact that it has been widely used in the literature and in practice to measure Customer expectations and perceptions of service quality. Some of the critique points out that SERVQUAL's five dimensions are not necessarily universal, the construct validity is in doubt, and the model fails to draw on established economic, statistical, and psychological theory (Brady and Cronin 2001; Buttle 1996; Carman 1990; Coulthard 2004; Cronin and Taylor 1992; Dabholkar, Thorpe, and Rentz 1996; Ekinci and Riley 1998; Ladhari 2008; 2009; McAlexander, Kaldenberg, and Koenig 1994; Mukherjee and Nath 2005; Nyeck, Morales, and Ladhari 2002; Peter, Churchill, and Brown 1993; Seth, Deshmukh, and Vrat 2005; Van Dyke, Prybutok, and Kappelman 1999)[12].

Regarding the restaurant layout, according to Johnson *et al.* (2012)[13] the layout needs to be suitable to the operation process, in order to design a space that contributes for its efficiency and efficacy, minimizing the distance between the operation's information, the equipments, the ingredients and the people that take part in the process. This optimization of space can be achieved grouping similar or complementary activities inside the operation process.

To ensure the speed of the operation it is important to sort and group the information, simplifying the message content to be easily understood by the different people that may have to intervene on the operation processes.

[12] Kristensen & Eskildsen (2012)
[13] Nunes, P. M. A. (2014)

5.6.3. Communication Channels

A communication program mission is to deliver the correct message from the company to the Customer and, more recently, from the Customer to the company. Promotion actions consisting of five major tools (Kotler, 2010): advertising; direct marketing; sales promotion; public relations (PR) and publicity; and personal selling.

The main channels used by marketers to reach their targets are: radio, television, magazines, newspapers, internet, outdoors, product placement, sales promotions, personal selling, sponsorship, PR, direct marketing communications, point of sale. From these, the most relevant are the Television and the Internet due to their pervasive nature.

The importance of online advertising is rising nowadays, having a major impact on new trends development. With the development of new technologies, the internet democratization and the social media, the relationship between Companies/Brands and the Consumers changed. Social media marketing is a type of online marketing which involve social sharing of content, videos and images to reach marketing goals (Word Stream, 2012)[14].

Social media marketing is characterised by being possible for Consumers to generate their own content, they can exchange information, share experience and opinions (worth-of-mouth). It may involve private forums, wide social networks, public discussions boards, etc. (Management study Guide, 2013)[14]. Some examples of social media platforms are Facebook, Instagram, Pinterest, Tumbr, Twitter, Youtube, Vine, Snapchat, etc.

Mobile marketing is one of the most promising channels because enable organizations to communicate and engage with their audience in an interactive and relevant way through and mobile device or network (Mobile Marketing Association, 2013)[14]. Nowadays the concept developed more strongly into pull type messages which are based on the Internet, as a result mobile marketing evolved in different direction and got brand new dimension.

There are four main factors that make this tool highly effective: mobile marketing needs the consumer permission before being marketed; responses are in real-time thanks to the nature of mobile devices and their users (Rayfield, D, 2010)[14]; it is well targeted; and the communication through mobile devices is two way, consumers do not only respond but also

[14] Grybś, M. 2014

request information that they need at a particular moment (Khan, 2009)[15]. Some examples of mobile marketing tools: SMS, MMS, Push notifications, Geolocation, QR code, Foursquare, Mobile applications, Mobile payments, Multi-channel marketing, Gamification.

Personal selling and sales promotion character, basis and functions differ strongly from other marketing communication tools and as a result are treated as separate marketing communication tools (Kall, 2006)[15].

In a service organisation, the brands image and core values communication is dependent on the capability off the staff to deliver the message to the Customer. Some authors state that service staffs are the embodiment of the corporate brand through the adoption of behaviours that support a predetermined and common set of brand values (Chernatony, 2002)[15]. In addition, the employee's behaviour is known to have a strong impact on how the external stakeholders perceive the identity and the corporate brand value (Anixter, 2003; Hatch and Schultz, 2001; Mitchell, 2002)[15].

Besides the quality of the product, the quality of the service is also very important on the sense of quality for the Customer. The characteristics known to be more appreciated by the Customers are the staff knowledge, skills, helpfulness, friendliness, consistency and reliability of the service encounter (Collett Miles, P. 2013).

A close alignment of the employees with the organisation's brand values is fundamental and may provide a sustainable competitive advantage (Pringle and Thompson, 2001)[15]. Examples of internal marketing tools: internal branding activities (Cleaver, 1999)[15]; professional training; optimization of service timing; reward system for the best employees.

In Khan Marketing Mix Review (2014), the point of sale is defined has a set of interdependent organizations that caters to the process of making a product available to the consumer (Armstrong and Kotler, 2006; Muala & Qurneh, 2012). It is important that the place is aligned with the product and with the consumption occurring. A place strategy should provide all information to the Customer, promote action and consider the competition.

[15] Punjaisri & Wilson (2011)

The store design and environment is also important on the Customer quality perception. It is composed by the ambience, the background music, the comfort of the seating, and the physical layout of the service facility, the appearance of the staff can greatly affect a Customer's satisfaction with a service experience. The ability of the physical environment influence the behaviour and to create an image it's been denominated has servicescape (Bitner, 1992)[16] and it has a significant importance for the service business. Examples of point of sale marketing tools: facility cleanliness, olfactory sensations, décor, posters, advertisements, signs, music, lighting, crowding.

Sales promotion results on the proposition that a certain service has an established perceived price or value, and this promotion changes the price-value ratio – by increasing the value and/or lowering the price. Sales promotion usually happens in a short space of time, it is a more rational approach since it offers a tangible return for the Customer, and aims to stimulate an immediate sale, and contributes highly to profitability. Examples of sales promotion tools: contests and sweepstakes, branded giveaway merchandise, bonus-size packaging, limited-time discounts, rebates, coupons, free trials, demonstrations, and point accumulation systems (Kalaiselvan, V. 2013).

5.7. Possible restrictions on import, production or sale of the products of interest

5.7.1. Imports

According to Food Standards Agency (FSA), food which is intended for human consumption must meet the general food safety requirements of EU law.

Under EC Regulation 178/2002 these requirements are that food must not be injurious to health or unfit for human consumption. There is also specific legislation depending if the food is of animal origin or not:

- **food containing animal products** includes meat, meat pies, salami, poultry, fish, eggs, milk, dairy products, honey.

[16] Collett Miles, P. 2013

- **food that has no animal content** includes fruit, vegetables, cereals, certain bakery products, herbs, spices, mineral water, fruit juices.

There are strict rules on importing products of animal origin, each consignment must:

- come from a country approved to export that type of product to the EU;
- come from EU-approved premises, except for egg products and honey;
- be accompanied by animal health and public health certification;
- enter the EU through a Border Inspection Post (BIP) where veterinary checks must be carried out (all consignments must be pre-notified to the BIP prior to arrival).

Most food and drink products imported from the EU have no restrictions.

5.7.2. Production or Sales

The product is one of the central pieces of the mix strategy – quality, design, attributes, brand name and sizes characterize the product (Khan, 2014).

Food businesses and handlers must ensure that their practices minimise the risk of harm to the consumer. Food hygiene is a key priority on establishments where food is handled and prepared. There are a number of crucial hazards that a business or a Customer can be exposed to, if the company fails to meet the reasonable safety standards it can occur illness or death from food poisoning, increased consumer complaints, loss of reputation, legal action and fines.

The FSA is also the body appointed by government responsible for advising all food hygiene matters and has a publication called 'Safer Food, Better Business', which helps the industry to comply with the law and make the premises safe for the public.

The publication covers key areas on serving food including contamination, cleaning, chilling, cooking, management and keeping a food diary.

There are seven issues that must be considered by businesses that prepare and handle food: Contamination; Temperature controls; Storage and preservation; Personal hygiene; Pest control; Cleaning and disinfection; Food safety management.

The local environment health service is responsible for advice on environmental health and standards (see more at page 53, **Licensing restrictions**).

If the foods are sold loose - or package for sale - in an outlet or in a catering business, it is necessary to include in the information:

- Name of the food;
- Ingredients that have been irradiated;
- Ingredients from GM (genetically modified) sources;
- Allergen information (or a notice advising that this is available on request).

Table 5 – 14 major allergens which need to be declared since 13 December 2014.

Allergens needed to be declared in the menu	
- Cereals containing gluten - presence of wheat (such as spelt and Khorasan), rye, barley, oats and their hybridized strains; - Crustaceans; - Eggs - includes hen, duck, goose and ostrich etc. - Fish and mollusks; - Peanuts; - Soybeans; - Milk - includes cows, goats, sheep etc.	- Nuts - declare the presence of almond, hazelnut, walnut, cashew, pecan nut, Brazil nut, pistachio nut and macadamia (Queensland) nut; - Celery - including celery leaves, seeds and celeriac; - Mustard; - Sesame; - Sulphur dioxide or sulphites - added above 10mg/kg in the finished product; - Lupin;

EU FIC (EU Food Information for Consumers) outlines the new requirements for businesses which provide food prepacked and non-prepacked (loose) in a range of settings. In the UK, the FIR (Food Information Regulations) also gives powers to authorised food officers in enforcing these rules.

5.8. Pricing laws and regulations

Kahn (2014) quoted Virvilaite *et al.* (2009) expressed that a price is the most important factor, determining Customers' satisfaction. Customers estimating the value of obtained service most often think about the price. So, in internationalization strategy is very important to determine the price for each particular market. The company's pricing decision is affected by internal and external factors, as described by Kotler *et al.* 2010:

- Internal factors – marketing objectives; marketing-mix strategy; costs; and who within the organization set the prices;
- External factors – market and demand; competitors' prices and offers; and other environmental factors, such as economic situation, distribution channels, government regulations, etc.

Goods and services must be clearly and accurately priced[17]. For retailers, the law says that the selling price must display:

- the price of products - this must be in sterling (pounds and pence) and include VAT where applicable;
- the price of a single item (the 'unit price') for products sold loose;
- metric measures (like kilograms, centimetres or litres) for unit pricing - except for some products (for example, beer is still sold in pints)
- The indication of any extra charges (packing, delivery, extra ingredients) of a product must be clear, explicit, easy to identify and legible.

[17] Pricing Law and Guidance, March 2015.

Table 6 – VAT rates for goods and services in UK (adapted from GOV.UK)

Rate	VAT	Applies to
Standard	20%	Most goods and services
Reduced rate	5%	Some goods and services, eg. Children's car seats and home energy
Zero rate	0%	Zero-rated goods and services, eg. Most food and children's clothes

The standard rate of VAT increased to 20% on 4 January 2011 (from 17.5%). Some things are exempt from VAT, eg. postage stamps, financial and property transactions.

5.9. Movement of capital or repatriation of profits restrictions

5.9.1. Corporation Tax

According to the publication of Haines Watts, a UK organization or an establishment located in UK has to notify Her Majesty's Revenue & Customs (HMRC) in a three month period of becoming active. The HMRC is the entity responsible to charge UK corporation tax, and failure to notify can result in a penalty.

A company (including the subsidiary of an overseas company) that is resident in the UK for tax purposes is liable to pay corporation tax on its worldwide profits and chargeable gains. UK permanent establishments of non-UK resident companies are liable to UK corporation tax generally on:

- Trading income arising directly or indirectly through the UK establishment;
- Income from property or rights used by or held by or for the UK establishment;
- Chargeable gains accruing on the disposal of assets situated in the UK and used for the purposes of the establishment.

Corporation tax is assessed on total taxable profits and chargeable gains in respect of each accounting period. The rate a company pays on profits is set accordingly with the profits made until 31 March.

Table 7 – Corporation tax rate for company profits (adapted from GOV.UK, April 2015; www.gov.uk/corporation-tax-rates/rates).

Profits	Rate	From 1 April 2014	From 1 April 2013	From 1 April 2012
Less or 300.000	Small profits rate	20%	20%	20%
Above 300.000	Main rate	21%	23%	24%

Associated companies (where one company controls others) have a shared tax threshold. For example, if one company owns 3 others, divide the threshold by 4 (GOV.UK, April 2015).

5.9.2. Repatriation of profits

A UK company can repatriate profits to the home territory of its parent company in a number of ways, the most common being via dividend. Other options depending on the intra-group activities may include management charges, interest on loans, etc. The main impact is withholding taxes and transfer pricing.

In the case of a dividend, the UK does not impose a withholding tax charge if the parent company is located in one of the treaty countries (Investing in the UK, Haines Watts). Portugal is one of the countries included in the list of Treaty countries.

The free movement of capital it's at the core of the Internal Market policy. This Treaty freedom only became applicable with the entry of the Maastricht Treaty. This Treaty has also a distinctive aspect: it is the only freedom that covers the movement of capital between Member States and third countries.

> The general principle about free movement of capital is defined in TFEU Art. 63. This Article stipulates that "…all restrictions on the movement of capital between Member States and between Member States and third countries shall be prohibited." (European Commission, 2014)

5.10. Possibility to obtain assistance from political powers

According with the information available on the GOV.UK website, there are several government-backed support and finance for business: grants; finance and loans; business support (e.g. mentoring, consultancy; funding for small and medium-sized businesses and start-ups). But to be eligible for these supports the company must have certain characteristics, one of those is having the company's headquarters registered in UK.

5.11. Social legislation, labour laws and wages levels

The contract between worker and employer will state the number of hours that it is expected to work and how much holiday each worker is entitled to. There are regulations that set out the maximum number of hours a person should work each week. In general:

- Young people between school leaving age and 18 years old should work a maximum of 40 hours a week or eight hours a day;
- The rest of the population, workers aged 18 or over, the figure is 48 hours a week.

All workers have a statutory right to at least 5.6 weeks of paid annual leave, which corresponds to 28 days of paid holiday if the worker works five days a week. It is also possible to offer more than the minimum right to paid holiday.

The main things about holiday rights are:

- The worker starts building up holiday entitlement as soon as starts to work;
- The employer can control when the holiday is taken;
- The worker is paid the normal pay when in holidays;
- When a worker finish a job, has the right to get paid for any holiday not taken;
- Self-employed workers do not have statutory right to paid annual leave.

The worker does not have statutory right to paid leave on bank and public holidays. If paid leave is given on a bank or public holiday, this can count towards the 5.6 weeks minimum holiday entitlement. However, many employers provide paid leave on bank and public holidays in addition to your annual leave entitlement.

Part-time workers are also entitled to a minimum of 5.6 weeks of paid holiday each year, although this amount is calculated accordingly with the numbers of days they work – if a worker works 3 days a week: 3 x 5.6 = 16.8 days of annual paid leave.

There are eight permanent bank and public holidays in Great Britain (England, Wales and Scotland): New Year's Day, Good Friday, Easter Monday, Early May bank holiday, Spring bank holiday, Summer bank holiday, Christmas Day, Boxing Day.

If a bank holiday is on a weekend, a 'substitute' weekday becomes a bank holiday, normally the following Monday.

If a worker works on a bank or public holiday, there is no automatic right to an enhanced pay rate. The payment depends on the terms defined on the contract of employment. If full-time workers get paid leave on a public holiday, part-timers who don't normally work on that day have the right to paid time-off on another day, proportionate to the hours they work.

Regarding the compensations, from 1 October 2015 there will be the largest increase in the National Minimum Wage since 2007:

- the adult rate will increase by 20 pence to £6.70 per hour;
- the rate for 18 to 20 year olds will increase by 17 pence to £5.30 per hour;
- the rate for 16 to 17 year olds will increase by 8 pence to £3.87 per hour;
- the apprentice rate will increase by 57 pence to £3.30 per hour;
- the accommodation offset increases from the current £5.08 to £5.35;

5.12. Licensing restrictions

Food hygiene law is rigorous, and the premises conditions just as the equipment bought are crucial for the approval of the environmental health officers. The environmental health officers make regular inspections of food businesses and have the power of closure. The premises also have to have the right commercial classification. Restaurants need an A3 classification[18].

Mechanical and electrical ventilation systems are compulsory. Refrigeration systems need to be digitally controlled. In addition, the amount of electrical and gas powered equipment required need to have strict controls to comply with the health and safety laws.

The building and wiring must be safe and your kitchen must be a reasonable size to cope with the restaurant.

Currently, there is no law that states that is required to undertake formal training to open a restaurant. However, it is recommended that the manager and anyone else working with food have the appropriate level of training and/or supervision to do their job properly. The legal responsibility lies with the business owner.

It is required to register the premises with the environmental health service at the local authority at least 28 days before the first meals are served.

The registration is free and the application form can be downloaded and sent by post mail or submitted online on the local authority website. It is also necessary a specific license to:

- sell or supply alcohol;
- sell hot food between 11pm and 5am;
- provide entertainment, such as theatre, cinema or live music;
- and to sell food from a stall or van on the street.

To play music in public it's necessary two licenses, one from the Performing Right Society[19] (around £90) and the other from Phonographic Performance[20] (around £42).

[18] The rental or purchase values of premises with the A3 classification are higher.
[19] www.prs.co.uk
[20] www.ppluk.com

5.13. Marketing and advertising regulations

The Advertising Standards Authority is the UK's is an independent regulator of advertising across all media. Their mission is to apply the Advertising Codes – act on complaints, check the media, take action against misleading, harmful or offensive advertisements.

The UK Advertising Codes are written by two industry committees, made up the advertising industry (advertisers, agencies and media) that performed a collaborative action to maintain the good practices in their profession:

- Committee of Advertising Practice writes the UK Code of Non-broadcast Advertising, Sales Promotion and Direct Marketing;
- Broadcast Committee of Advertising Practice (BCAP) writes the UK Code of Broadcast Advertising.

The Advertising Codes place significant restrictions on the content of food and soft drink ads and ensures that the market is complying with the rules that protect children from irresponsible advertising.

The World Health Organization (WHO) developed a Global Action Plan 2013–2020 for the Prevention and Control of Non-communicable Diseases (NCDs). One of the key action policies recommended is that governments play a leading role in reducing children's overall exposure to food marketing and setting rules on the persuasive marketing techniques companies can use.

This accompanies the WHO's existing set of recommendations on the marketing of foods and non-alcoholic beverages to children, endorsed by the Sixty-third World Health Assembly in 2010, and it is important that the countries in this network advance with the development of more effective and comprehensive policies.

The EU Member States will develop with WHO the use of nutrient profile models that evaluate the nutritional values of foods and determine a scientific foundation for marketing restrictions.

6. h3™ Internationalization Project

6.1. Audit – h3™ brand SWOT Analysis

Strengths	**Weaknesses**
Brand image and concept Quality of the products Tasty and healthier burgers Operational efficiency Internationalization experience HR culture of the company	Financial resources – current investment in other countries Company’s location Adapt some part of the menu for UK’s market Service not currently offered - take-away Only serves beef burgers
Products aligned with the market trend There are good quality burgers in FCR, and there are not so good quality burgers in FSR Estimated daytime population > 10 million Free movement of goods and capital Population average age – 34 years old Average Gross Annual Pay - ₤ 35.069 (2013) Growth of people eating out (work-related habits)	Customers want to know the origin of the ingredients – look for local produced or free-range meat Relationships with suppliers and partners has still to be developed More expensive rents and employees wages Apparently saturated burger market Londoners like to have the possibility to ask for delivery or take-away In UK there are not many dishes with rice
Opportunities	**Threats**

6.2. Mission definition

The mission for this marketing strategy is the internationalization of the Portuguese brand h3™ - Gourmet Burger to UK, starting in London. The plan is to fill in a gap identified in the market, which is providing an excellent quality burger in a pleasant environment, at low cost and with prompt and fast service.

6.3. Establishment of Strategic Priorities

Vision

New Hamburgology **-** A new doctrine which defends that hamburger doesn't have to be thin, frozen, and tasteless or be served between two slices of bread.

Mission

To serve real food, with a fast and good quality service, at an affordable price.

Strategic Priorities	Goals
Establish a Partnership w/local Companies	• Help to discover opportunities and challenges • Help to penetrate the market • Build a suppliers network – guarantee reliable supplies and competitive prices.
Adapt the Offer to London's Market	• Product Positioning • Adapt the ingredients to Londoners taste • Adapt the services to Londoners needs • Adapt the price to the market and to business costs
Recruitment of Operational Team	• Operational efficiency and profitable cost structure • Good relationships with Customers and their experience with h3™. • Maintain a happy staff and reward the bests.
Choose a Strategic Location	• Be near to the Customer target segment • Operational efficiency and profitable cost structure • Good quality premises (certifications, equipments, size and price)
Create Brand Awareness	• Market positioning • Gain market share • Satisfy Customer needs • Promote Customer loyalty

6.4. Marketing Strategy

6.4.1. Target Market Segment

Our target market segment is the working-age population, meat eaters, living, working and/or studying in central London. Our target audience has a busy schedule, does not have much time to have lunch, but still are looking for a tasty and healthier food solution. They have to eat out plenty of times per week, so the price of the meal is a point to consider.

Demographics in London are favourable. The population is relatively young – 43% are aged 20-44 years old, and the average age of the Londoner is 34 years old. Hence the market is open to new concepts[21].

6.4.2. Customer's selecting criteria

Through the analysis of the survey results and of the Millennials' trends, one of the most important selecting criteria is the speed of service, when eating out for breakfast and lunch.

This need for speedy service can be explained by the lack of time to have lunch, so they resort to quick service restaurants, or by their so used to technology. Technology allowed speeding the access to information, to speed the purchasing services and this could be extended to food habits.

The second most important selecting criterion is the quality of the food. The majority of the potential Customers are attracted to restaurants that show health-consciousness or demonstrating a desire to improve animal or producer wellbeing - "free range", "Fresh", "lively food (with soul)", "whole foods", "organic", "sustainable ingredients" and "locally sourced".

6.4.3. Brand Positioning

The brand h3™ - Gourmet Burger defends a new hamburger doctrine for the fast food market. The burger doesn't have to be thin, frozen, and tasteless or be served between two slices of bread. The h3™ unique selling proposition is its capacity to serve excellent taste food, with quality fresh ingredients, at a low cost in a short period of time.

[21] Godart, P., Mei Ling, Y. (2014).

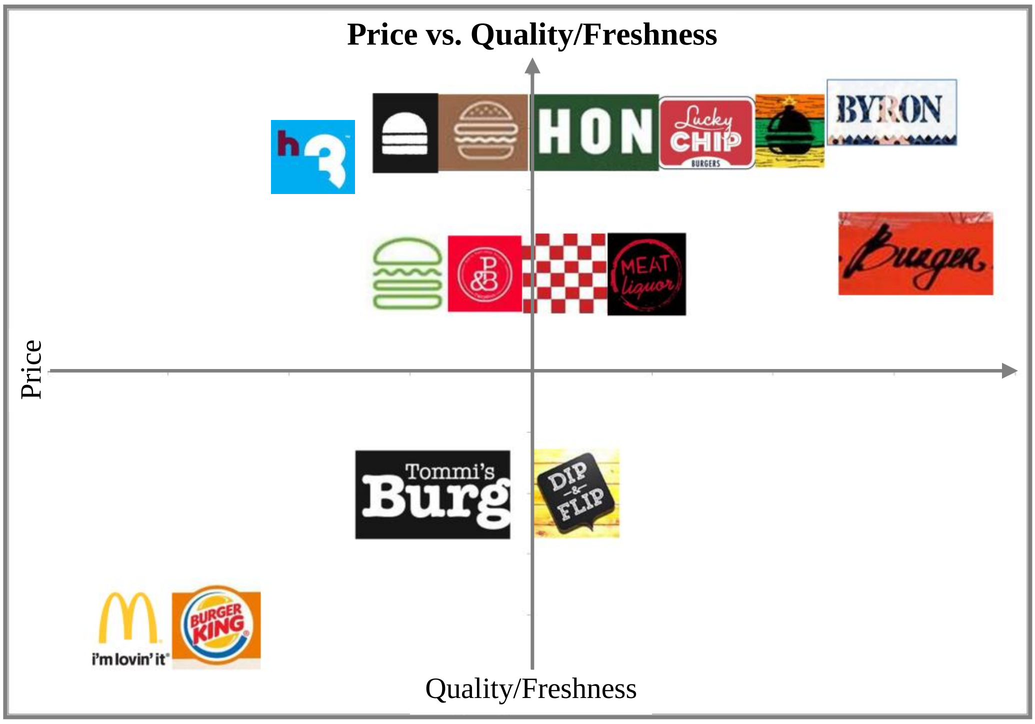

Chart 6 – Price versus Quality and Freshness of the products of h3 direct competitors and h3 positioning.

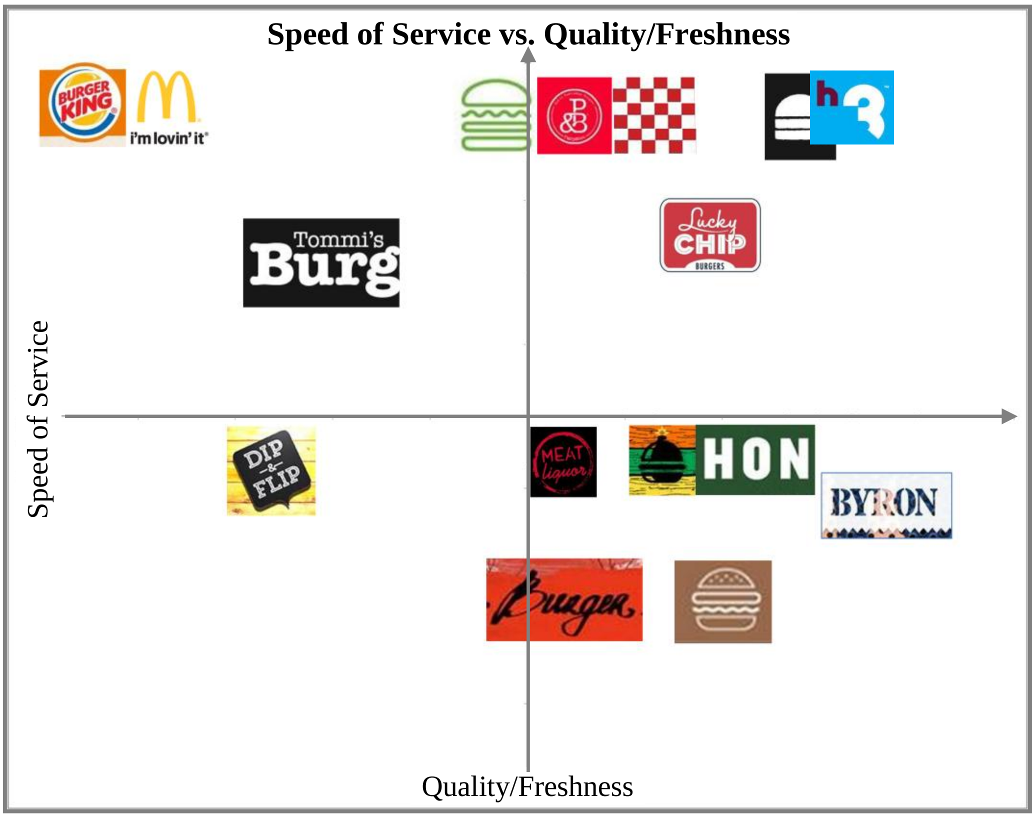

Chart 7 - Quality and Freshness of the products versus Speed of the service of h3 direct competitors and h3 positioning.

6.5. Marketing mix

Kotler (2003) defined the Marketing mix as “the set of tools that an organization can co-ordinate to satisfy its target market”. The traditional recognized variables of the process were explained by the concept of the 4Ps marketing mix – product, price, promotion and place. Since the beginning doubts were raised about the 4Ps concept. With time, there were some changes / adaptations, for example for marketing professionals of retail services suggested adding three more elements, resulting in the concept of the 7Ps marketing mix i.e. product, price, place, promotion, People, Process and Physical Evidence.

6.5.1. Product

Product is defined as: "something or anything that can be offered to the Customers for attention, acquisition, or consumption and satisfies some want or need". We can consider as product: physical objects, services, persons, places, organizations or ideas (Riaz & Tanveer; Goi, 2011, and Muala & Qurneh, 2012)[22]. A marketer should build an actual product around the core product and then build augmented product around core and actual product.

As for services, the product offer in respect of services can be explained based in two components:

- The core service which represents the core benefit;
- The secondary services which represent both the tangible and augmented product levels.

The core service is what the Customers want to buy, in this case the burgers and other foods served – high quality ingredients, healthy and tasty food, food presentation, quantity and quality of the side dishes.

The secondary services is their unique attributes, is how companies can differentiate from competitors and can enhance performance – helpful and polite staff, quick Customer service

[22] Khan, M. T. (2014).

in a relaxed environment (where people do not have to eat to rushed), possibility of customize the order, having secret orders, good music, restaurants with open terrace.

Has Khan (2014) referred in his review paper a wide product lines provide an opportunity for increased export sales, enhance profitability and enhance market share positions in domestic and export markets. On the other hand, a product line specialized in one product may differentiate the company as an specialist and decreases considerably the production processes, costs and waists – allowing more competitive prices.

In order to adapt the product / menu to Londoners consumers we have to consider that the Portuguese food habits are different from the food habits in UK. For example, Portugal is one of the European countries that eat more rice; the estimated rice consumption is around 18 kg/year/per capita (Almeida, A. *et al.*, 2015). In UK the rice consumption is more than three times smaller, 5 kg/year/per capita (Statista, 2015). On the other hand, the rice demand is rising. Basmati rice is the dominant rice product in the UK, accounting for nearly half of the rice consumed.

The base product offer should be maintained – 200g burgers of pure meat, grilled (not cooked in a hot plate or pressed) at the point chosen by the Customer (well done or medium), with pure sea salt. The burgers are served on warmed plates with Thai rice and/or fresh fries, to eat with metal fork and knife. The beverage and side dishes options could be maintained as well. One change that can be proposed is the addition of one more type of bread at the menu or to allow any type of burger to be served in a bun, to attract the non-rice eaters, and maybe create one or two burgers with toppings especially for the London market, see toppings list in Annex XIII. Another characteristic that, according with the survey, may be important is the possibility to take-away. In Annex X we can observe that 46% of the interviewees choose to take-away.

6.5.2. Price

Summing up several studies, the price can be defined as the amount of money charged for a product or service, or the total values that consumers exchange for the benefits of having or using the product or service. It is what a Customer have to pay to acquire a product, or cost of a product to a Customer (Riaz & Tanveer; Goi, 2011, and Muala & Qurneh, 2012)[23]. According to the questionnaire performed for this work (Annex XII), the price – along with a nice environment, is considered one be the most significant factor that affects consumer's choice. Price must support the rest of the marketing mix variables (product, place and promotion), reflect supply and demand relationship and take in account on fixed and variable costs, competition, company objectives, proposed positioning strategies, and target group and willingness to pay.

In Annex VI (Chart 12) and Annex IX, we can see that most people that go to fast food restaurants everyday are only willing to spend less than £5 for a meal, people that go from 2 to 3 times per week until 2 to 3 times per month are willing to spend £5 - £7, and people that go only once a month between £7 - £10. The availability to spend also varies with the London location. In Chart 11, the majority of the answer obtain were from the following boroughs:

- Camden – less than £5; City of London – between £5 - £7 and £7 - £10; City of Westminster – between £5 - £7.

In Khan (2014) we can see that several authors (Chung & Shin, 2008; Nakhleh, 2012; and Muala & Qurneh, 2012) are of the opinion the price is the main influencing factor in the buying behaviour. The price can serve also as a quality indicator in situations where the value of the product or service is of intangible nature – but to repeat the purchase the Customer will always think if whether or not they received their value for money. Price perception directly influences Customer satisfaction, the chances of switch companies or the chances to recommend to their friends.

The h3™ pricing strategy should be the same, a value for money proposition. The use of premium ingredients as a consequence the products are slightly more expensive than the usual burger fast food brands. And still they should position the price above the common fast food brands, but bellow the gourmet burgers served in FSR.

[23] Khan, M. T. (2014).

The prices on the menu – burger, thai rice and/or fries (or burger in bread with fries or salad), and a beverage – could vary from £6.00 to £11. Desserts vary from £2.50 to £3.

6.5.3. Place

In the conceptual review of 2014, Khan defined Place as a set of interdependent organizations that caters to the process of making a product available to the consumers (Muala & Qurneh, 2012; Armstrong and Kotler, 2006) and as the ease of access which potential Customer associates to a service such as location and distribution (Muala & Qurneh, 2012; Hirankitti *et al.*, 2009).

Place is more than location, especially if the delivery of the product and the consumption occurs at the same place. The h3™ place should be located where the potential Customers associate with that type of food, should have all the equipments and infrastructures needed to produce the best product possible, should promote and communicate the brands' philosophy.

According to Godart and Mei Ling (2014) and to our research on the competitor's locations, the most popular locations are in the City of Westminster – with an estimated daily population of 1.000.882 (Annex II - habitants, workers and tourists), mainly Soho, Covent Garden, Mayfair and Fitzrovia areas.

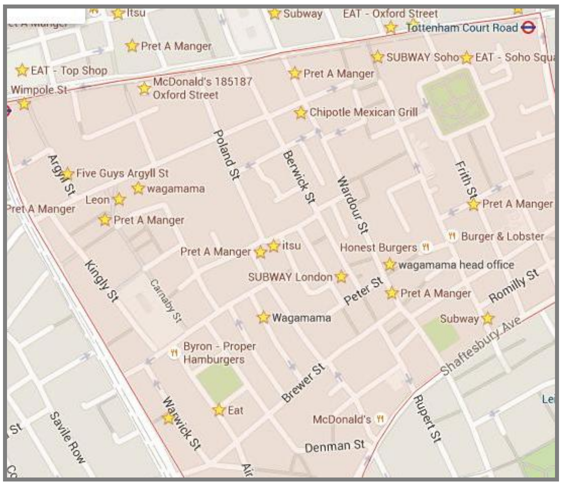

Figure 7 - Soho image from Google Maps with the competitors' location.

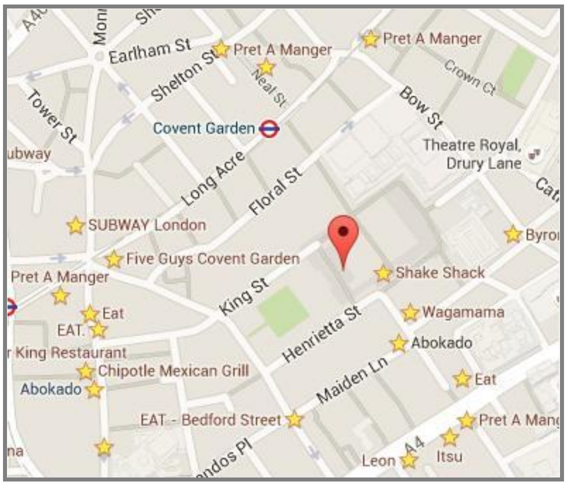

Figure 8 - Covent Garden image from Google Maps with the competitors' location.

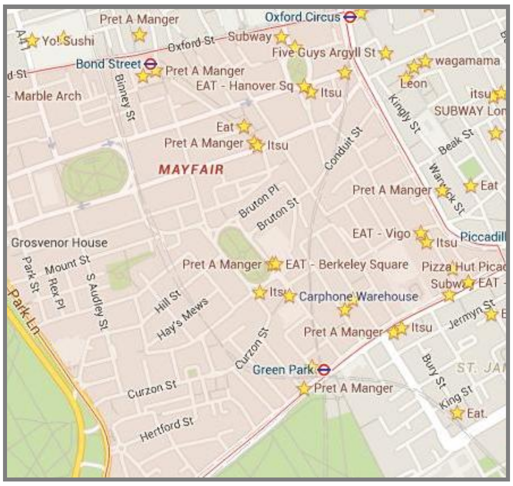

Figure 9 - Mayfair image from Google Maps with the competitors' location.

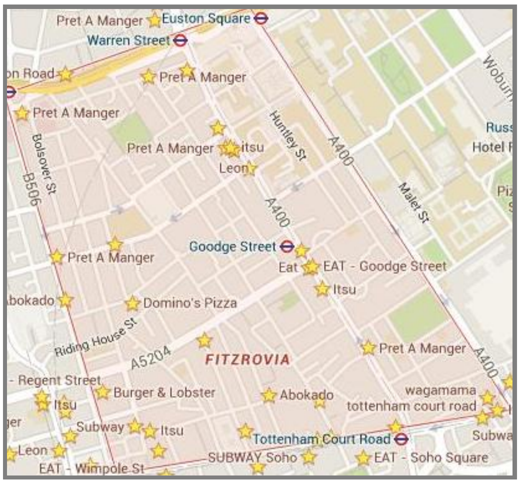

Figure 10 - Fitzrovia image from Google Maps with the competitors' location.

The financial district, The City, is gaining popularity with new restaurants taking up sites in iconic new skyscrapers, and very busy streets during daytime and after work. Estimated daily population (D/P) of 628.143 (Annex II - habitants, workers and tourists).

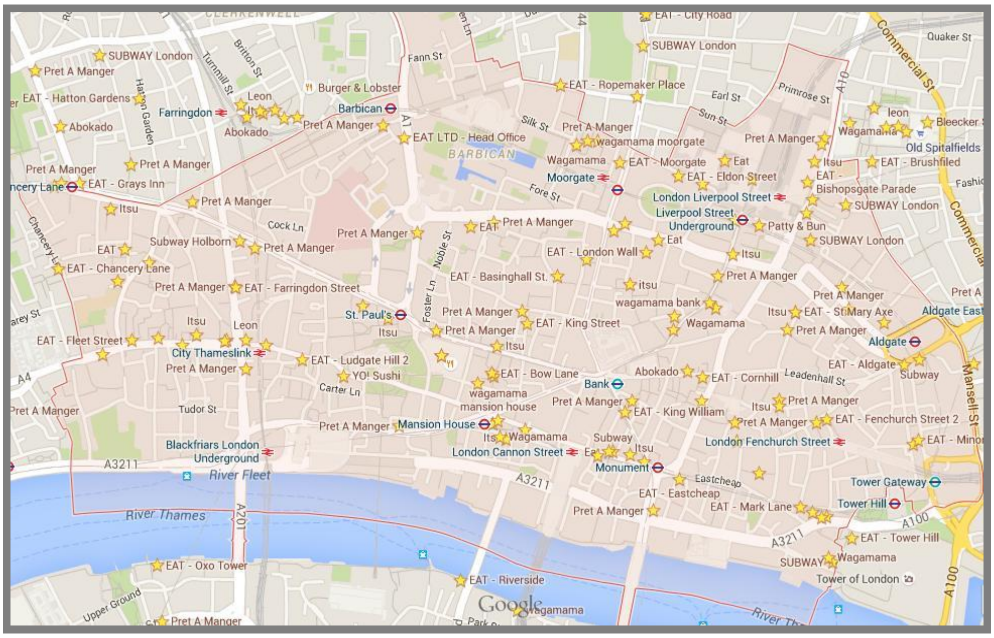

Figure 12 – The City image from Google Maps with the competitors' location.

There are other less central areas, but still popular and attractive, depending on the target clientele. For younger and local population, areas that have an ever growing cluster of restaurants and a vibrant night life:

- Shoreditch and Hackney (East London) – borough of Hackney, D/P of 260.823;

- Bethnal Green (East London) – borough of Tower Hamlets, D/P of 430.326;
- Bermondsey (Southeast London) – borough of Southwark, D/P of 429.714;
- Brixton (South London) – borough of Lambeth, D/P of 301.439.

To attract the middle class population, could be interesting to start on areas such as:

- Richmond (Southwest London) – borough of Richmond, D/P of 195.269;
- Chiswick (West London) – borough of Hounslow, D/P of 292.771;
- Wimbledon (Southwest London) – borough of Merton, D/P of 292.771.

6.5.4. Promotion

Promotion is composed by the following techniques: sales promotion, advertising, personal selling, public relations, direct marketing, sponsorships, merchandising, product placement and word-of-mouth.

In this case, the promotion is addressed to the end-consumer and has as goals lead the Customer to experiment (informs potential Customers about their products and services), to make the first visit (communicates with the target market and leads to action), to gain Client loyalty, to be recommended by Customers, and to increase the number of visits.

A communication program can influence consumer's way of thinking, their emotions, their experience as well as their purchasing. The communication strategy should be developed by professionals, in order to successfully offer consistent messages about their products and services, and can be placed in media that consumers in the target market are likely to use.

Up to the present moment h3™ does not invest in advertising in other media, including newspapers or TV. Instead h3™ could invest in:

- Employees – because they believe that they are a big part of their organizational success, and a big part for its marketing. As a result, the investment is mostly focused on internal communication and professional training, so that feel motivated and proud to be associated with h3™. This should be very clear and immediately intuitive to clients as they are about to order a meal at any h3™ restaurant.

- On-line external communications - they also strongly believe in *word-of-mouth* as a powerful communications weapon; website (www.h3.com) and social networks, including Facebook; register in Foursquare and Yelp (for location and share reviews) Instagram (for mouth-watering photos); invite food bloggers to visit and write about the restaurant (Poppy Loves, Liberty London Girl, the Kentishtowner, Londoner, Love London, The Cultural Expose, Heroine in heels, Silverspoon London, The LDN Diaries, The London Foodie).

- Payment facilities – there are already a large number of apps which let you pay your restaurant bill with your phone. TabbedOut, Dash and Cake are the most known payment apps (Restaurant Property, 2015).

- Loyalty campaigns – through their app for Smartphone's they can launch campaigns that lead to the constant repetition of purchasing and can deliver news about the brand or the brands' products; elect the Customer of the month.

- Attract community groups – source local ingredients, local charities events, local business events.

- Engage in publicity stunts mostly related to the announcement of the opening of an h3™ outlets – give out samples; choose a business in the restaurants' neighbourhood and make a personalized promotion; interactive signs with games that the Customer have access downloading the h3™ app (x points = a free entrant or a dessert).

- Partner with delivery services – Deliveroo (delivers selected premium food); Seamless; Eat24; Foodler; Delivery.com; GrubHub.

- Attract media publicity – invite food critics to eat at h3™; be prepared with a press releases about h3™ history and mission for opening and then for other milestones.

- h3™ radio channel – music that is selected to play at h3™ restaurants (possibly rock, targeted for the 20 to 44 years old generations), and each 30 minutes it would have 30 seconds announcements about h3™. People could tune into h3™ radio anywhere in London – car, office, home, phones, etc.

6.5.5. People

It has been already discussed that in companies where the employees are the ones who produce and deliver the service, the personal interactions between Customers and the site's employees, are a crucial factor on the Customer's perception of service quality. Personnel are keys to the delivery of service to Customers.

It is important that h3™ continues seeing their employees as big part of their organizational success and for its marketing (h3™ ambassadors), to investment in internal communication, in training, and continues to ensure that employees are compensated for their hard work, and both happy and proud to be associated with h3™.

6.5.6. Process

The authors quoted by Khan (2014) asserted that process is generally defined as the implementation of action and functions that increases value for products with low cost and high advantage to Customer and is more important for service than for goods (Muala & Qurneh, 2012). The pace of the process as well as the skill of the service providers are clearly revealed to the Customer and it forms the basis of his or her satisfaction with the purchase.

Therefore, process management ensures the availability and consistence of quality. In the face of simultaneous consumption and production of the process management, balancing services demand with service supply is extremely difficult.

The design and the implementation of product elements are crucial to the creation and delivering of product.

Because h3™ promises a quality and quick service, the operations efficiency is key for Customer satisfaction. *KIS* (*keep it simple*) is the company policy – they decided to use the same type of meat and only one size burger for all the menus, this way they manage to have a single operation in the grill, saving time and space inside the store, manage to have less waste, and helps the team to undergo through periods of peak demand to very quiet periods.

5.6.7. Physical Evidence

Physical evidence refers to the environment in which the service and any tangible goods that facilitate the performance and communication of the service are delivered (Muala & Qurneh, 2012). Physical environment is part of the product itself (Rafiq & Ahmed, 1995), because the components of the service experience – the ambience, the background music, the comfort of the seating, and the physical layout of the service facility, the appearance of the staff, can greatly affect a Customer's satisfaction (Khan, 2014).

h3™ is known for having a modern decoration, and a young and relaxed atmosphere. The staff is very polite and helpful, and always dressed in impeccable uniform. In our opinion, the physical evidence implemented in the already existing h3™ stores is perfectly aligned to the Londoners requirements and should be maintained in order to globalize the business concept.

5.6.8. Preliminary Investment Evaluation

In Annex XIV, is presented a preliminary investment evaluation of this project in three years, according with some information obtained during the market research and other information are assumptions that were necessary to make this exercise.

It was assumed that the restaurant would be located in The City, London, that the average price of the h3™ menu would be £8.5, that would be necessary 27 employees at the store working in 6 hours shifts with 1 hour to have lunch (from 9 a.m to 4 p.m. and from 4 p.m. to 11 p.m.). The Net Book Value (NBV), the Residual Sales Value (RSV), the Costs of goods sold and materials consumed (CGSMC) and the certification expenses are also assumptions.

The Net Present Value (NPV) of a project is one of the accounting tools used to evaluate if a project has financial viability. The NPV equals the value of net cash inflows generated by a project less the initial investment.

In this specific case, because the NPV is positive (NPV = £3,851,524.51), it would be classified as an acceptable investment, and it will take approximately 206 days to break even to undertake the initial expenditure (Discounted payback = 206).

7. Conclusions

This thesis focused on the marketing mix of the Portuguese fast food brand h3™, and in their potential internationalization to UK, more specifically to London. The h3™ concept, inspired by the great chefs in London and New York - burgers with high quality and fresh ingredients, was really innovative in Portugal and was able to differentiate themselves from the other competitors.

Therefore, to start researching the h3™ potential in London, it was performed a survey that allowed an exploratory study of the target consumer, of the potential differentiation factors between different food chain restaurants and consumer's preferences. We also performed secondary data analysis of information gathered about the fast food market in London, and about the already established competitors of h3™.

The main goal of this thesis was to find out if the h3™ brand strategy could find a place in the London market and what could be the adjustments needed to perform in order to be successful.

Through the analysis of the fast food market in London, we could conclude that even though there is expected a continued growth in this sector the next years, this is an already mature market, with lots of competitors (direct and indirect), and that the gourmet burger is not a novelty in this market – as it was in Portugal and in Brazil.

On the other hand, we also could observe that there's a gap in the Londoner market. In London we can find fast food burgers with traditional toppings or we can find casual restaurants with table service that serve burgers with innovative toppings. We think that h3™ could fill in this gap, especially at lunchtime, in areas with many offices and with a high density population during daytime.

London is a very large market and, if the Customers are able to perceive a differentiated value it is certain that it will be a very successful business. Through the positive results obtained in the investment evaluation, h3™ could differentiate from its competition has the place where people could have a tasty burger, with a quick service, with very polite helpful staff, and at acceptable prices.

Regarding the internationalization, the Transnational Strategy seems like the best strategy for the Portuguese Brand implementation in London. This strategy will allow the Brand to maintain its identity and at the same time adjust their offer to the needs and cultural habits of the UK Customer. Taking into consideration, the maturity of the market, the legislation and implementation rules of restaurants in UK, the capital needed to start a business, and the differences identified between the UK and Portuguese population, we think that find a local partner is key to the success of h3™ internationalization.

8. Restrictions and future potential investigations

Being this thesis focused on the h3™ marketing strategy and the differentiation factors that would allow its internationalization to be successful, this work has some limitations. Has a Company Project thesis, some of the information that h3™ shared was treated as strictly confidential and we were not able to disclose in this thesis.

Regarding the questionnaires, one hundred people that live and/or work in London answered them via email, in digital format, and some were collected in street interviews. However this is not a representative sample of the population and this may have affected the quality of the results. For future actions and potential investigations, I would suggest a more thorough investigation of the London market and consumers and interviewing potential h3™ partners – partners that could be interested in a joint-venture or in managing a franchise in London. Maybe consider presenting h3™ in a franchising fair in London, to evaluate the openness of the retail specialists to this concept.

It would be also interesting to perform a more thorough business plan to validate information gathered about the costs with rent, licensing process, costs of the ingredients that would be from local producers, the costs with personnel, physical evidence, promotion and pricing.

London is a very interesting market, but also a quite expensive one to invest in. Many brands start-ups or internationalization begin with restaurant pop-ups or with food trucks. This way the investment is not so significant and at the same time they start building some notoriety – making it easier to then open a restaurant.

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10. ANNEXES

ANNEX I – h3™ Restaurants and Growth

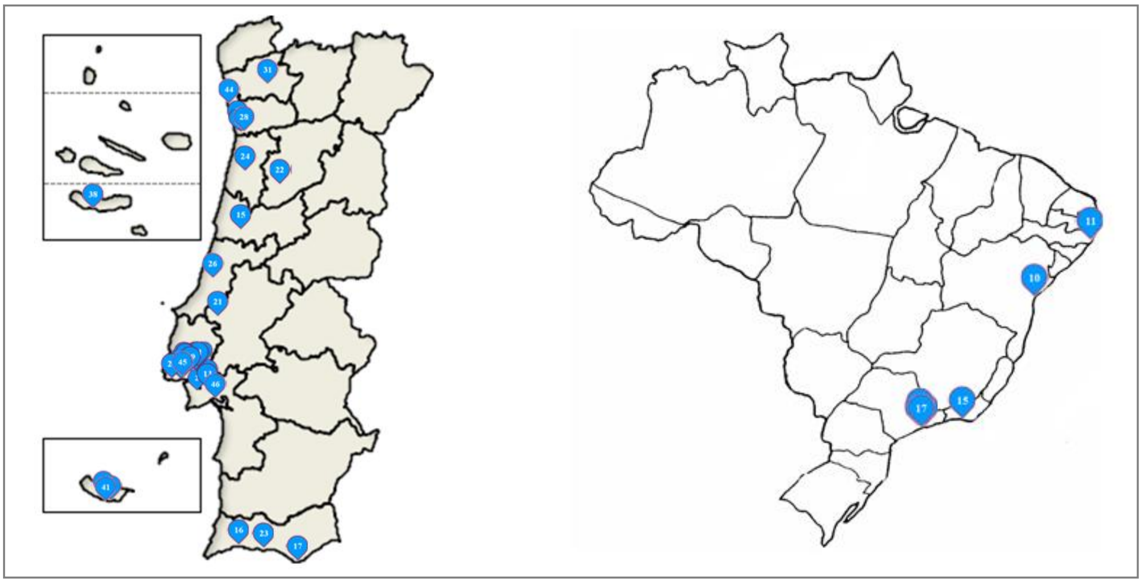

Figure 11 - Presence of h3™ restaurants in Portugal and Brazil.

Table 8 – h3™ restaurants that currently exist, location and year of the opening (source h3™, 2015).

	h3™ Restaurants	Total
Portugal	**2007 |** 1. DV Monumental; 2. Amoreiras Plaza	**46 Restaurants** 17 franchisees
	2008 | 3. Forum Almada; 4. DV Miraflores; 5. Odivelas; 6. LoureShopping; 7. DV Antas; 8. IKEA Porto	
	2009 | 10. Arrábida Shopping; 11. Saldanha Residence; 12. Oeiras; 13. Spacio Olivais; 14. DV Tejo; 15. Fórum Montijo; 16. Coimbra; 17. Portimão; 18. Fórum Algarve-Faro; 19. Colombo; 20. Campo Pequeno; 21. Cascais Shopping; 22. W Shopping Santarém	
	2010 | 23. Palácio do Gelo Viseu; 24. Algarve Shopping - Guia; 25. S. J. Madeira; 26. Central Park; 27. Leiria Shopping; 28. ECI Gaia Porto; 29. Campus São João; 30. ECI Lisboa; 31. Norte Shopping; 32. Shopping Braga Parque; 33. Tivoli; 34. Madeira Shopping.	
	2011 | 35. Chiado; 36. Parque Nascente; 37. Parque das Nações; 38. Rio Sul Shopping; 39. Parque Atlântico, Azores.	
	2012 | 40. DV Coimbra. **2013 |** 41. DV Funchal; 42. Fórum Madeira.	
	2014 | 43. Alegro Alfragide; 44. Centro Comercial Alvalade; 45. Vila do Conde; 46. Amoreiras Shopping; 47. Alegro Setúbal.	
Brazil	**2012 |** 1. Morumbi; 2. Vila Olimpia; 3. Jardim Sul; 4. Mocca; 5. ABC; 6. El Dorado; 7. Bourbon; 8. Tamboré; 9. Shopping AnáliaFranco. All in São Paulo.	**17 Restaurants** 2 franchisees
	2013 | 10. SalvadorShopping, Salvador; 11. RioMarRecife, Recife; 12. Villa Lobos, São Paulo.	
	2014 | 13. Shopping Ibirapuera, S. Paulo; 14. Shopping DeD, S. Paulo; 15. Barra Shopping, Rio de Janeiro.	
	2015 | 16. Shop Frei Caneca, São Paulo; 17. Cidade São Paulo, São Paulo	

ANNEX II – Annual turnover in Portugal and Brazil

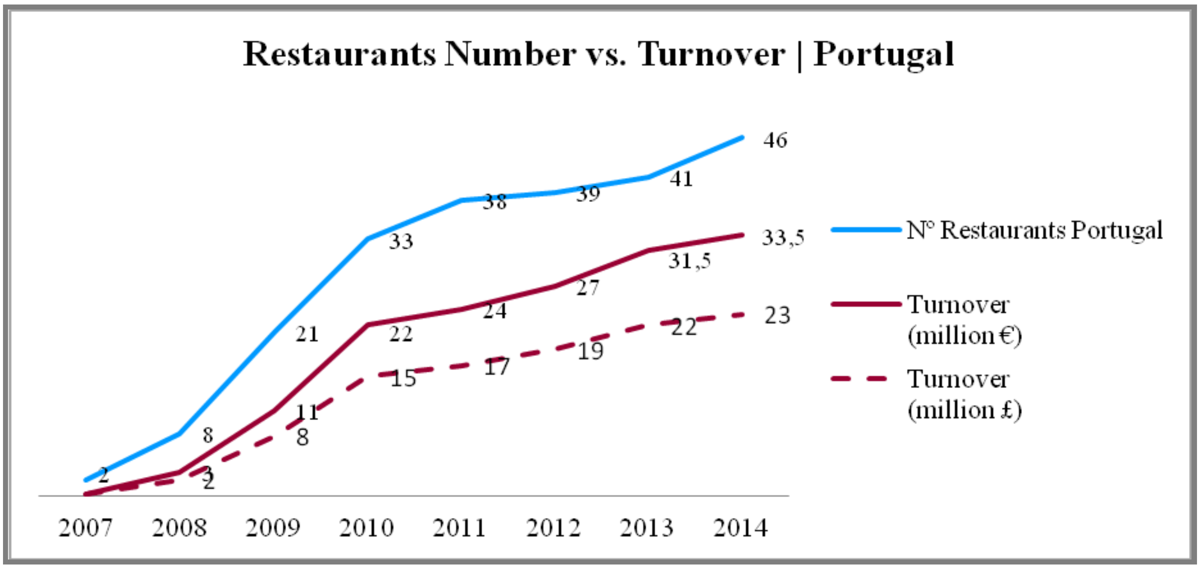

Chart 8 – h3™ annual turnover in Portugal and number of open restaurants (source h3™, 2015). Conversion tax used: 1€=0,696687£ (www.xe.com/currencyconverter/, 20th July 2015).

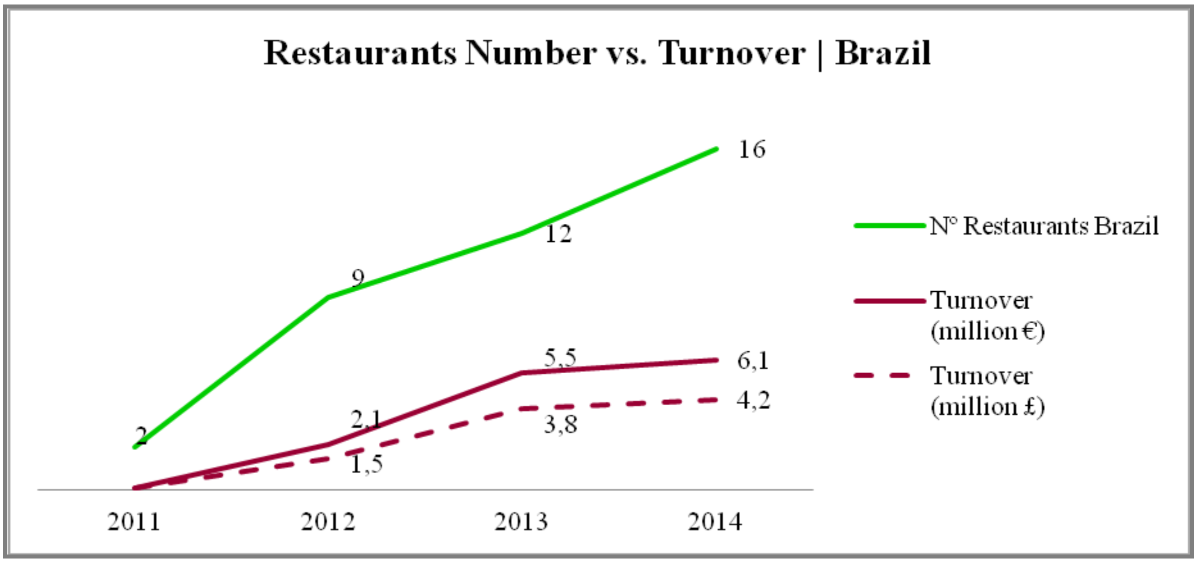

Chart 9 – h3™ annual turnover in Brazil and number of open restaurants (source h3™, 2015). Conversion used: 1R$=0,289052€; 1R$= 0,20135£ (www.xe.com/currencyconverter/, 20th July 2015).

ANNEX III – Population density and Number of jobs in London boroughs

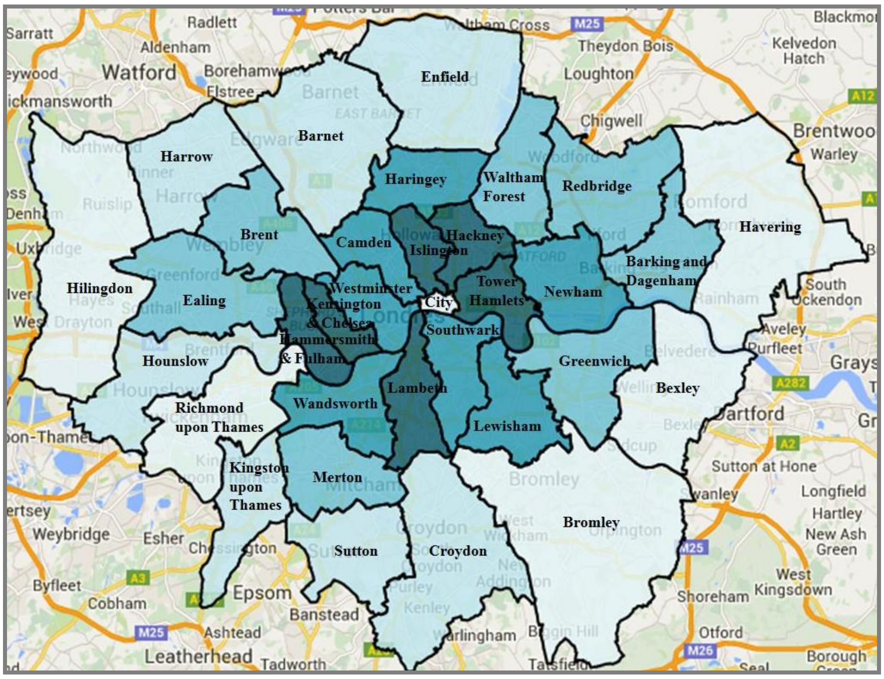

Figure 12 – Population density (per hectare) 2013. Source: GLA (datastore). Link: http://londondatastore-upload.s3.amazonaws.com/instant-atlas/borough-profiles/atlas.html

21.6 – 40.5 | 40.6 – 51.4 | 51.5 – 78.6 | 78.7 – 109.7 | 109.8 – 151.2

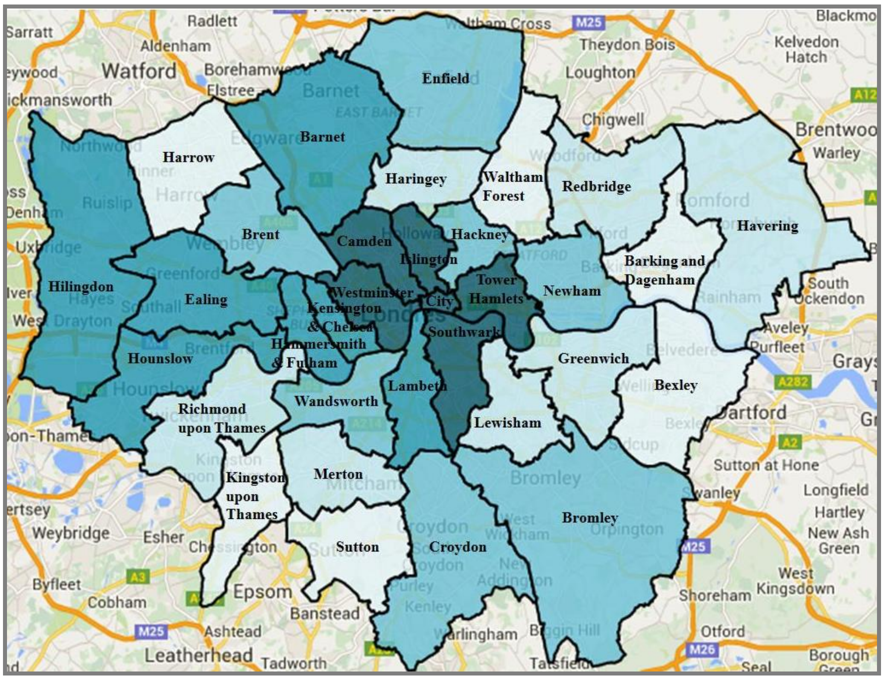

Figure 13– Number of jobs by workplace (2013). Source: Business Register Employment Survey. Link: http://londondatastore-upload.s3.amazonaws.com/instant-atlas/borough-profiles/atlas.html

54,300.0 – 82,620.0 | 82,620.1 – 99,780.0 | 99,780.1 – 136,700.0

136,700.1 – 214,460.0 | 214,460.1 – 717,400.0

ANNEX IV – London's Daytime Population

Table 9 – London's daytime population. Legend: Pop – Population; Emp – Employee; Self-emp – Self-employed; 1 – includes tourists; 2 – excludes tourists. Source: London Data Store.

Boroughs	London	Daytime Pop[1]	Workday Pop[2]	In work Empl	In work Self-emp	Not in work
City of London	Inner	**628.143**	**461.447**	375.690	80.595	2.717
Barking and Dagenham	Outer	171.853	150.119	48.601	5.115	46.369
Barnet	Outer	335.910	306.095	118.058	39.444	69.718
Bexley	Outer	197.306	175.159	66.329	12.074	44.171
Brent	Outer	271.397	243.543	107.333	12.934	59.659
Bromley	Outer	281.041	243.660	97.904	27.306	52.552
Camden	Inner	**533.187**	**462.506**	315.083	38.611	68.981
Croydon	Outer	311.714	272.365	107.020	19.532	66.002
Ealing	Outer	321.822	298.209	119.715	29.324	75.658
Enfield	Outer	289.403	254.906	95.365	19.692	65.801
Greenwich	Outer	237.870	197.952	72.895	10.509	59.714
Hackney	Inner	260.823	233.575	101.293	17.574	60.905
Hammersmith & Fulham	Inner	244.537	210.883	125.698	12.433	38.765
Haringey	Inner	203.542	182.615	59.614	17.092	53.339
Harrow	Outer	211.815	180.380	68.559	8.921	54.699
Havering	Outer	215.092	191.086	74.534	15.812	52.463
Hillingdon	Outer	368.121	331.635	195.766	14.098	58.262
Hounslow	Outer	292.771	268.903	139.522	24.177	49.476
Islington	Inner	349.264	303.590	201.241	16.878	52.061
Kensington / Chelsea	Inner	277.054	209.942	117.678	19.157	42.274
Kingston upon Thames	Outer	174.253	147.910	71.257	8.790	32.464
Lambeth	Inner	301.439	266.487	136.935	26.204	51.102
Lewisham	Inner	218.638	189.842	59.363	15.894	56.200
Merton	Outer	193.511	176.499	77.393	18.010	39.190
Newham	Inner	274.020	237.027	87.601	11.305	62.964
Redbridge	Outer	235.354	216.784	68.743	13.232	64.716
Richmond up Thames	Outer	195.269	166.874	71.639	20.672	31.553
Southwark	Inner	429.714	380.611	189.548	57.235	73.943
Sutton	Outer	173.570	154.112	67.599	8.958	31.833
Tower Hamlets	Inner	430.326	392.960	250.453	17.677	67.183
Waltham Forest	Outer	199.999	185.425	65.999	11.817	49.645
Wandsworth	Inner	279.129	244.224	107.201	21.684	58.321
Westminster	Inner	**1.000.882**	**818.549**	661.348	48.951	68.990
London		**10.108.770**	**8.755.876**	4.522.977	721.707	1.761.690

ANNEX V – SURVEY FORM

ISCTE-IUL
INDEG Business School

FAST FOOD RESTAURANT HABITS

Dear participant,
This survey is for my master's degree thesis at the INDEG-IUL ISCTE. This survey aims to provide a better understanding about the fast food consumption habits in your community and to have some leads about the potential of a new project.
I would appreciate your taking the time to complete the following survey. It has 16 quick questions and it should take about five minutes.
Thank you!

* Mandatory

What is your age? *

- Under 18 years old
- 18 - 24 years old
- 25 - 34 years old
- 35 - 44 years old
- 45 - 54 years old
- 55 years old or older

What is the highest degree you have completed? *

- High school
- Bachelor's degree
- Master's degree
- Doctorate degree

Where do you live? *

Where do you work / study? *

How often do you go to fast food restaurants? *

- Everyday
- 2 to 3 times per week
- Once a week
- 2 to 3 times per month
- Once a month
- Less often than once a month

What type(s) of fast food restaurants do you like to go to? *
(Tick all that apply)

- [ ] Fast food restaurants like McDonalds, Burger King, KFC, Kebabs, fish and chips, etc.
- [ ] Fast food restaurants with sandwiches, baguettes, salads, pastries, pies, etc.
- [ ] Fast food pizzeria serving pizza, pasta, and other Italian dishes
- [ ] Healthy fast food like Pret-A-Manger, EAT., and others
- [ ] Ethnic restaurant (Chinese, Japanese, Thai, Lebanese, Indian, Moroccan,etc.)
- [ ] Outra:

What kind of food do you like to find in fast food restaurants? *
(Please rank your answers from 1 to 5: 5 being your favourite food)

	1	2	3	4	5
Sandwiches	○	○	○	○	○
Mexican wraps (burritos, fajitas)	○	○	○	○	○
Salads	○	○	○	○	○
Pies and Pastries	○	○	○	○	○
Fried foods (e.g. chips, chicken, fish, etc.)	○	○	○	○	○
Japanese food (e.g. sushi, etc.)	○	○	○	○	○
Pizzas	○	○	○	○	○
Burgers	○	○	○	○	○
Other Asian food	○	○	○	○	○

How do you prefer to eat in fast food restaurants? *

- ○ Eat in
- ○ Take-away
- ○ Delivery

ISCTE-IUL
INDEG Business School

FAST FOOD RESTAURANT HABITS

* Mandatory

Burger Restaurant Project

A fast food chain burger restaurant with a gourmet touch, taking a high profile approach with natural ingredients, customization and quality service. The hamburgers are served on heated plates with cutlery and may be accompanied by a glass of wine, homemade lemonade or iced tea. The client can finish the meal with ice cream or chocolate coulant desserts with quality ingredients.

A not so fast food concept.

Would you be interested in going to this burger restaurant? *

« Anterior   Continuar »

50% concluído

FAST FOOD RESTAURANT HABITS

* Mandatory

Burger Restaurant Project

How much would you be ready to pay for a burger? *

- ◯ Less than £5
- ◯ Between £5 and £7
- ◯ Between £7 and £10
- ◯ More than £10

At what time(s) of the day would you be likely to go to this type of fast food restaurant? *

- ☐ Weekdays for lunch
- ☐ Weekdays for supper / dinner
- ☐ Weekends for lunch
- ☐ Weekends for supper / dinner

What should this kind of restaurant offer for you to become a fan?

Which are your favorite toppings?

How often would you go to this kind of fast food? *

- ◯ Everyday
- ◯ 2 to 3 times per week
- ◯ Once a week
- ◯ 2 to 3 times per month
- ◯ Once a month
- ◯ Less often than a month

ANNEX VI – SURVEY ANSWERS: Age & Education, Frequency, Average Budgets & Locations

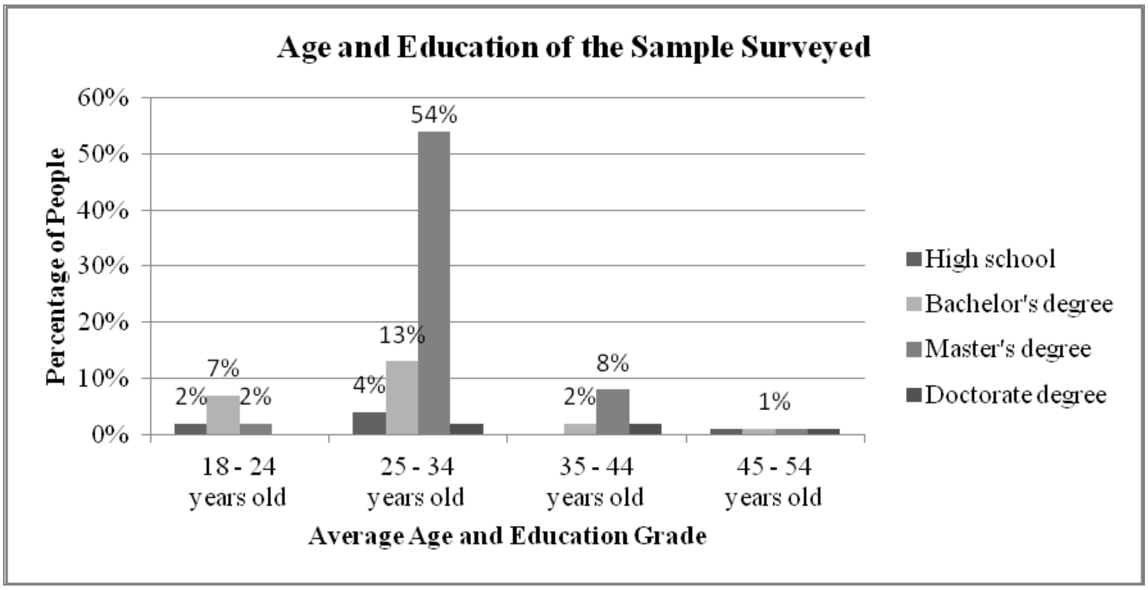

Chart 10 – Graphic representation of the age ranges and level of education of the respondents.

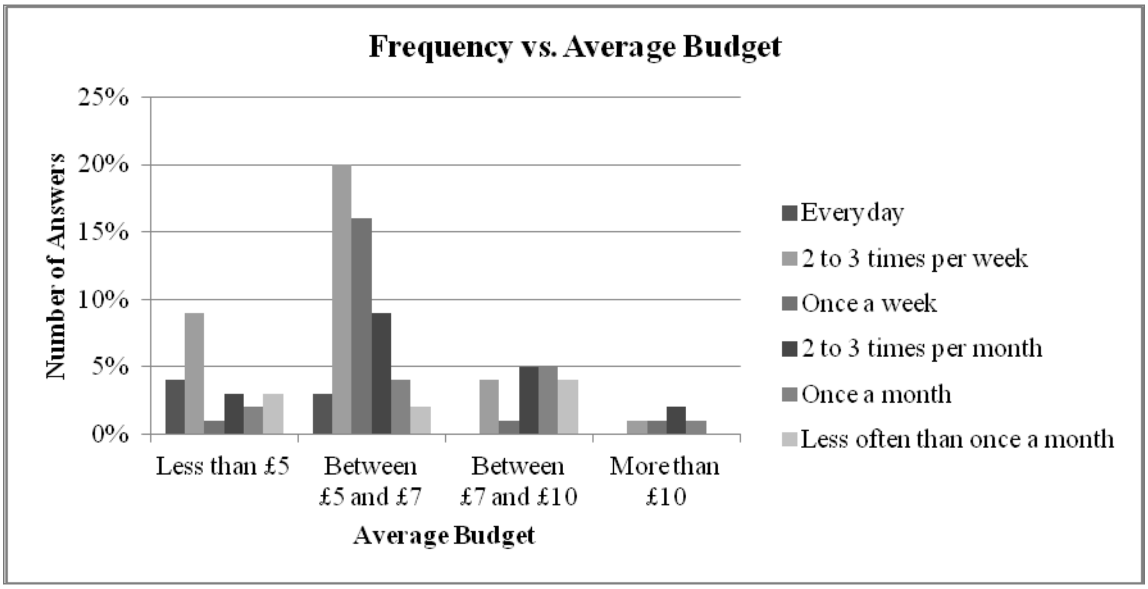

Chart 11 – Frequency of going to a Fast Food Restaurant and average budget per person.

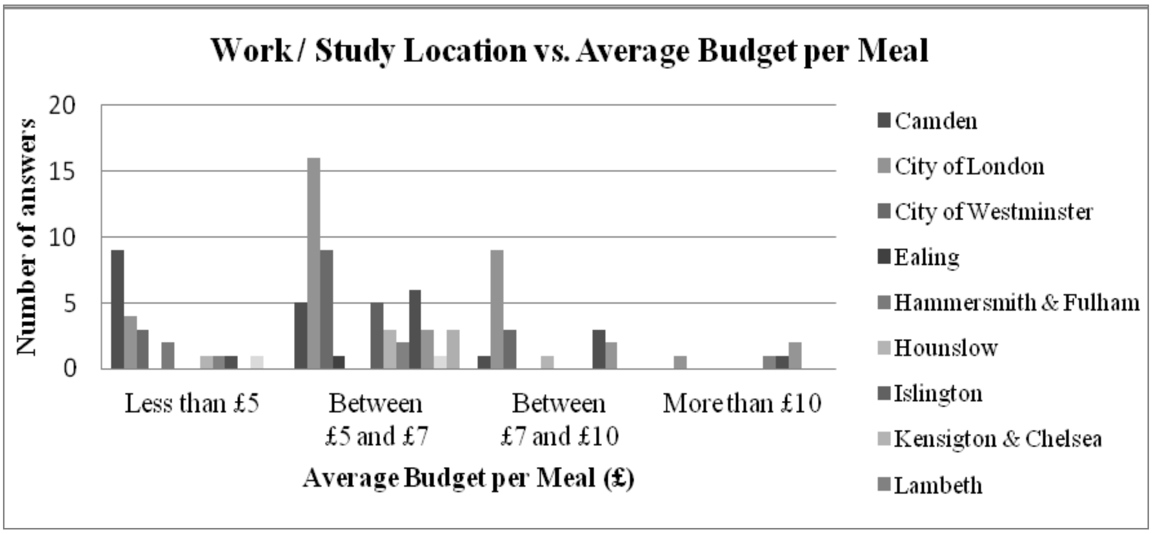

Chart 12 – Work / Study location vs. Average budget that people are willing to spend per meal.

ANNEX VII – SURVEY ANSWERS: Type of Fast Food Restaurants

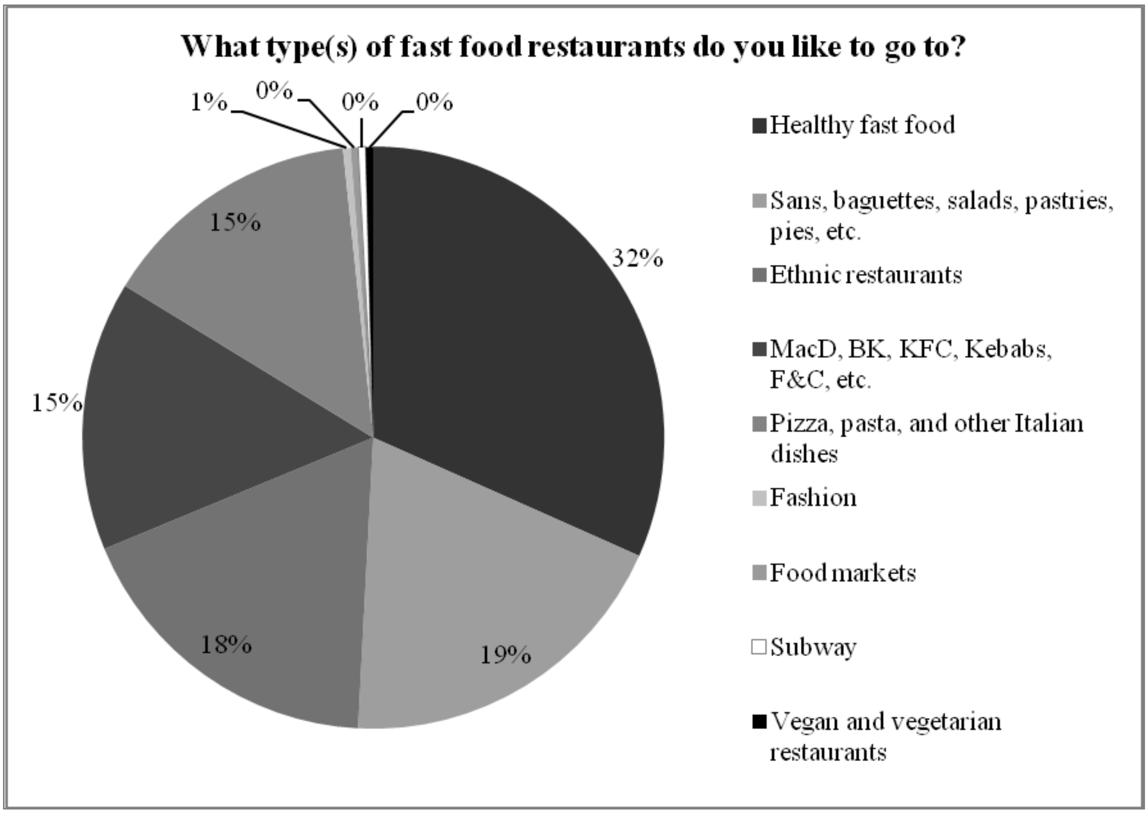

Chart 13 – Pie representation of the respondents' favourite type of Fast Food Restaurant.
Legend: Sans – Sandwiches; MacD – MacDonald's; BK – Burger King; KFC – Kentucky Fried Chicken.

ANNEX VIII – SURVEY ANSWERS: Food preferences in Fast Food Restaurants

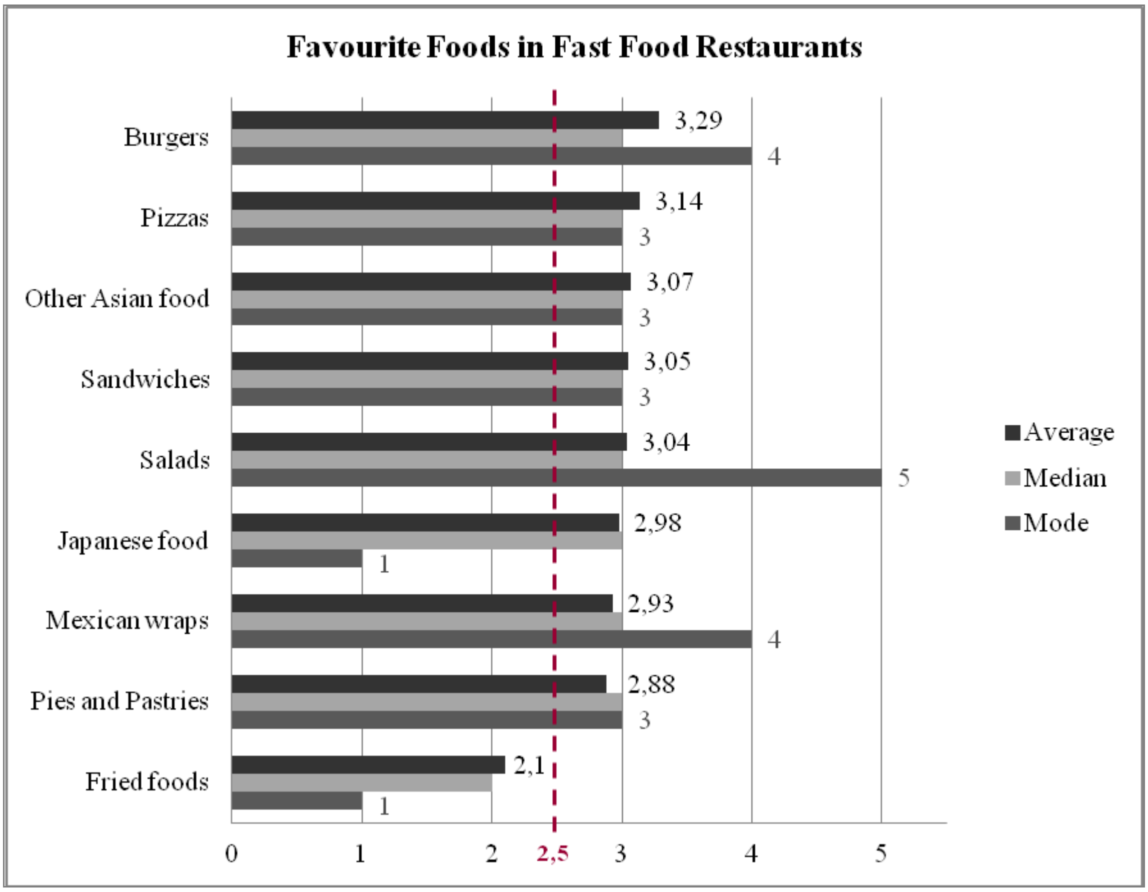

Chart 14 – Representation of the respondents' favourite foods at Fast Food Restaurants – average, median and mode of each type of food.

ANNEX IX – SURVEY ANSWERS: Interest in h3™, Frequency and Range of prices

Table 10 – Percentage of different levels of interest to be an h3™ Customer **and range of prices that the people inquired are willing to pay.**

Frequency and Range of Prices	Very interested	Interested	Not very interested	Grand Total
2 to 3 times per week	**0,0%**	**0,0%**	**1,4%**	**1,4%**
Between £5 and £7	0,0%	0,0%	1,4%	1,4%
Once a week	**7,5%**	**12,9%**	**0,0%**	**20,4%**
Less than £5	0,0%	1,4%	0,0%	1,4%
Between £5 and £7	0,7%	4,8%	0,0%	5,4%
Between £7 and £10	2,0%	5,4%	0,0%	7,5%
More than £10	4,8%	1,4%	0,0%	6,1%
2 to 3 times per month	**10,9%**	**19,7%**	**0,0%**	**30,6%**
Between £5 and £7	1,4%	9,5%	0,0%	10,9%
Between £7 and £10	8,8%	10,2%	0,0%	19,0%
More than £10	0,7%	0,0%	0,0%	0,7%
Once a month	**10,2%**	**16,3%**	**7,5%**	**34,0%**
Less than £5	0,0%	0,0%	0,7%	0,7%
Between £5 and £7	0,7%	2,7%	2,7%	6,1%
Between £7 and £10	4,1%	8,2%	2,0%	14,3%
More than £10	5,4%	5,4%	2,0%	12,9%
Less often than once a month	**0,7%**	**6,8%**	**6,1%**	**13,6%**
Less than £5	0,0%	1,4%	1,4%	2,7%
Between £5 and £7	0,7%	2,7%	2,7%	6,1%
Between £7 and £10	0,0%	2,7%	2,0%	4,8%
Grand Total	**29,3%**	**55,8%**	**15,0%**	**100,0%**

ANNEX X – SURVEY ANSWERS: Eat In / Take Away / Delivery and Time of the Day

Table 11 – Respondents habits - Type of food order (Eat In / Take-away / Delivery), time and day of the week, and order frequency.

Time & Day vs. Type of Order	N.I.	🕛	🕖	☼	☾	🕛 🕖	🕛 ☼	🕖 ☼	🕛 ☾	🕖 ☾	🕛 ☼ ☾	🕛 🕖 ☼	🕖 ☼ ☾	🕛 🕖 ☼ ☾	Grand Total
Eat in	**4%**	**6%**	**2%**	**12%**	**2%**	**3%**	**2%**	**9%**	**4%**	**1%**	**0%**	**3%**	**1%**	**1%**	50%
N.I.	4%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	4%
1 week	0%	3%	0%	1%	1%	1%	2%	0%	1%	0%	0%	0%	0%	1%	10%
2-3 month	0%	0%	0%	7%	1%	1%	0%	3%	0%	0%	0%	2%	0%	0%	14%
1 month	0%	0%	2%	1%	0%	1%	0%	6%	2%	1%	0%	1%	1%	0%	15%
>1 mont	0%	3%	0%	3%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	7%
Take-away	**5%**	**3%**	**8%**	**8%**	**1%**	**4%**	**1%**	**6%**	**3%**	**2%**	**1%**	**3%**	**0%**	**1%**	46%
N.I.	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	5%
1 week	0%	2%	2%	2%	0%	0%	0%	0%	0%	0%	0%	1%	0%	1%	8%
2-3 week	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	1%
2-3 month	0%	0%	1%	1%	1%	3%	1%	0%	3%	0%	0%	2%	0%	0%	12%
1 month	0%	0%	4%	4%	0%	0%	0%	4%	0%	2%	0%	0%	0%	0%	14%
>1 month	0%	1%	1%	1%	0%	1%	0%	1%	0%	0%	1%	0%	0%	0%	6%
Delivery	**1%**	**0%**	**1%**	**2%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	4%
N.I.	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%
1 month	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%
>1 month	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%
Grand Total	10%	9%	**11%**	**22%**	3%	7%	3%	**15%**	7%	3%	1%	6%	1%	2%	**100%**

Legend: N.I. – Not interested at all; 🕛 - Weekday at lunch; 🕖 - Weekday at supper / dinner; ☼ - Weekend at lunch; ☾ - Weekend at supper / dinner

ANNEX XI – SURVEY ANSWERS: Consumer Segmentation

Table 12 – Consumers segmentation according to their behaviour – interest to visit h3™, average budget per person, frequency of visits and their love for burgers.

Consumer Segmentation	Percentage of Respondents	Average Burgers Classification
Fans	**13,40%**	**2,92**
Very interested – once a week to 2-3 times per month	**13,40%**	**2,92**
Between £7 and £10	10,31%	2,90
More than £10	3,09%	3,00
Regulars	**54,64%**	**3,47**
Interested – once a week to once a month	**44,33%**	**3,47**
Between £5 and £7	15,46%	3,67
Between £7 and £10	22,68%	3,50
More than £10	6,19%	2,83
Very interested	**10,31%**	**3,50**
Between £5 and £7 – once a week to once a month	3,09%	3,33
Between £7 and £10 – once a month	3,09%	4,00
More than £10 – once a month	4,12%	3,25
Occasional	**15,46%**	**3,13**
Not very interested – once a month or less often	**9,28%**	**3,00**
Between £5 and £7	5,15%	3,40
Between £7 and £10	3,09%	3,00
More than £10	1,03%	1,00
Interested – less often than once a month	**6,19%**	**3,33**
Less than £5	1,03%	4,00
Between £5 and £7	2,06%	3,00
Between £7 and £10	3,09%	3,33
To Conquer	**12,37%**	**4,08**
Not very interested – once a month or less often	**8,25%**	**4,11**
Less than £5	3,09%	4,33
Between £5 and £7	4,12%	3,75
Between £7 and £10	2,06%	4,50
Not interested at all	**4,12%**	**4,00**
Lost	**4,12%**	**1,25**
Not interested at all	**4,12%**	**1,25**
Grand Total	**100,00%**	**3,33**

ANNEX XII – SURVEY ANSWERS: Consumers Preferences

Table 13 - What should this kind of restaurant offer to meet consumers' demands. 43% of the respondents did not answer this question.

Preferences to become a Fan			
	Nº		Nº
Competitive prices	16	Open terrace	2
Nice environment	16	Organic/free range meat	2
Good quality food	15	Possibility of delivery or take-away	2
Good Customer service	13	Appetising presentation of food	1
Tasty burgers	13	Big range of sides	1
Fast service	8	Books	1
Healthy options	7	Bread-less burgers	1
High quality meat	7	Brunch options for weekend meals	1
Good music	5	Chicken wings	1
Fresh ingredients	4	Craft beer	1
Nice decoration and comfortable	4	Enough space to sit	1
Stylish	4	Finger food	1
Good / convenient location	3	Good beer	1
Great chips	3	Good quantity	1
Relaxed environment to eat not too rushed	3	Good variety - onion rings, milkshakes	1
Allergen free options	2	Good variety of desserts	1
Clean restaurant	2	High quality bun	1
Different offering from the other burger chains	2	Live music	1
Low calorie options	2	Pub/dinner style with beer on tap	1
Low carb options	2	Secret orders (like In 'n' out burger in the US)	1
Loyalty rewards	2	Smaller burgers with salad	1
Not a fan of burgers, Add salads in its menu	2	Social and environmental corporate conscience	1
No queues	2	Spicy options	1
Open and light layout	2		

ANNEX XIII – SURVEY ANSWERS: Toppings Preferences

Table 14 – Respondents' favourite burger topping. 45% of the respondents did not answer this question. Legend: None – Don't like to add any topping.

Favourite Toppings			
None	8,57%	Cheese, onions and mushrooms	1,43%
Bacon and cheese	5,71%	Chutney and blue cheese	1,43%
Ketchup	5,71%	Gherkin, cheese and tomatoes	1,43%
Mustard	5,71%	Fried onions and mustard	1,43%
Topping adjusted for the type of meat and bread	4,29%	Feta and Fresh Dill on a Veggie Burger	1,43%
Different types of cheese	4,29%	Goat cheese and caramelized onions	1,43%
Hummus	2,86%	Tartar sauce	1,43%
Mushrooms and cheese	2,86%	Goat's cheese and Lettuce	1,43%
Avocado	1,43%	Guacamole and fried onions	1,43%
Avocado, tomato and jalapeños	1,43%	Guacamole and jalapeños	1,43%
Bacon	1,43%	Stilton	1,43%
Bacon and egg	1,43%	Hot Chilli sauce and salad	1,43%
Bacon and guacamole	1,43%	Jalapeños	1,43%
Bacon, avocado, red onion, mustard and cheese	1,43%	Goat Cheese and Roasted Red Peppers on a Veggie Burger	1,43%
Bacon, cheese and fried onions	1,43%	Tartar sauce and capers	1,43%
Bacon, cheese and guacamole	1,43%	Mustard, onions and cheese	1,43%
Bacon, tomato and mushrooms	1,43%	Peppercorn sauce	1,43%
Barbecue sauce	1,43%	Pesto and mozzarella cheese	1,43%
Barbeque sauce	1,43%	Their own good quality sauces	1,43%
Blue cheese	1,43%	Spinach and goat cheese	1,43%
Caesar Spread on a Turkey Burger	1,43%	Hoisin Sauce and Chopped Scallions on a Salmon Burger	1,43%
Caramelized onion	1,43%	Swiss cheese	1,43%
Caramelized onion and brie cheese	1,43%	Lettuce, tomato and chopped peppers	1,43%
Cheddar and Barbecue Sauce on a Beef Burger	1,43%	Lettuce, tomato and hot chilli sauce	1,43%
Cheese, caramelised onion and chutney	1,43%	Spiced Tomato Chutney on a Turkey Burger	1,43%
Grand Total			**100,00%**

ANNEX XIV – Preliminary Investment Evaluation

The City, London Population (including tourists – gov.uk)		628,143
% Population with ages between 20 and 44 years old (gov.uk)		43%
% Population that eats meat (The guardian, 28-Nov-2014)		80%
% people very interested in h3™ concept (survey, Annex XI)		24%
Average Frequency of Purchase p/year (estimative, Annex XI)		26
h3™ menu average price (£)		8.5
Investment (£)		1,000,000
Trade Mark rights per store		37,000
NBV (£)		300,000
RSV (£)		10,000
CGSMC (% per year according to sales)		40%
Supplies and services variable costs (% per year according to sales)		30%
	Royalties	8,0%
	Electricity	3,0%
	Water	1,5%
	Tax upon income	12,0%
	Banking Comissions	1,5%
	Tools and working Utensils	2,0%
	Cleaning supplies and equipment	1,5%
Supplies and services fixed costs (£/year)		100,000
	Franchising agreement	
	Advertising	
	Marketing	
	Repair and Maintenance costs	
	Communication costs	
	Financial expenses	
Personnel expenses (£/hour)		8.00
Certification expenses – first year (£)		75,000
Certification expenses – second year (£)		10,000
Certification expenses – third year (£)		10,000
IRC Tax		20%

	Estimated Personnel expenses (£)		£605,379.74	≈ £606,000.00
Take Home	£16,528.00	Employee/year	£13,472.00	Employee/year
Tax	£1,833.20		£934.40	
National Insurance	£1,404.72		£865.44	
Gross Income	£19,766.00		£15,272.00	
	£6.00	Food subsidy / day	£6.00	Food subsidy / day
	£2,112.00	Holiday & Christmas subsidy	£1,728.00	Holiday & Christmas subsidy
	18	Employees	9	Employees
	12	Months	12	Months
	22	Days/month	18	Days/month
	6	Hours/day	6	Hours/day
	20	Extra hours/month	10	Extra hours/month
	20%	Bonus	20%	Bonus
Gross Income with bónus	£23,719	Employee/year	£8,326	Employee/year
Health Insurance	£500	Employee/year	£500	Employee/year

Average Frequency of Purchase p/year (very interested respondents, Annex XI)	
7.50%	4 times p/month
10.90%	2 times p/month
10.20%	1 time p/month
0.70%	<1 time p/month (assumed 0,5 times)
Average adjusted frequency	26 times p/year

Population with ages between 20 and 44 years old	628,143 x 43% = 270,101
Population that eats meat	270,101 x 80% = 216,081
People very interested in h3™ concept	216,081 x 24% = 51,233
Potential Market	51,233 x 26 = 1,308,274

h3™ Investment Project London

Table 15 – Preliminary Investment Evaluation. Legend: SSC – Supplies and Services Costs; Exp. – Expenses; EBT – Earnings Before Tax; RSV – Residual Sales Value; CFO – Cash Flow; CFT – Cash Flow at a certain time; CFTA – Cash Flow at a certain time adjusted; NPV – Net Presented Value.

Year		0	1	2	3
Investment		-1,037,000.00			
Sales			11,120,326.28	11,120,326.28	11,120,326.28
CGSMC			-4,448,130.51	-4,448,130.51	-4,448,130.51
SSC			-3,380,496.25	-3,380,496.25	-3,380,496.25
Personnel Exp.			-605,379.74	-620,514.24	-636,027.09
Certification Exp.			-75,000.00	-10,000.00	-10,000.00
Depreciations			-140,000.00	-140,000.00	-140,000.00
EBT			2,471,319.77	2,521,185.28	2,505,672.42
Corporation Tax			-494,263.95	-504,237.06	-501,134.48
CFO			2,117,055.82	2,156,948.22	2,144,537.94
RSV					10.000,00
CFT		-1,037,000.00	2,117,055.82	2,156,948.22	2,154,537.94
Discount Rate	15%				
CFTA		-1,037,000.00	1,840,918.10	1,630,962.74	1,416,643.67
NPV					3,851,524.51

Discounted Payback = 206 days

Year	CFT	CFTA	CFTAA
0	-1,037,000.00	-1,037,000.00	-1,037,000.00
1	2,117,055.82	1,840,918.10	803,918.10
2	2,156,948.22	1,630,962.74	2,434,880.84
3	2,154,537.94	1,416,643.67	3,851,524.51

1,840,918.10 ------------- 365 days
1,037,000 ------------- x days

x = 206