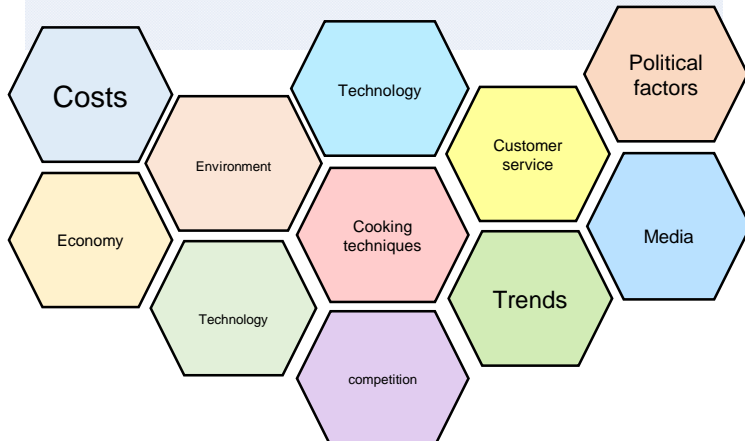


AC1.4 Factors affecting the success of the industry

Reasons for failure

1. **A saturated market** – there is a fine line between competition & too many for the number of customers
2. **General business incompetence** – 46% of business fail due to lack of business knowledge
3. **Lack of capital** – not enough money to get through the first few months
4. **Location** – either not enough people walk past (foot-fall) live & work nearby
5. **Quality of life** - most restaurateurs work 60 hours a week – not the glamorous life they thought
6. **Lack of industry experience** – most successful restaurateurs tend to have previous industry experience
7. **Failure to create a good enough brand** – They did not incorporate the 12 Ps of restaurant branding, (Place, Product, Price, People, Promotion, Promise, Principles, Props, Production, Performance, Positioning and Press)
8. **Name of the restaurant is too long.**
A restaurant with a name that is brief, descriptive and attractive is more likely to succeed.
9. **Lack of differentiation** - the brand is not different enough
10. **Poor financial controls** –
Main costs – labour and food exceeded 60% of sales



Establishments can close due to a range of economic and other factors.

Jamie Oliver's empire collapses as 22 UK restaurants close

About 1,000 staff expected to lose their jobs as administrators called in

● [Jamie Oliver restaurants to close: the full list](#)



Key Terms:

Gross Profit (GP): the difference between how much the ingredients cost and how much a menu item is sold for.

Gross profit percentage (GP%): the profit made as a percentage of the selling price of a dish

Net profit: what is left from the gross profit after all the costs of running a restaurant (wages, heating, lighting, rent, etc.) have been paid.



Example: Chocolate tart dessert



Ingredient cost: £2.00

Selling price: £5.50

GP= £3.50 (£5.50- £2.00)

GP %= £3.50/ £5.50x 100 =63.6%