

C O N T E N T S

	Page
INTRODUCTION	7
PREFACE	9
My Story	10
A Career in Hospitality	11
CHAPTER ONE So You Want to be a Host?	15
This Is About You.....	15
What Makes a Good Host?.....	16
Hospitality Is About Experience.....	19
A Consistent Quality Experience.....	20
The Experience	22
Hospitality Business Life Cycle	24
How Long?.....	28
Interview Yourself: Self Evaluation.....	30
Guidelines on How to Construct a Business Plan.....	31
The Dream.....	32
CHAPTER TWO That Great Idea: Finding a Market	33
Vision and Goals	34
How to Find a Great Idea	35
Market Segmentation: The Key to Success	38
Understanding the Market	41
S.W.O.T	42
Customer Analysis.....	43
Market Analysis	44
Environmental Analysis.....	44
Competitor Analysis.....	44
Formal Market Research.....	49
CHAPTER THREE Setting Up – Knowing Those Costs	55
The Set-up	55
Legal Structure	58
Summary of Legislation.....	63
Employment Legislation.....	64
Helpful Websites	65
Accounting Information.....	66
Key Hospitality Operating Ratios	69
What is in a Price?.....	71
What Should You Charge?.....	72
Determining Fixed Costs	73
Forecasting Sales	75
Fitting Out.....	77

P R E F A C E

This book was first published in 2000 and again in 2006. Since this time New Zealand's hospitality world has been transformed.

When I first wrote this book, hospitality businesses were not taken seriously. They were for people who had been made redundant during the long period of economic restructuring during the 1990s, or at least those trying to buy themselves a job. Friends and business associates would joke with me about the high failure rates in the hospitality sector. I never believed those figures as I felt profoundly secure that a good takeaway, café or restaurant could succeed as long as the basics were adhered to. And these businesses are so important to New Zealand's tourism; we are part of the experience that makes New Zealand a special destination.

Today the extent of investment in hospitality is impressive. Restaurants, bars, hotels and lodges require significant capital to establish, but with this surge of activity numerous support businesses have been set up. There are linen-hire companies, computer software firms, others offering local products such as olive oil, cheese, freshly pressed juices, Angus beef as well as Nelson scallops and Marlborough mussels; local vodka, infused with extraordinary flavours such as feijoa or passion fruit, gin, craft beers and a fantastic array of New Zealand wines. All these components form an important part of a dynamic hospitality & tourism sector and are helping to create an identifiable local New Zealand cuisine.

Who we are, as an expression of New Zealand's cultural identity, is framed by what we eat and drink.



Anthony McKee

SO YOU WANT TO BE A HOST?

People go into business for a variety of reasons. Some want to provide employment for themselves, while others are motivated by the challenge of being their own boss. The hospitality industry is an attractive investment as it can have comparatively low start-up costs. It is also enticing because eating and drinking is something that we do every day and therefore it makes everyone an expert! In this chapter the concept of *Host* is examined along with how to create a hospitality experience. The life cycle of a hospitality business is also discussed.

I have a completely unsubstantiated belief that 92 per cent of the population have at one time or another entertained the notion of owning and running their own café, restaurant, tea shop or pub. And in most cases, I am prepared to bet, those dreams have been inspired by the unique sense of well-being that comes from a really good experience of eating out.

Terence Conran
On Restaurants¹

THIS IS ABOUT YOU. When you set up or manage a place that is open to the public for eating or drinking, you put yourself on show. This can be very disconcerting at first. Hospitality businesses are not the same as a business where you can anonymously hide in an office behind a computer screen. You are the face and this business says something about you. The design of the interior, the staff that you hire, and the food that is available is in part a reflection of your personality and sensibilities. On this level, to establish a business can be a very creative thing and enormously stimulating and satisfying. But offering a service in the public domain also lays you open to criticism. Complaining customers can make you angry and, over time, bitter. Restaurant reviews often written by nameless diners and posted on the internet can be the most difficult



HOSPITALITY IS ABOUT EXPERIENCE. The environment welcomes the diner: the design of chairs, the crockery, the colour scheme, the lighting, the flowers, the music, the style of the logo and design of the menu are just some of the aspects that contribute to the experience. Often we experience an emotional response to our surroundings: the smell of espresso; the cabinet stocked full of colourful food, the music may evoke special memories; lavish furnishings may suggest a sense of luxury or perhaps the choice of glassware may symbolise a refined establishment.

The smile of the person who greets us and the happy hum of a busy business run by competent and energetic people are characteristics of a successful hospitality business. The quality of the food served reinforces the experience. Food at its most basic level is about satisfying the senses, such as the look (*colour, presentation*), smell (*what does it remind you of?*) and above all the taste. You hear other customers' complimentary comments; you see the food go by.

"Hmmm, that looks nice"

"I wonder what they are eating over there?"

"That looks delicious... that's what I want"

After the first mouthful, you just want to eat more. The flavours and the feel of the food in the mouth push you to continue eating and to enjoy the sensory experience. French historian, Jean-Robert Pitte in his book *French Gastronomy* refers to this phenomenon as a *gastronomic moment*:

*The success of a gastronomic moment owes as much to the appeal of sensations already familiar and known by heart as to the effect of surprise, novelty, exoticism in the raw materials, how they are used, and the surroundings.*³

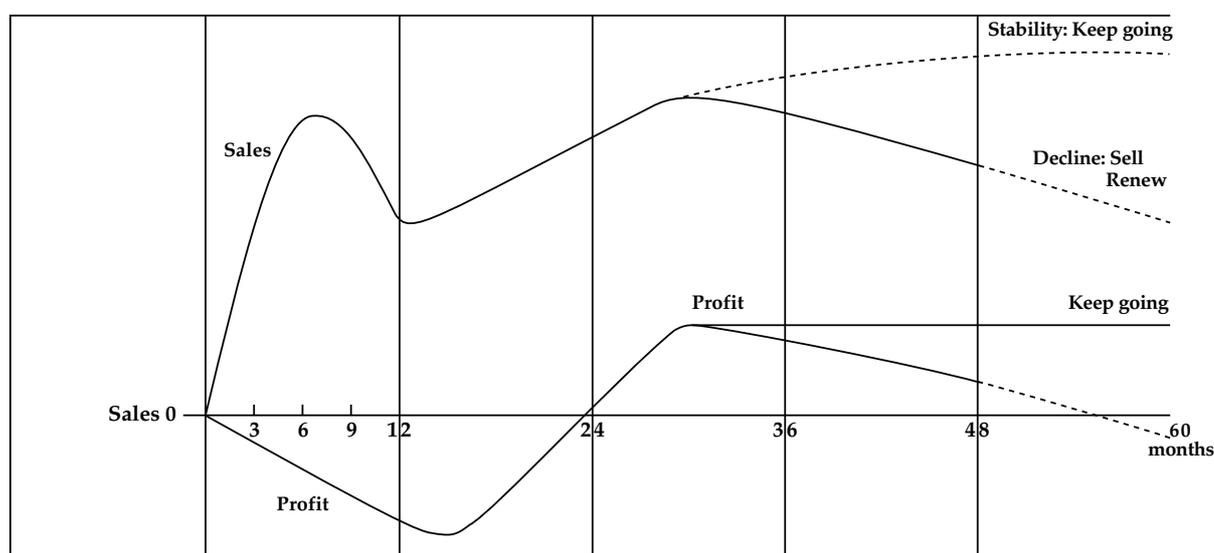
In a less poetic way American business writer Tom Peters talks of the "Pursuit of WOW!"⁴ What he means is "stepping out and standing out from the growing crowd of look-alikes". He talks of enlivening the senses and fulfilling unexpressed wishes. Being average has never had much appeal. He writes:

to ... look ... feel ... to taste ... touch ... sound ... smell ... texture ... colour ... typeface (on logos, letterheads, etc.) And it adds up to ... ? E-X-P-E-R-I-E-N-C-E!...⁵

vision for the future and settles in your mind, and it may pop up from time to time as you consider a strategy of how to refine the dream into a working proposition. Of course, this may never happen and you may decide it's all too difficult.

During this stage, you may study a programme to expand your knowledge or culinary skills or perhaps work for a respected restaurateur while observing how they run their business. The fun part is that you eat out at a lot of different places, study their form, analyse the physical set-up of their operation and reflect on their philosophy while developing your own concept.

HOSPITALITY BUSINESS LIFE CYCLE⁷



Stage	The Dream	Start-up	Take-off	Harvest/Maturity	Renew/Decline	Stability
Time	1-10 years	1-3 years	2-5 years	3-15 years	5 years...	5 years...
Goals	Refine the dream	Open for business	Build relationships	Established relationships	Find new customers	Strong networks
	Mental Creation	Survive	Focus on sales	Focus on costs/margins	Reconnect with old customers	Customers are now friends
		Forge relationships			New Owner/Leader	Refresh
		Build profile		ROI	New chef - new philosophy	New chef - new philosophy
		Change personnel		Hubris, complacency	New concept	
	Set goal for implementation	Build loyal, effective team	Delegate to team members	Manager becomes less operational	Refit - paint, décor	Refit - paint, décor

THAT GREAT IDEA: FINDING A MARKET

How do you start developing a great idea? What unique experience will you offer? This chapter considers the vision for your product or business and what you are trying to achieve. For a hospitality business, the experience that a customer encounters is of equal importance to the food eaten and the beverage imbibed. This chapter also looks at understanding how the marketplace will impact on your great idea.

The type of dreaming that appeals to me has nothing to do with a reverie, an idle daydream. It isn't wishful thinking. Nor is it the type of revelation reserved for the great ones and rightly called vision. What I speak of is a brand of imaginative thinking backed by enthusiasm, vitality, expectation, to which all [wo]men aspire.

To accomplish big things I am convinced you must first dream big dreams.... My own dreams were smaller than some – bigger than others. Some had flaws in them and fell apart before they could take form. Others were misguided: the energy behind them had to be redirected according to a sounder plan....

**Conrad Hilton,
Be my guest.¹**



Coming up with a great idea is easy for some people and extremely difficult for others. When an idea has been identified it is often referred to as *a window of opportunity*, and this combines the idea with the means to exploit it. Fortunately for the hospitality sector, most ideas are based around good food, good beverage and good service. Unfortunately, those products often become commodities which are not valued. The customer's perception of value varies

Psychographics. Psychographics is also a means to market segmentation. This term is used to describe the lifestyle, interests, attitudes, opinions and behaviour of different market segments. As consumers become more affluent their preferences change. Lifestyle issues become more influential in determining choice. Convenience and ease are important considerations for busy people. Attitudes change, as demonstrated by the uproar over genetically modified crops. From organic eggs to organic cotton, a change in attitude affects demand.

With online tools, it has become much easier to market in a way that considers a person's preferences. A Facebook ad campaign, for example, can target a particular segment based on what people have described in their personal profile as their interests.

EXAMPLES OF PSYCHOGRAPHICS ARE:

1. Culinary tastes. *What do I feel like eating?*

"My favourite takeaway foods are pizza, and Thai."

"I am vegetarian but also love to eat vegan food."

2. Favourite Beverages.

"Bespoke cocktails."

"I want to go to a restaurant with an extensive list of New Zealand wines."

"Craft beer is all I want to drink."

3. Entertainment.

"I like to go to places with live music."

"Is there a bar where you can dance tonight?"

"I want to watch the game at a bar."

4. Food as a destination.

"Eggs Benedict on Sundays is my weekend treat."

"I've come to your restaurant because of your reputation for quality."

"I've come to try your signature dish."

"I buy only organic foods."

"I'm always looking online for new places to go and checking the reviews."