



MARKET RESEARCH OF ESTABLISHMENTS IN LA:

*RESTAURANTS OFFER THE
BEST OPPORTUNITY TO
SUCCEED*

6/26/2020

Daniel Garcia Rodriguez

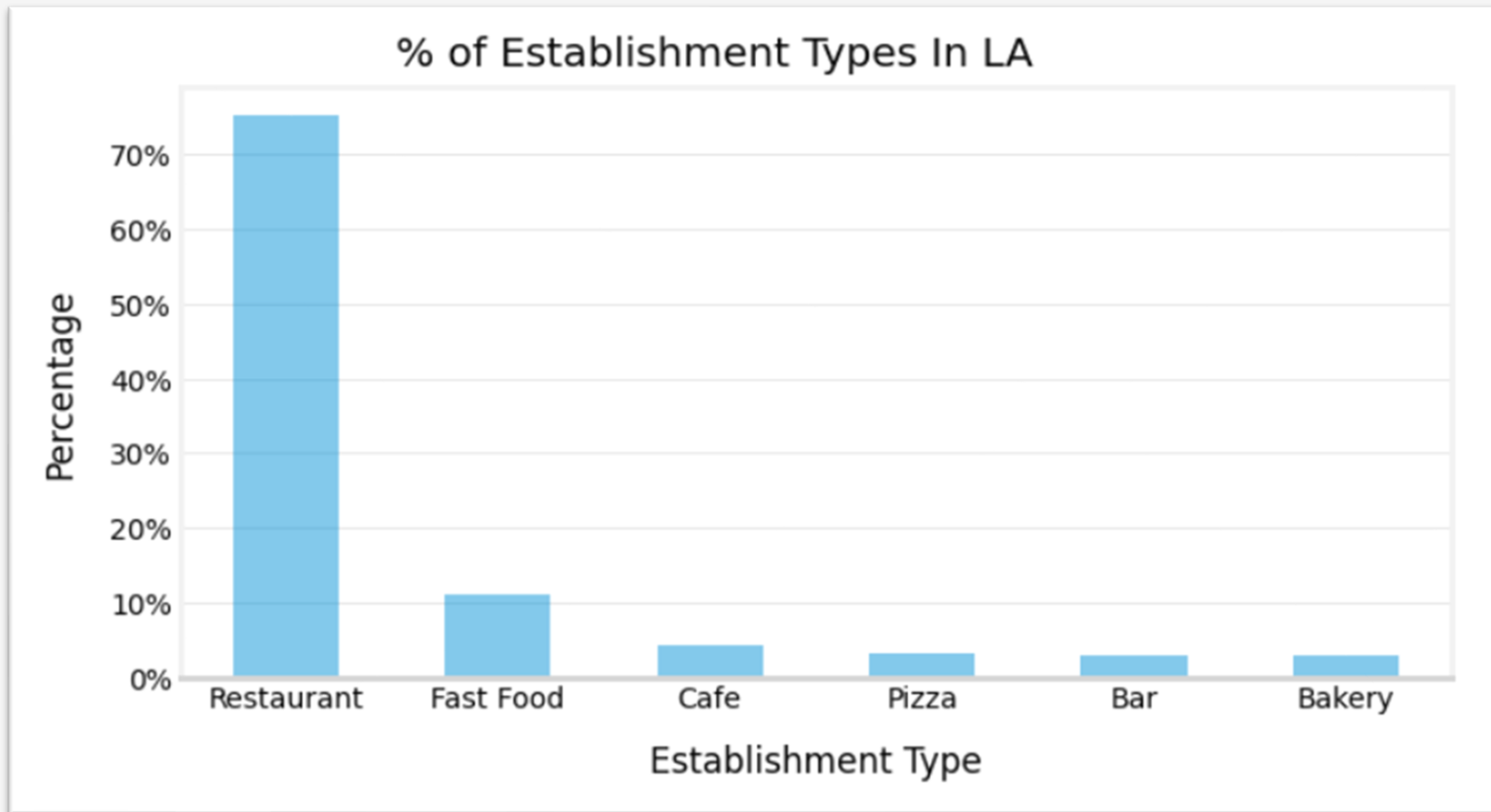
General Conclusions:



Opening a Restaurant in LA will Provide The Best Opportunities to Succeed for the Company Given the Novelty of Service Provided (Robot-Waiters).

- **Large share of establishments in LA:** Restaurants make up roughly 75% of the establishments in LA
- **Less big Players:** Restaurants more likely to be non-chains (68.4%)
- **Recommendation:** Open a small non-chain restaurant with 48 seats— average for a restaurant chain
 - Aggressively grow thereafter – establish a chain

Restaurants Are By Far the Most Common Establishment Type in LA



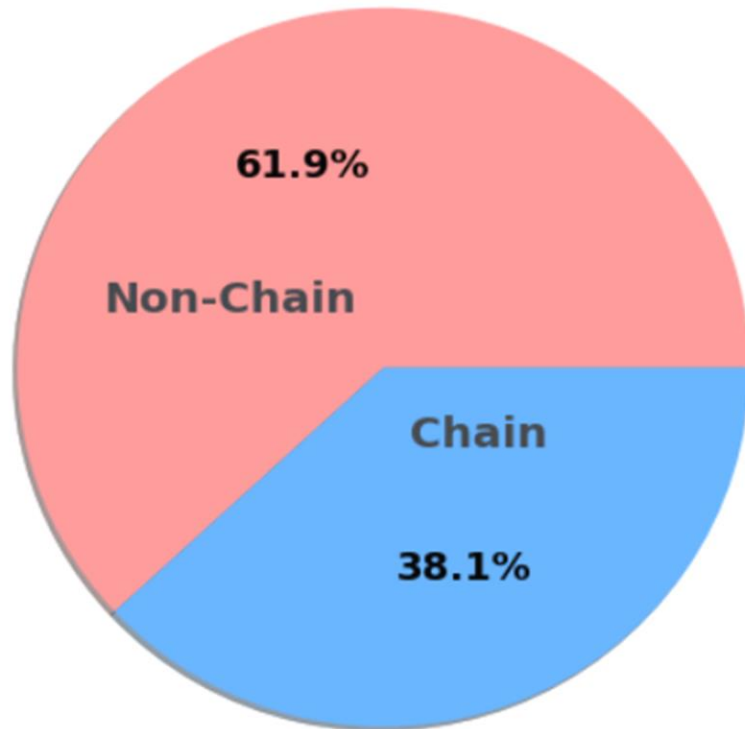
Roughly 3/4 of establishments in LA are restaurants

On the other hand, Cafes, the company's planned venue, makes up 5% of establishments in LA.

Restaurants seem to have more opportunity to enter

The Majority of Establishments in LA are Not a Chain

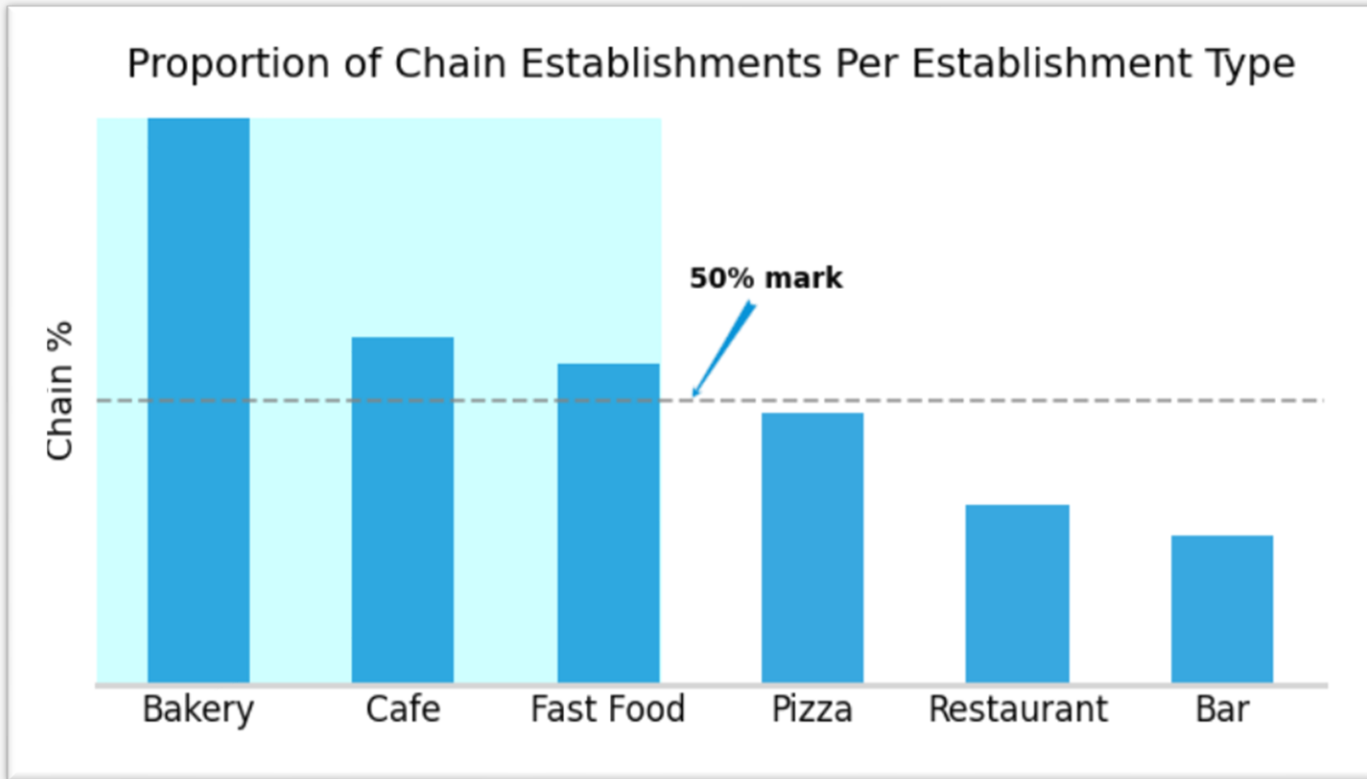
Proportion of LA Chain Establishments



Non-chains establishments are 5% points away from representing 2/3 of the LA establishments.

There's a share of small players in the current LA market.

Restaurant Establishments are Less Likely to Be A Chain



Roughly $\frac{1}{3}$ (31.6%) of restaurants are a chain. Likely the reason why non-chains were well represented in the pie chart earlier.

Cafes have a higher chance of being a chain establishment. According to market research, 4 out of 5 (78%) coffee shops in the U.S. are chain establishment—figures are growing [1][2].

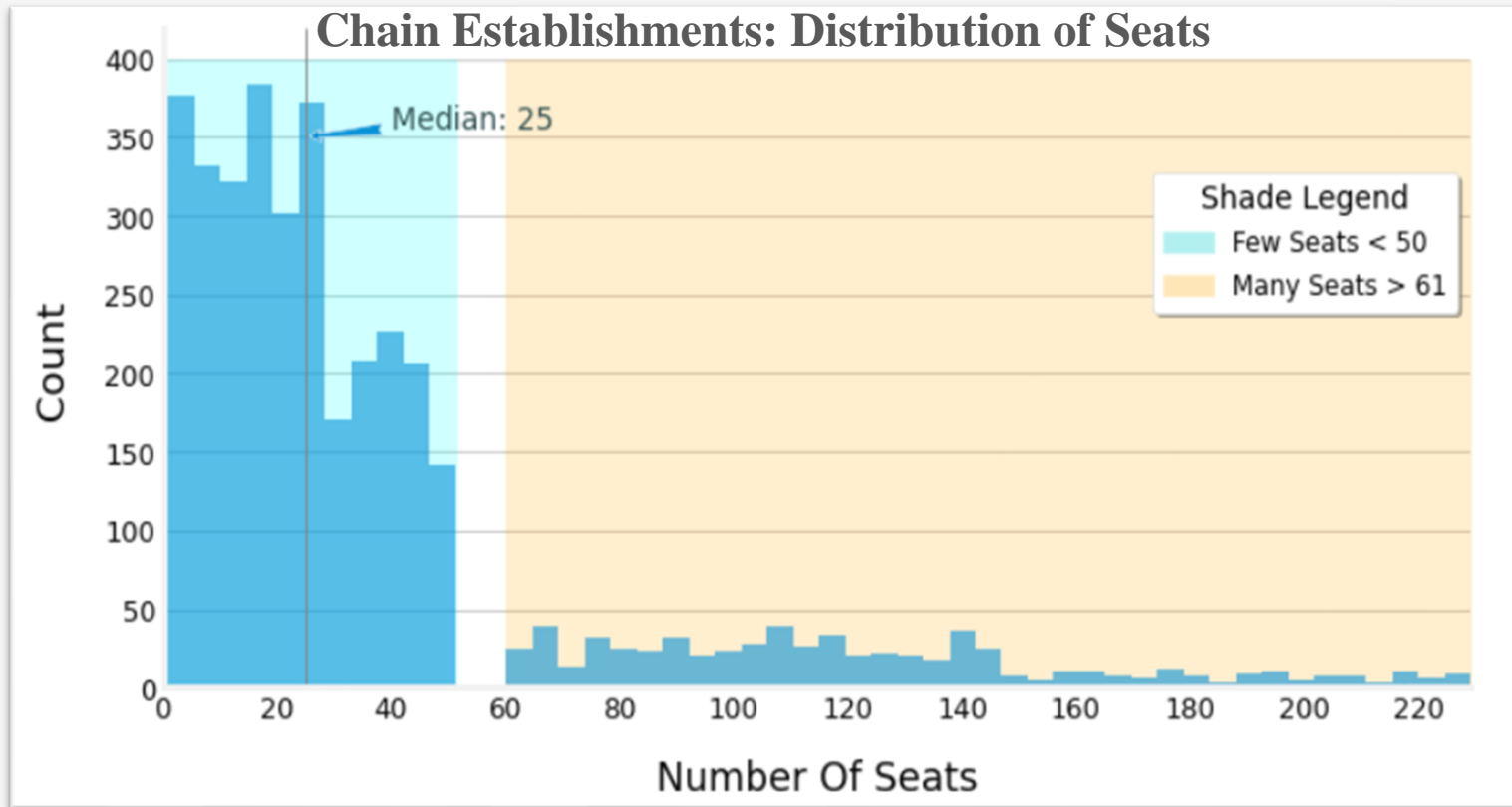
Restaurants offer the better opportunity for long-term success

Source: LA Restaurant Dataset – Provided by Yandex By Practicum

[1] Allegra World Coffee - Project Café USA 2020 Survey: <https://www.worldcoffeeportal.com/Research/LatestReports/Project-Cafe-USA-2020>

[2] Daily Coffee News <https://dailycoffeenews.com/2019/10/25/nearly-four-of-every-five-us-coffee-shops-are-now-starbucks-dunkin-or-jab-brands/>

Chain Establishments are Characterized By A Few Establishments With Many Seats



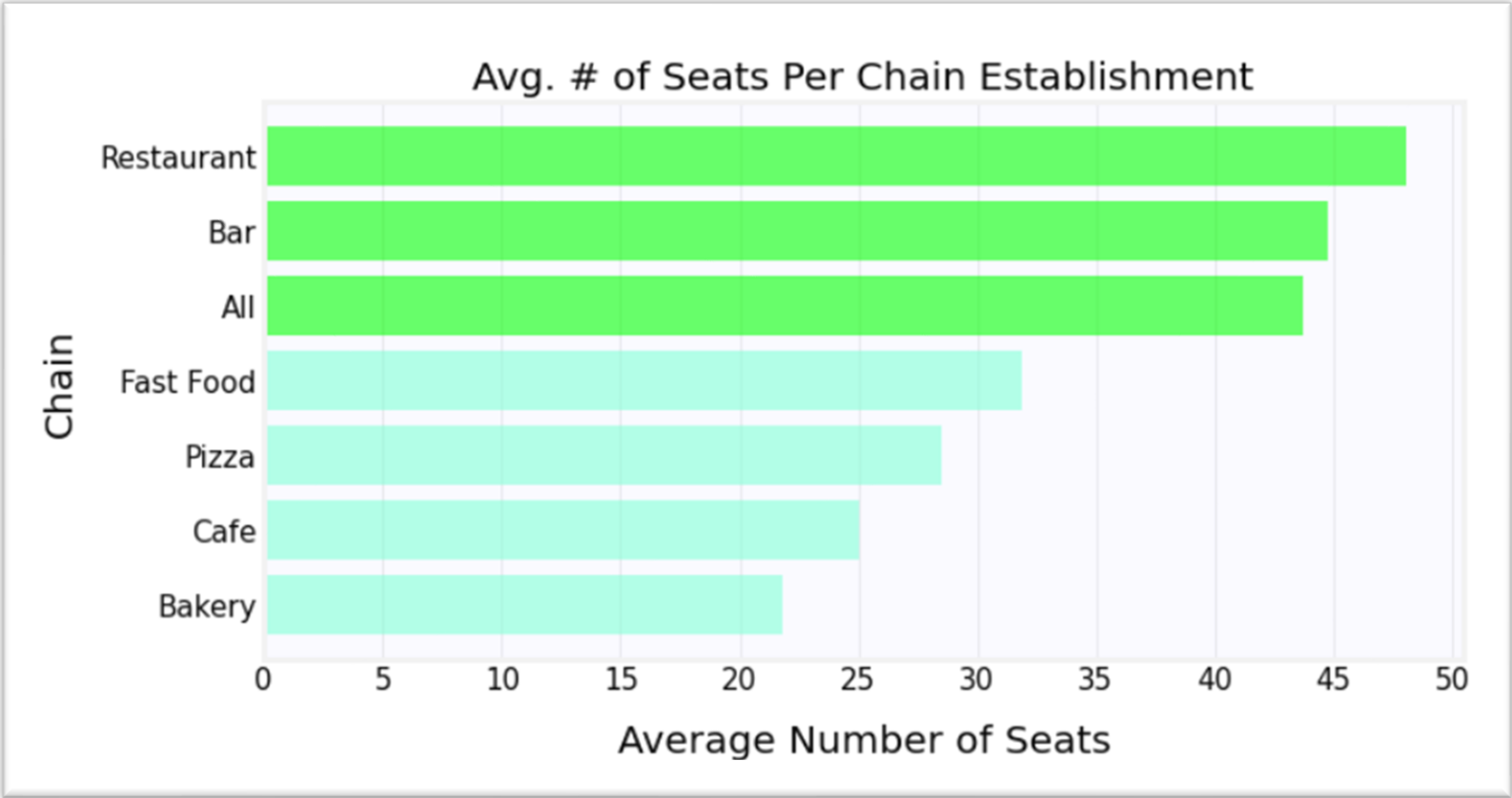
At a median of 25 seats, the share of chain establishments given the distribution, leans more towards low number of seats (1-50 seats)--roughly 82% of establishments.

Many seats: right skewed tail and very low share % count.

Considering the proportion and shade for the "many seats" category, indicating that the distribution indicates that

Chain Establishments In LA:

Restaurants and Bars Have the Highest Average Number of Seats

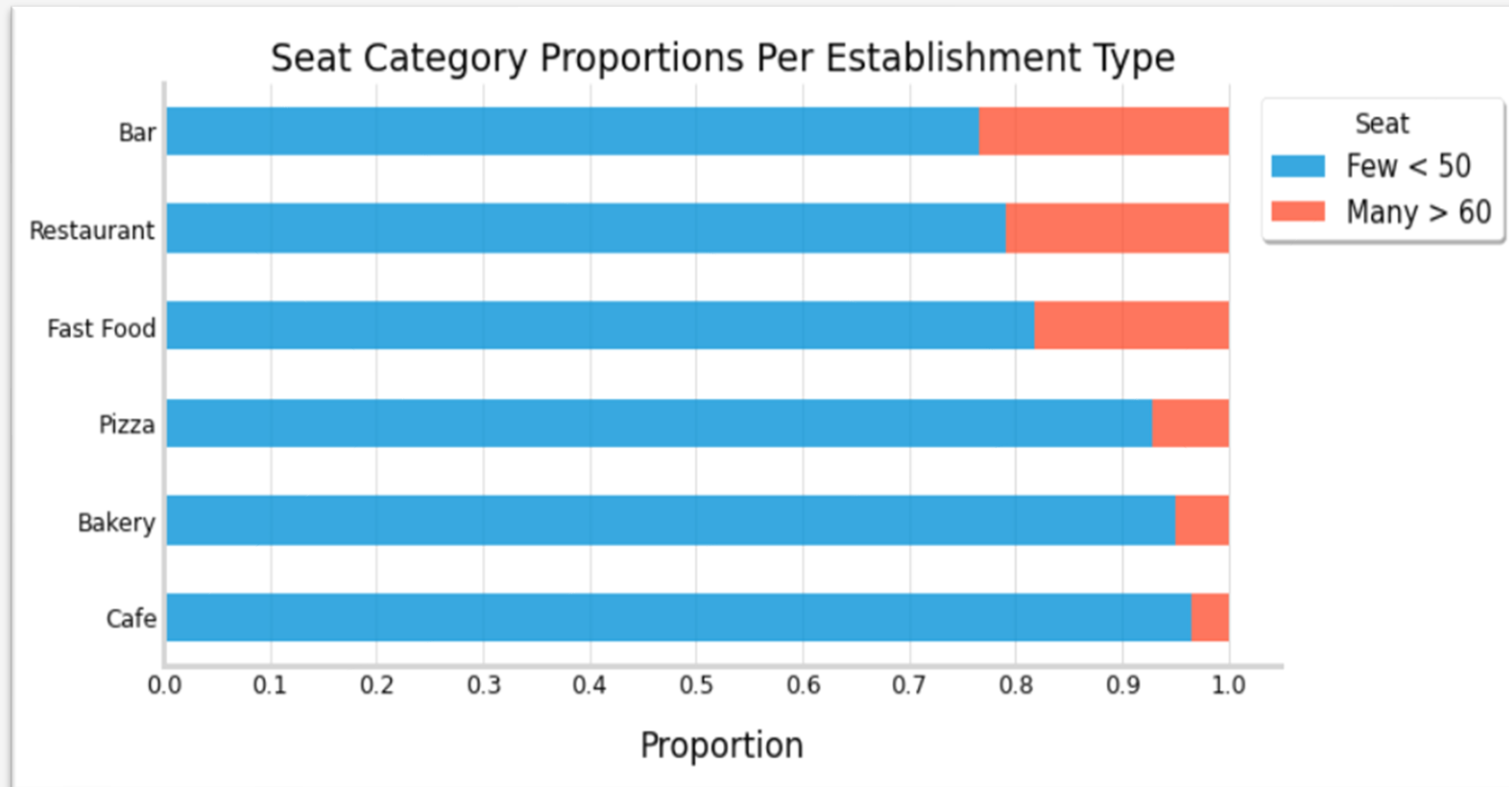


When we consider the aggregate average, notice how the 4 establishment types' average number of seats fall more than 10 seats below it.

On the seat distributions, the majority of the "many seats" values on the distribution can be attributed to restaurant and bar establishments.

Chain Establishments in LA:

Roughly 1/5 of Bar, Restaurant and Fast Food Establishments Have Many Seats

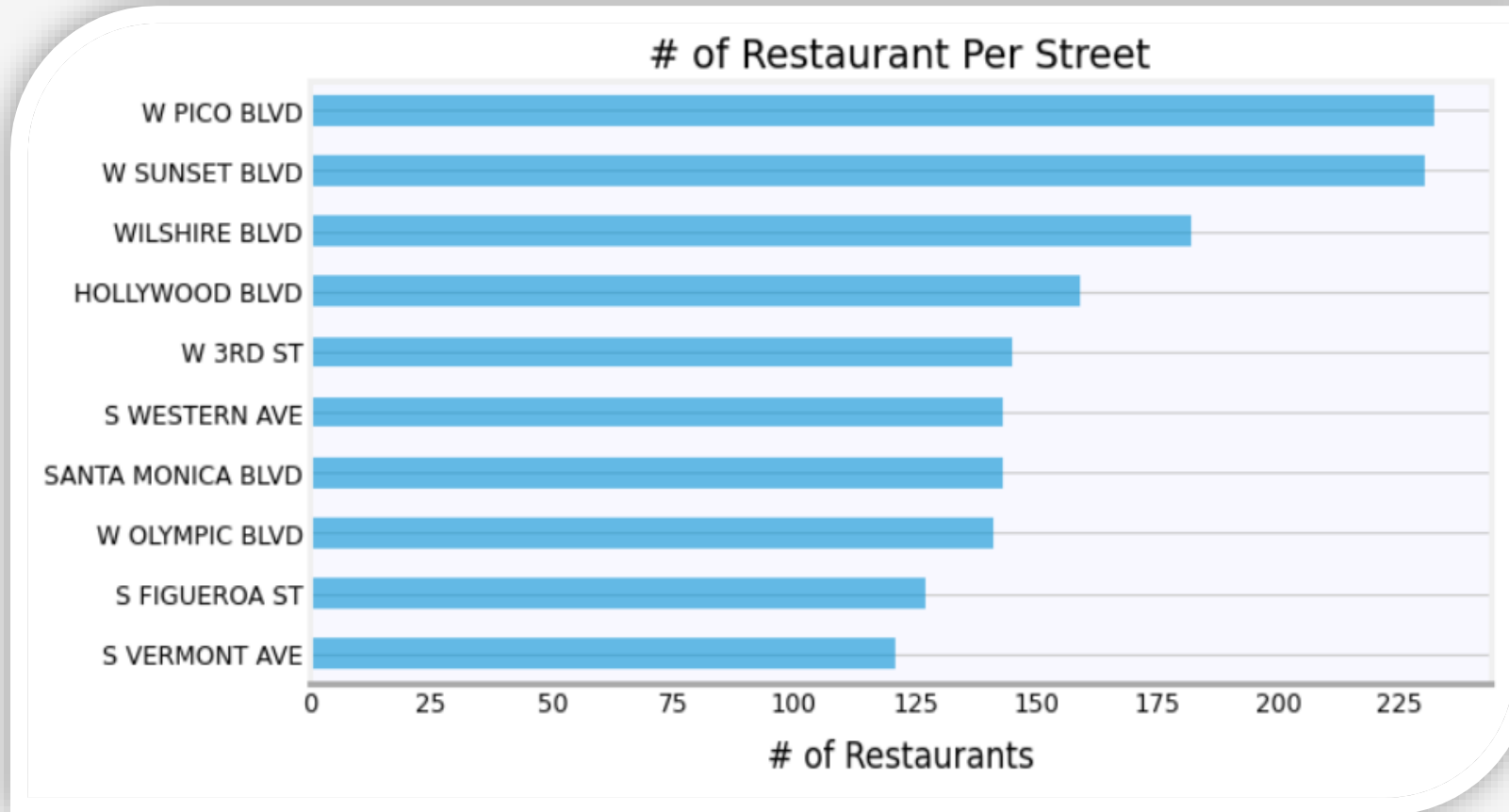


Few Seats %: Indicates that there are many small chain restaurants in LA

Opportunity for company to open while keeping low overhead costs

Company can open with around the average (48) number of seats

Top 10 Streets With High Restaurant Establishment Concentrations

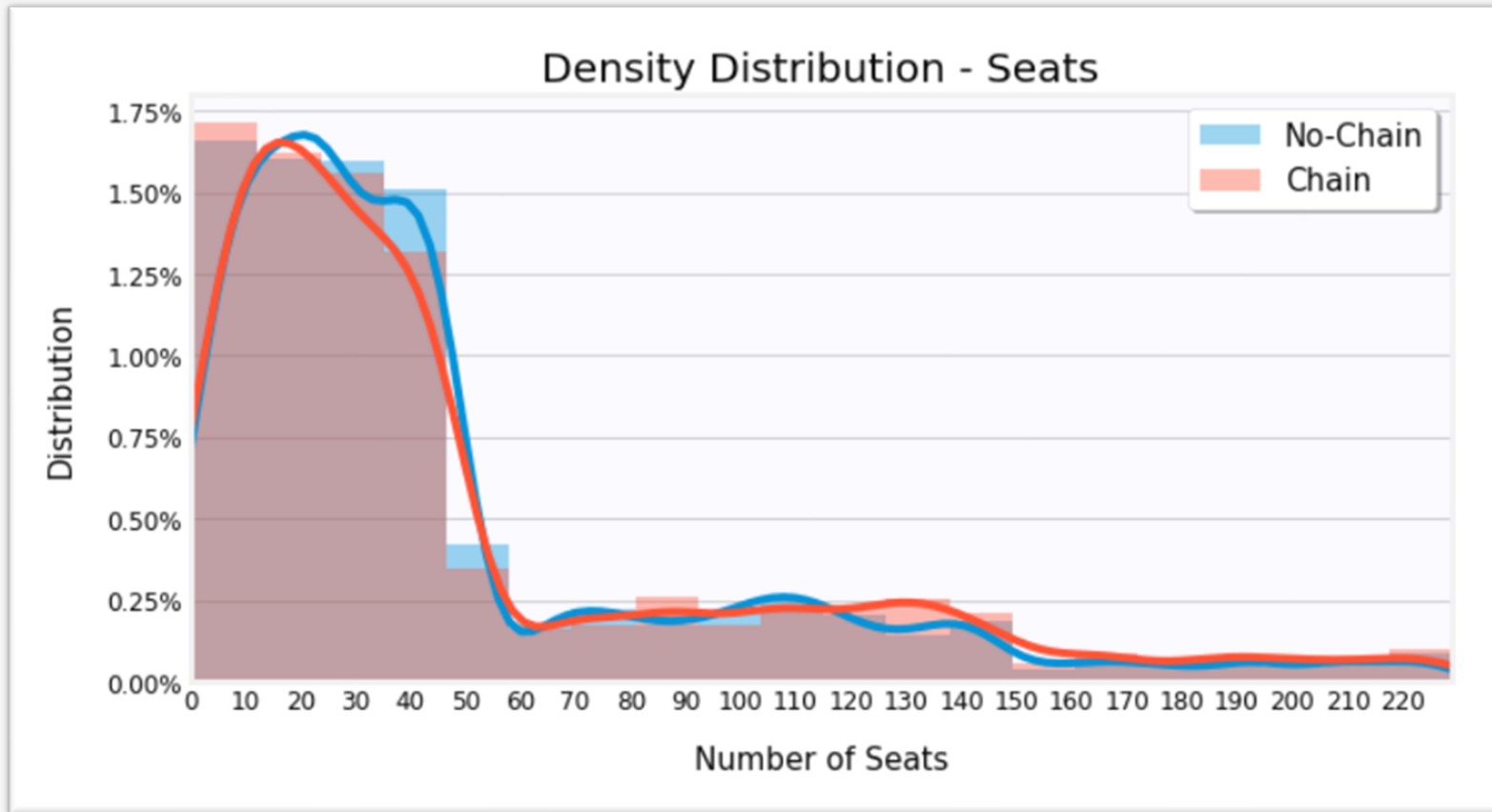


top 10 streets contain
between 110 and 230
restaurants

68% of streets contain 1
restaurant whilst 32% contain
more than 1

These streets may be of
interest for the company if
they want to enter a
competitive but thriving
market.

LA Streets With Many Restaurants (>10): Chain Affiliation Makes No Difference In Distribution of Seats



Have a median of 32 seats

Distribution of seats can be split into two groups (*many and few*) and does not differ amongst chains and non-chain restaurant establishments

Recommendation

When thinking about establishing in LA, given (1) chosen establishment (small Cafe), (2) the novelty of the service provided (robot waiters), (3) the current market conditions, (4) cost of the project, and (5) long-term goal to maintain a successful establishment, the following recommendation is given:

- ***The company should pivot towards establishing a restaurant*** as there is less big players (chains) in that market relative to Cafes; small cafes are being outcompeted by Cafe chains.
- Large share of establishments in LA, especially considering their high % of non-chain establishments make it relatively easier to compete and thrive given the service it will provide.
- Should consider starting off as a non-chain with 48 seats and depending on its strategy, establish itself in a street with many restaurants and/or one restaurant.
- **It can then aggressively grow and establish a chain thereafter given the novelty of service provided.**