

## Branching out in the Restaurant Business:

### 1. Introduction

Growth is a goal for many businesses in the restaurant sector. However, there is a limit to how much a restaurant can grow at a single location. Most restaurant owners find that each location has a ceiling beyond which it is difficult to increase revenues. Once this ceiling is reached, it might be time for the restaurant owners to branch out into new locations.

But where should they set up their new restaurant? That is the question that this Capstone project will try to answer.

A range of factors can influence whether a location is a good spot for a new restaurant. In this project, we will consider two factors – demand and competition. The presence of a strong demand for the new restaurant's services is crucial its financial viability. Nevertheless, the new restaurant is likely experience very different levels of demand at different locations. Some locations are suited for fine dining; other locations are more appropriate for burger joints. On the other hand, the presence of strong competition is a threat against a new restaurant's financial viability. If there are many similar restaurants in a location, the new restaurant might find it difficult to make a profit; conversely, if the new restaurant offer a type of dining experience that is unlike its competitors, it is easier to charge a premium. Again, the new restaurant is likely to meet different levels of competition at different locations. According to this line of reasoning, a good location for a new restaurant is a site where there is:

- Strong demand for the restaurant's services
- Moderate competition from other restaurants

In this Capstone project, we will analyse the branching out strategy of the owners of the fictitious Chinese restaurant, Shípǐn kēxuéjiā, which is Chinese for 'Food Scientist'. Food Scientist is a family owned restaurant that is located in the district 'Nordre Aker' in the city of Oslo. Oslo is the capital of Norway and is comprised of 15 official districts, or 'bydeler', in Norwegian. The owners of Food Scientist have experienced great success in the district of Nordre Aker, and they now want to know if their restaurant concept can be equally successful in other districts in Oslo. Hence, they procured this report.

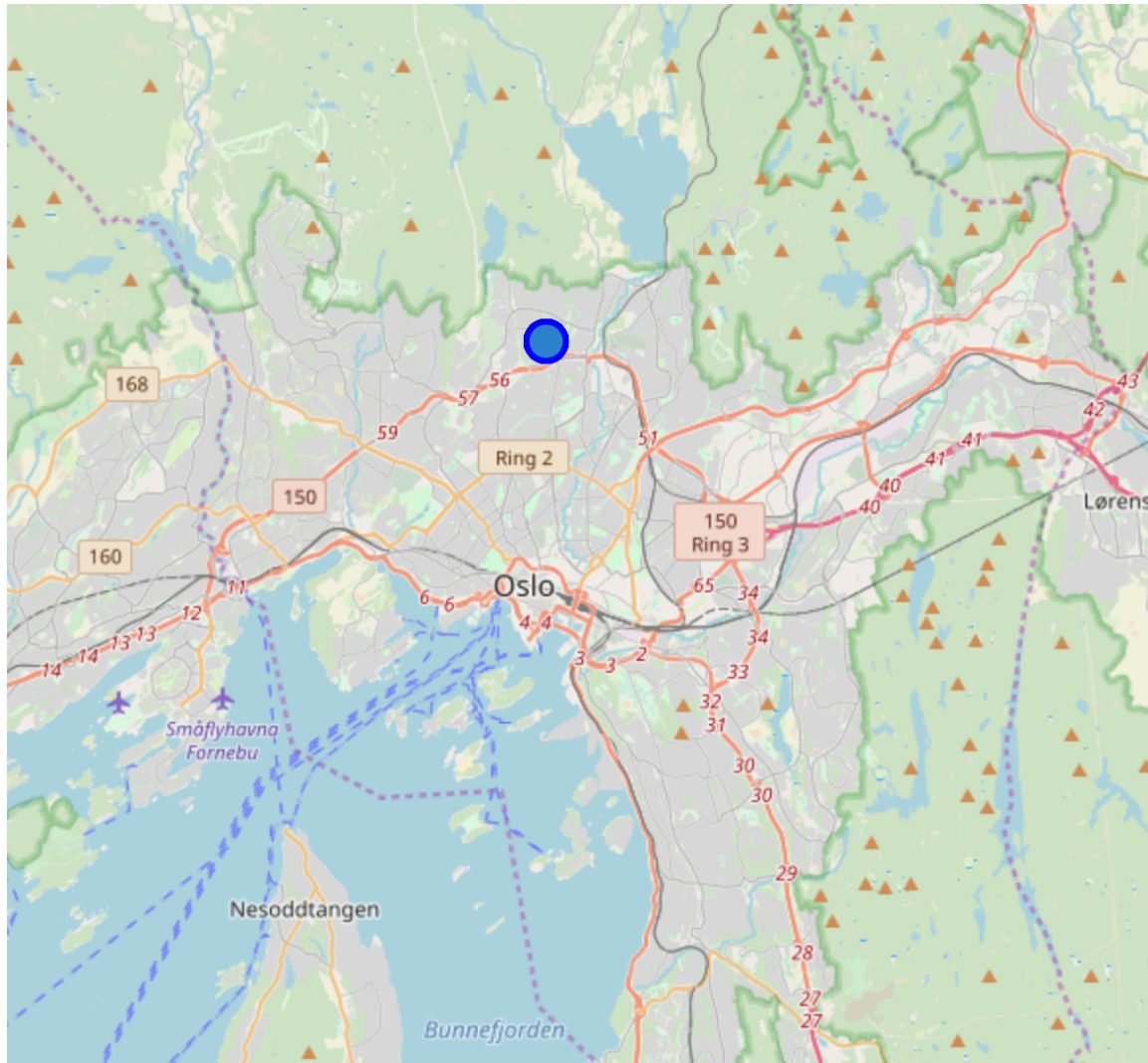
Since concepts such as demand and competition can be difficult to define and measure, the following specification were reached in understanding with the owners of Food Scientist:

**Competition:** A good indicator for competition is the presence of Chinese and other Asian restaurants. Other Chinese restaurants impart direct competition since their food is essentially identical, while other Asian restaurants impart a more indirect form of competition since their food is similar. An ideal location has only moderate presence of Chinese and other Asian restaurants.

**Demand:** A good measure for demand is the presence of restaurants and other venues that are similar to those in the district of Nordre Aker. The owners of Food Scientist have developed their

restaurant concept to fit well with the food taste and lifestyle choices of the people in Nordre Aker. Their restaurant concept might not be such a good fit with people from very dissimilar districts. Thus an ideal location is a location that is similar to Nordre Aker in terms of restaurants and other venues.

**Figure 1:** A Map of Oslo with the location of the Food Scientist restaurant marked with a blue dot



Although the fictitious owners of Food Scientist procure this capstone project, it might still be of interest to other restaurant operators that want to branch out in Oslo or other data scientists that want to carry out similar studies in other cities. The rest of this Capstone project report will be organized as follows: In Section 2 we will describe the data, and in Section 3, the methods. In Section 4, we will describe the results and we will discuss their implications for Food Scientist in Section 5. Finally, we will conclude in Section 6.