Taste of Hunan Marketing Research Report

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CONTENTS

1 EXECUTIVE SUMMARY

We conducted a marketing research project on the market feasibility of Taste of Hunan in UCSD. We used brainstorming, SWOT analysis, focus group method and also questionnaires to get enough information about customers'preferences and consumer behaviors so that we can make appropriate recommendations for the management.

1.1 MAJOR FINDINGS

The basic findings are listed below:

- The potential customers size is large. 60% of interviewees take Chinese food frequently, and 45% of interviewees like spicy food.
- More than half of the interviewees(52%) ate at Price Center most of the time.
- Most of the interviewees ordered delivery food before, but they are not satisfied with the long-time waiting and high delivery fee. In terms of the new delivery form, people have interests in it.
- Taste of Hunan was known by few people. Most interviewees mentioned that they will try a new restaurant if it is recommended by friends or family.
- $15 -$20 is the price range that most people can accept.
- Most interviewees regarded service speed and food quality as the most important points of a restaurant.
- 62.5% of people who never try Chinese food are vegetarian.

1.2 RECOMMENDATIONS

The recommendations are listed as below:

- Post advertisement on social network.
- No need to decrease price, but no more than $20 for each meal.
- Provide high-quality food.
- Add a special menu for vegetarian.

2 INTRODUCTION

2.1 BACKGROUND INFORMATION

Taste of Hunan is a restaurant which aims to provide delicious Chinese food with regional specialties. One of the characteristics of this restaurant is to serve the original Chinese food. With its original food and good services, Taste of Hunan builds a good reputation among customers in San Diego and gains a wide popularity among Chinese students, especially among those who favor spicy food. Due to the big success of Taste of Hunan, the owner is currently planning to expand his business to the University of California, San Diego (UCSD).

2.2 BUSINESS ENVIRONMENT

Taste of Hunan was opened on Dec 20, 2018, and has been welcomed since then. It receives a good reputation among Chinese people in San Diego. Besides, Chinese cuisine is warmly welcomed by people around the world, because according to our observations, nearly 10% of customers in Asian restaurants are people from other races. Thus, Taste of Hunan has a pretty stable and substantial customer base and great profiting opportunity. On the other hand, as several Asian restaurants have already opened in UCSD for a long time, such as Panda Express and Tapioca Express, and have been highly accepted by UCSD students. It will face fierce competition to gain market share in the school. Moreover, the restaurant will probably face competition from the delivery food because of their convenience and tip-free. Also, if the owner decides to start the business on campus, he is required to make agreements with school to get the opening permissions, and to follow specific rules, such as fixed business hours, food hygiene standards and rents. Under these strict rules, the restaurant may have to improve its efficiency and save cost, probably compromising food quality, services and reputation.

2.3 RESEARCH OBJECTIVES

There are lots of uncertainties that need to be considered before implementing this plan. The owner is concerned whether this plan can be a good idea. In order to gather information to have a better prediction of this plan, our group decided to help the owner analyze the possibility of this plan and tried to develop the strategies to advance this plan based on our data.

3 METHODOLOGY

3.1 RESEARCH DESIGN

In order to decompose the business problem, we separated it into three steps to achieve our goals. Firstly, we had a brainstorm discussion about the situation that Taste of Hunan is facing. We used SWOT analysis to identify strengths, weaknesses, opportunities, and threats related to this business expansion plan. The strengths and weaknesses used in this toolkit are highly internally-related, while opportunities and threats are generally focused on the external environment.

Then, prior to actual data collection through questionnaires, we need to explore ideas for qualitative questions and receive helpful information on the design of the questionnaire. So we held a focus group meeting to learn more details about people's insights into Chinese restaurants and their purchase preferences.

Lastly, according to the insights we collected through focus group, we built a questionnaire covering questions that directly answered marketing research problems (MRP), as well as stressing interesting points derived from the previous step. Using data generated by the questionnaire, we utilized technical methods such as hypothesis testing and regression to explore trends and preferences of a broader audience, and made recommendations to the management.

3.2 DATA COLLECTION METHODS

For the focus group, we invited 8 UCSD students from China, India, USA, Russia, France and Thailand to the focus group meeting, and had a discussion on their preferences, expectations and attitudes about Chinese restaurants.

Our focus group research has been divided into two parts. Initially, we went through general questions related to Chinese food and dining habits. Then we started a more specific discussion towards people's dining preferences in terms of location, service, waiting time, as well as the delivery service. This whole discussion provided us with some useful information as listed below.

- People's attitude towards Chinese food. The focus group generally exhibits enthusiasm and a desire for original Chinese cuisines, and the majority of foreigners can eat and love spicy food.
- Dining habits and preferences. People dine out on campus on quite a different frequency. Most of the focus group eat at the Price Center, which is the farthest destination they can bear.
- Delivery service. Participants put forward their experience and perspectives on delivery food, including aspects as food quality, waiting time and delivering fees, providing

rich text for questionnaire options.

For the questionnaire, we followed our MRP, and picked out the most important points from the focus group responses in order to design our questionnaire to get broader information.

The questionnaire consists of three parts which are in accordance with the three bullet points listed above in the focus group findings. After collection of questionnaires, we clean the raw data and encode options for the following data processing and visualization. For example, we visualize the distribution of options for critical questions, and conduct regression on the satisfaction level of delivery service to find effects of different features of delivery service.

4 FINDINGS AND RECOMMENDATIONS

4.1 FINDINGS

4.1.1 POTENTIAL CUSTOMERS ANALYSIS

In order to infer the size of potential customers, we firstly analyzed the distribution of the frequency that people eat Chinese food. The result is shown as Figure 6.1 . The graph shows that most people in our sample size have Chinese food a few times a week. To be more specific, around 11.43% of the sample size (only 12 people) in our data have never eaten Chinese food and over 60% of the sample size eaten Chinese food at least a few times a month (shown in Table 6.1. This indicates that the size of potential customers for Chinese food is large.

Since one special characteristic of Taste of Hunan is that it serves tasty spicy food, we also analyzed the distribution of spicy preference among people. The distribution is shown in Figure 6.2 . We can also find that 42.86% of our sample size likes spicy food (shown in Table 6.2), which also indicates that there can be a great number of potential customers.

4.1.2 LOCATION ANALYSIS

To determine whether the owner of Taste of Hunan is able to open a new branch on campus, we also summarized the frequency and locations that students and faculty eat on campus. The distributions are shown in Figure 6.3 and Figure 6.4. The data shows that over half of our sample size eat less than 5 meals on campus (shown in Table 6.3). We can also find that more than half of students (52.38%) choose Price Center for meals on weekdays, and the number is much larger than other options (shown in Table 6.4). Off-campus is the second popular choice, which takes 18.1% of all respondents (shown in Table 6.4). For people choosing other places on campus, they either cook, go to an old student center, or order takeouts.

4.1.3 DELIVERY FOOD ANALYSIS

Instead of opening a physical restaurant on campus, another choice for Taste of Hunan is to provide delivery food. Based on the analysis of delivery food, we can conclude that:

1. The popularity of delivery food services: As shown in Figure 6.6, in our 105 participants, 64.76% of them have ordered delivery food for at least once, which indicates that delivery food has become a familiar lifestyle for most people (shown in Table 6.5). Among the people who have ordered delivery food before, 32.35% of them order delivery food more than three times per week.

2. Satisfaction level: The average satisfaction score is 68.985, with a maximum of 95 and a minimum of 20. People who order delivery food at different frequencies have different satisfaction levels. The more often people order delivery food, the more satisfied they are with this service.

3. Shortcomings: The most important two features are Long wait and Expensive delivery fee. By comparison, low quality and bad service are not the most important items. We built a regression model which reveals that the satisfaction score doesn's t significantly depend on the reasons why they don't like delivery food(shown in Table 6.7).

4. New delivery food service[1]. Around $\frac{1}{3}$ people would try this new service(30.9% for people who have ordered delivery food before and 37.8% for those who haven't), which indicates that providing this kind of service is a feasible option for Taste of Hunan.

5. Available price range. For people who have previous experiences, most of them prefer the \$16-\$20 price range(shown in Figure 6.5), while for those who haven't ordered delivery food before, the < \$15 price range is popular(shown in Figure 6.6). However, In both groups, > \$40 is not a good choice.

4.1.4 PUBLIC AWARENESS ANALYSIS

We also analyzed the public awareness of Taste of Hunan. The result is shown as Figure 6.7. About 47.62% of the sample size do not know Taste of Hunan, which means that almost half of the sample size does not know this restaurant.

To figure out a good way that Taste of Hunan should use to improve its public awareness, we do the distribution of source that people have to know a new restaurant. The result is shown as Figure 6.8. We can find that 74.29% of our sample size know a new restaurant based on recommendation from friends and family.

4.1.5 PRICING ANALYSIS

By doing a hypothesis test, we try to find whether the durable price that people will pay for a meal is greater than the average price that people pay for a meal on campus. From the hypothesis test above, we can get that the p-value is less than 0.001. Since the p-value is less than 0.05 (using a 5% significance level), we can reject the null hypothesis (shown in Table 6.8). So, we can conclude that the durable price that people will pay for a meal is greater than the average price that people pay for a meal on campus.

The distribution of durable price is shown in Figure 6.9. It shows that compared to other price ranges, \$15-\$20 is the price range that more people can accept.

4.1.6 SERVICES IMPORTANCE ANALYSIS

The review of a dining place is decomposed into 4 aspects: attitude, speed, environment, and quality. Overall, these 4 aspects are all considered to be important when choosing what

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[1]Customers should place an order for their deliveries one night in advance. On next morning, the food will be delivered to the designed place on time without waiting. After a brief investigation, we found that a several Chinese restaurants have already started this kind of services

to eat, since a large percentage of people choose 1 and 2 which stand for "very important" and "somewhat important". Out of the four aspects, most people decide service speed and food quality as very important(61.9% & 71.4%), which suggests high-quality food served with speed is valued by customers. Sometimes speed can be sacrificed for quality since the former percentage is 10% lower than the latter one. In comparison, most people put service attitude and environment as "somewhat important"(44.8% & 43.8%), resulting in them to be secondary aspects to consider in terms of dining on campus (shown in Table 6.9).

4.1.7 Menu Design Analysis

Besides, we figure out whether these people who do not eat Chinese food would like to try it. Since around 66.67% of these people do not want to try a Chinese restaurant (shown in Table 6.10), we also try to analyze the reasons that people are not willing to try. The distribution of these reasons are as Figure 6.10. We can find that most people (62.5% of the sample size) do not want to try a Chinese restaurant due to the reason that they are vegetarians.

4.2 Recommendations

Based on our finding, the recommendations we would like to provide are as below:

- To improve its public awareness, it is a good way for Taste of Hunan to post the advertisement on the social network.

- For the price level, Taste of Hunan does not need to decrease its price level to the average price; however, it is better for it not to set its price upon $20 for a meal.

- Taste of Hunan needs to keep the quality of food, and try to find ways to increase service speed, no matter opening a physical store or delivery service.

- To attract more customers, Taste of Hunan can add a special vegetarian menu to its main menu.

5 FUTURE RESEARCH

Although we have used multiple methodologies to deep dive into this practical case and put forward several insightful findings and recommendations, there is still some space left for further research.

Firstly, based on our research, delivery food has a grand market. However, if the restaurant provides both on-site food and takeout, we need to investigate the operation efficiency and the cost.

Secondly, we need to gather more data on the operation cost. We cannot make a final decision without considering the operation cost of opening a new restaurant.

Thirdly, from the point of the view of the management, opening a new restaurant in UCSD might not be the best choice. Instead of opening the restaurant on campus, some nearby plazas are also available options. To make a more precise conclusion, it would be better to investigate the daily flow of people as well as rental fee in different plazas.

6 Appendix

6.1 Focus Group Summary

This part summarizes findings of a focus group conducted with 8 students from Rady School of Management in UCSD on October 18, 2019. The focus group explored people's preferences, expectations, and attitudes about Chinese restaurants. In all, our focus group deals with ethnically and culturally mixed groups including Chinese, Indian, American, etc, and tries to diversify the group in terms of life experience.

The focus group has a positive attitude towards Chinese cuisine, and the majority of foreigners actually can eat and even love spicy food. They also expressed complaints about the quality and taste of Panda Express and Tapioca Express located at the Price Center, which makes their responses relevant and valuable to us. Our focus group also shared their perspectives on what they cared most about when ordering delivery food. Also, we asked if Taste of Hunan provided food delivery service, whether they would like to try, and how much they would rather pay for such a meal.

6.2 Questionnaire

After conducting focus group meeting, we did the questionnaire. From this questionnaire, we are able to learn more about the preference of people on Chinese food.

Questionnaire link

6.3 Statistical output

```
Pivot table
Data        : project_data
Categorical : Q6_Frequency
Normalize by: total

 Q6_Frequency    n_obs
            1   26.67%
            2   37.14%
            3   24.76%
            4   11.43%
        Total  100.00%
```

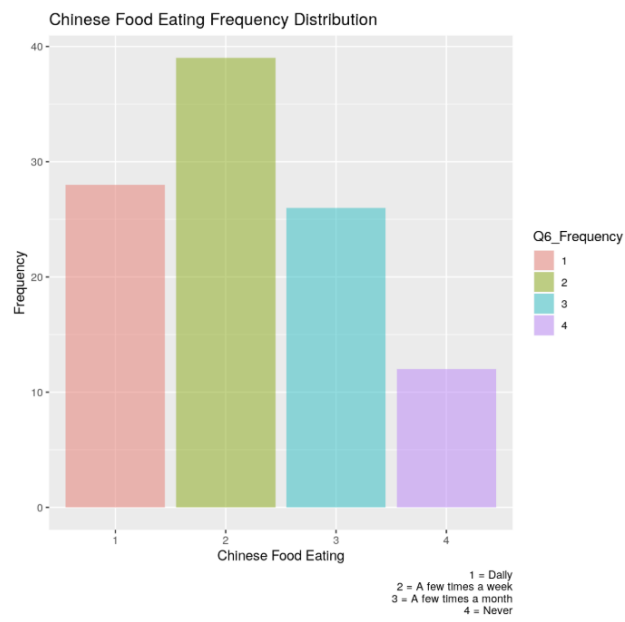Table 6.1: Proportions of Different Eating Frequency

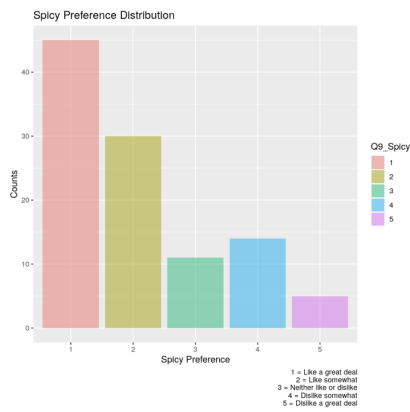Figure 6.1: Chinese Food Eating Frequency Distribution

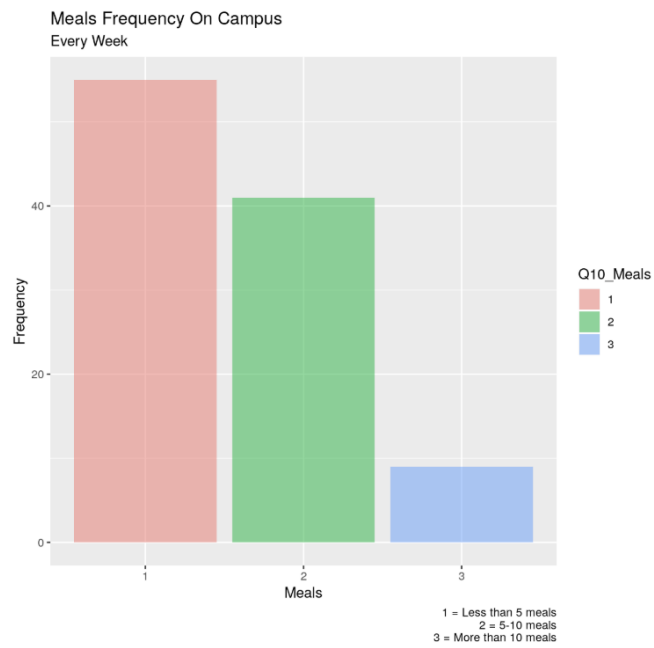
Figure 6.2: Spicy Food Preference Distribution

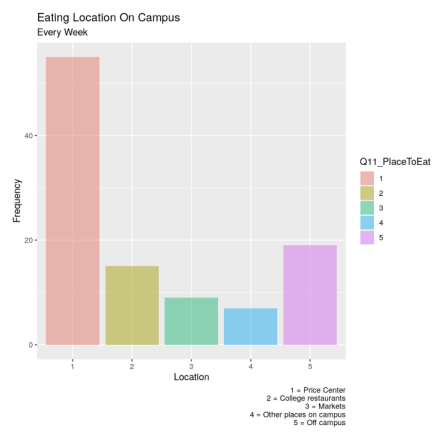Figure 6.3: Meals Frequency On Campus Distribution

Figure 6.4: Eating Location On Campus Distribution

Figure 6.5: Preferred Price Range(for people who have ordered delivery food before)
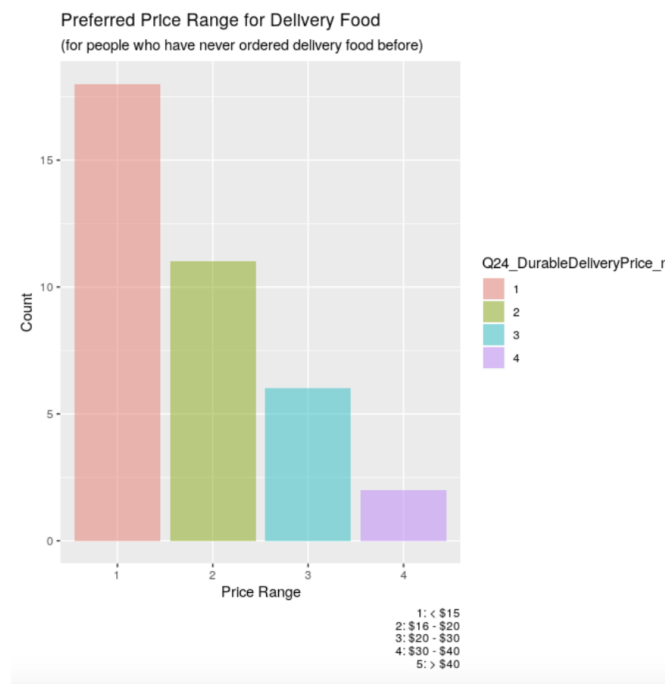

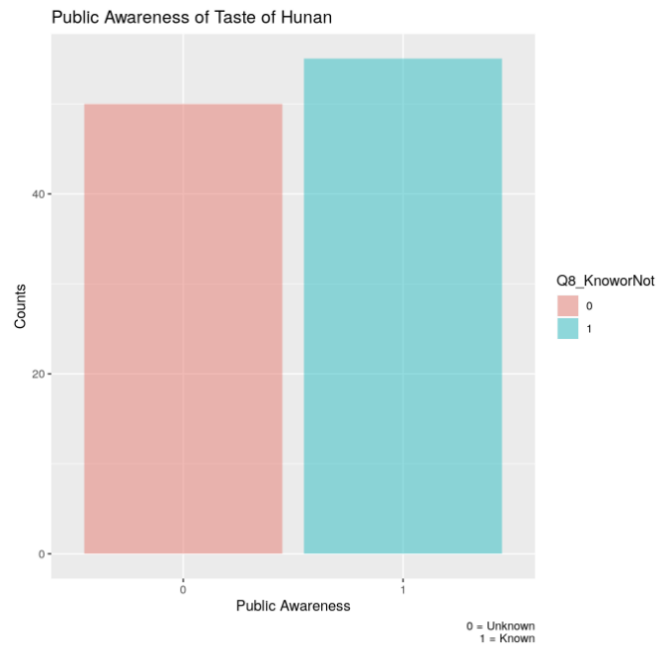Figure 6.6: Preferred Price Range(for people who have not ordered delivery food before)

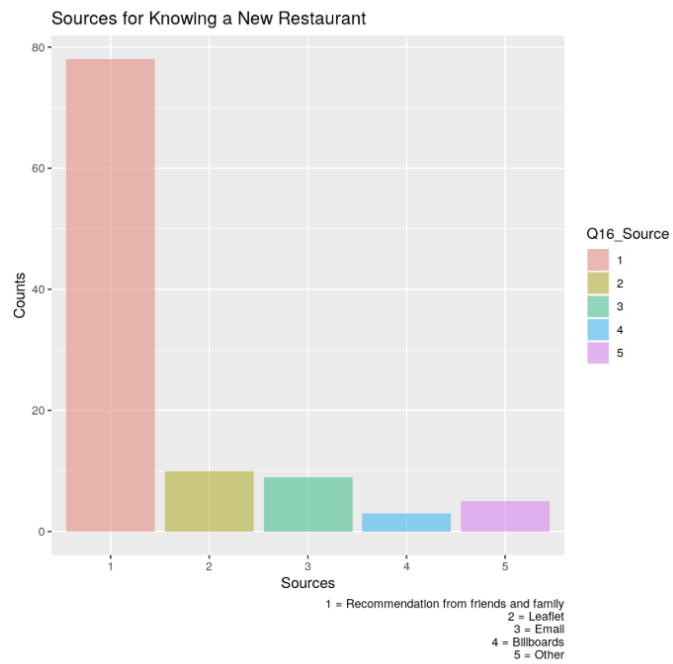Figure 6.7: Public Awareness Distribution
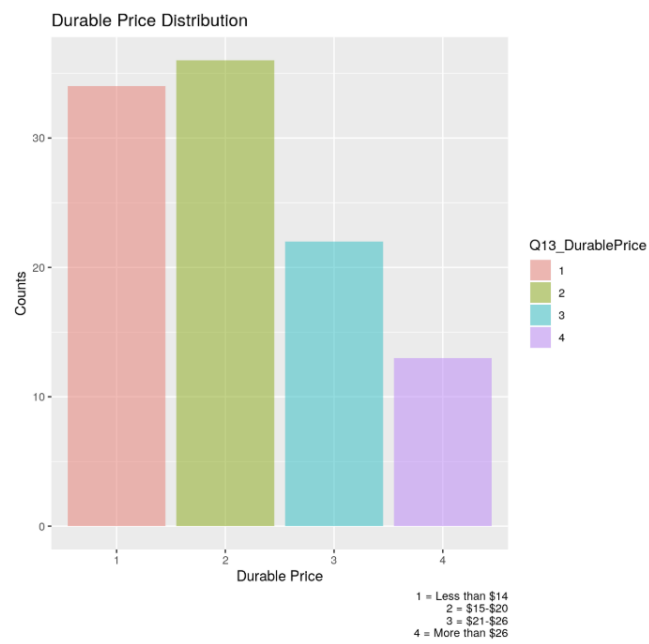

Figure 6.8: Sources Distribution
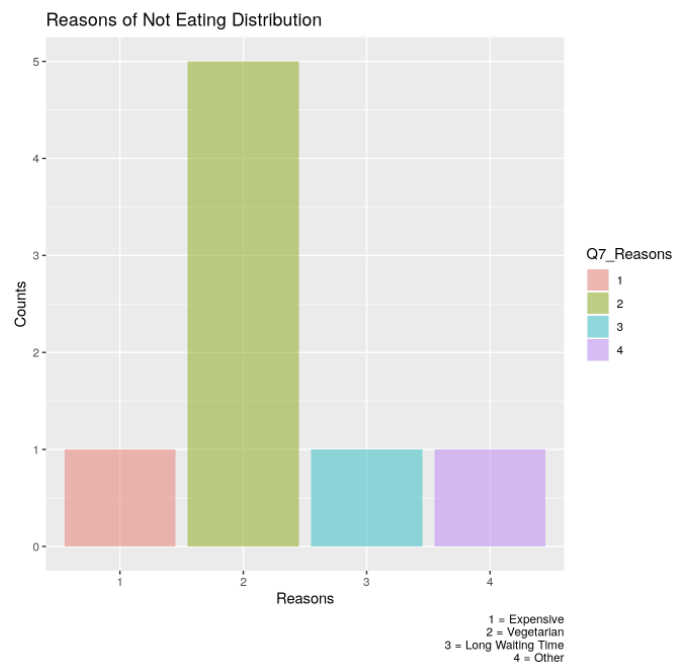
Figure 6.9: Sources Distribution

Figure 6.10: Reasons of Not Eating Distribution

```
Pivot table
Data        : project_data
Categorical : Q9_Spicy
Normalize by: total


Q9_Spicy   n_obs
       1   42.86%
       2   28.57%
       3   10.48%
       4   13.33%
       5    4.76%
   Total  100.00%
```

Table 6.2: Proportions of Spicy Preference

```
Pivot table
Data        : project_data
Categorical : Q10_Meals
Normalize by: total


Q10_Meals   n_obs
        1   52.38%
        2   39.05%
        3    8.57%
    Total  100.00%
```

Table 6.3: Proportions of Meals Frequency On Campus

```
Pivot table
Data        : project_data
Categorical : Q11_PlaceToEat
Normalize by: total


Q11_PlaceToEat   n_obs
             1   52.38%
             2   14.29%
             3    8.57%
             4    6.67%
             5   18.10%
         Total  100.00%
```

Table 6.4: Proportions of Meals Frequency On Campus

```
Pivot table
Data        : project_data
Filter      : Q18_DeliveryFrequency != 'NA'
Categorical : Q18_DeliveryFrequency
Normalize by: total


Q18_DeliveryFrequency    n_obs
                   1     5.882%
                   2    26.471%
                   3    23.529%
                   4    44.118%
               Total   100.000%
```

Table 6.5: Proportions of Delivery Food Frequency

```
Pivot table
Data       : project_data
Categorical : Q17_Delivery
Normalize by: total


Q17_Delivery    n_obs
           0   35.238%
           1   64.762%
       Total  100.000%
```

Table 6.6: Proportions of Delivery Preference

```
Linear regression (OLS)
Data     : project_data
Response variable    : Q19_DeliveryScore
Explanatory variables: Q20_uu1, Q20_uu2, Q20_uu3, Q20_uu6
Null hyp.: the effect of x on Q19_DeliveryScore is zero
Alt. hyp.: the effect of x on Q19_DeliveryScore is not zero

            coefficient std.error t.value p.value
 (Intercept)     68.333      5.674  12.044  < .001 ***
 Q20_uu1         -4.486      4.535  -0.989    0.326
 Q20_uu2          5.225      4.479   1.167    0.248
 Q20_uu3          0.296      4.782   0.062    0.951
 Q20_uu6          0.254      5.240   0.048    0.962

Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

R-squared: 0.051,  Adjusted R-squared: -0.01
F-statistic: 0.838 df(4,63), p.value 0.506
Nr obs: 68

Prediction error (RMSE):  15.295
Residual st.dev   (RSD):  15.89
```

Table 6.7: Regression: Satisfaction Score VS. Unsatisfied Features

```
Pairwise mean comparisons (t-test)
Data      : project_data
Variables : Q13_DurablePrice, Q12_PricePay
Samples   : independent
Confidence: 0.95
Adjustment: None


                 mean  n n_missing   sd    se    me
 Q13_DurablePrice 2.133 105        0 1.010 0.099 0.195
     Q12_PricePay 1.295 105        0 0.536 0.052 0.104

Null hyp.                  Alt. hyp.                         diff  p.value
 Q13_DurablePrice = Q12_PricePay   Q13_DurablePrice > Q12_PricePay   0.838 < .001  ***

Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
```

Table 6.8: Hypothesis Test for Prices

Services

Q15 <fctr>	Attitude <dbl>	Speed <dbl>	Environment <dbl>	Quality <dbl>
1	0.33333333	0.61904762	0.21904762	0.71428571
2	0.44761905	0.33333333	0.43809524	0.24761905
3	0.16190476	0.03809524	0.26666667	0.00952381
4	0.05714286	0.00952381	0.07619048	0.02857143
Total	1.00000000	1.00000000	1.00000000	1.00000000
5 rows				

Table 6.9: Proportions of Each Service Preference

```
Pivot table
Data       : project_data
Filter     : Q6_Frequency == 4
Categorical : Q7_TryorNot
Normalize by: total

 Q7_TryorNot    n_obs
           0  66.67%
           1  33.33%
       Total 100.00%
```

Table 6.10: Proportions of Willingness of Try Delivery Services