



CHAI SUTTA BAR

SWOT Analysis



Data Analyst Interns (Group-C)

Navya Saxena	Mayank Shakya
Jothi Bathra	Priyal Samdani
Puja Jha	Koustav Chakraborty
Manasa	Lokesh Kumar
Keval Shah	Javed Jawale
Mohit Kumar	Krati Mangal



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Existing trend of Cafe/Restaurants



The UK restaurant and food service industry had undergone a period of growth prior to the coronavirus (Covid-19) outbreak in 2020, with revenues showing an increasing trend over the years. However even before the pandemic, restaurants were struggling to survive, as many succumbed to closures in 2018 and 2019. Rising costs, reduced consumer spending, and an oversaturated market from the **boom in casual dining brands** in the preceding years, are all said to have contributed to insolvencies of independent restaurants, and the **closure of several big chain outlets**. Now, with the **uncertainty of Brexit** and an **unexpected pandemic**, the future of the industry is less known. Restaurant industry revenues were forecast to fall by around 33 percent in 2020, but the outlook suggested a full recovery by 2024.

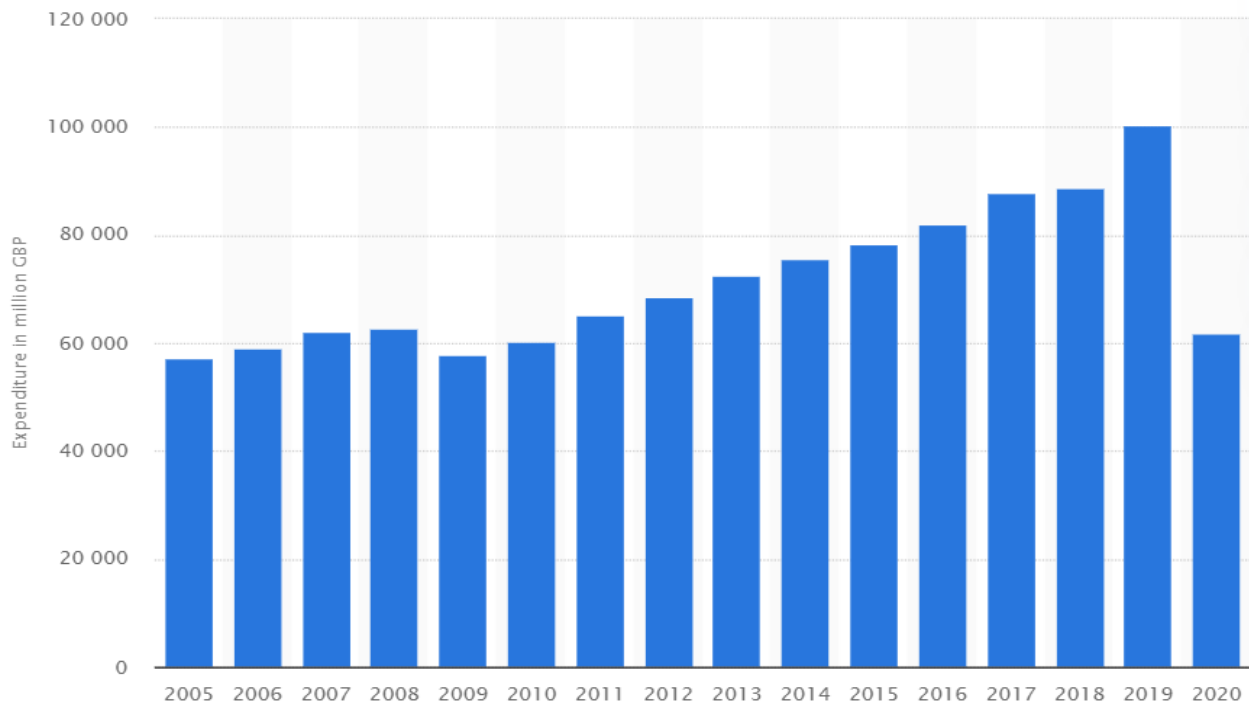
Pub, restaurants are among the most popular types of restaurants in the UK. A form of casual dining, they often sell traditional British “pub grub” such as bangers and mash, fish and chips, and Sunday roasts, or carvery dinners. Other popular restaurants include those offering **Asian cuisines**, and **pizza** and **Italian restaurants**. In fact, some of the most visited restaurant chains include such brands as Pizza Express, Pizza Hut, and Frankie & Benny’s, bakery chain Greggs is among the most popular brands, as are global fast-food giants McDonalds and Subway.



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The **Allegra report** on the independent coffee industry raised some interesting findings on why some consumers prefer independents to branded chains. 80% of independent coffee owners reported sales growth over the past 12 months, giving reasons such as coffee quality and high service levels as key to their success.

Spending on restaurants and cafes in the United Kingdom drastically declined in 2020 compared to the previous year, a decrease of 38.5% from the previous year.





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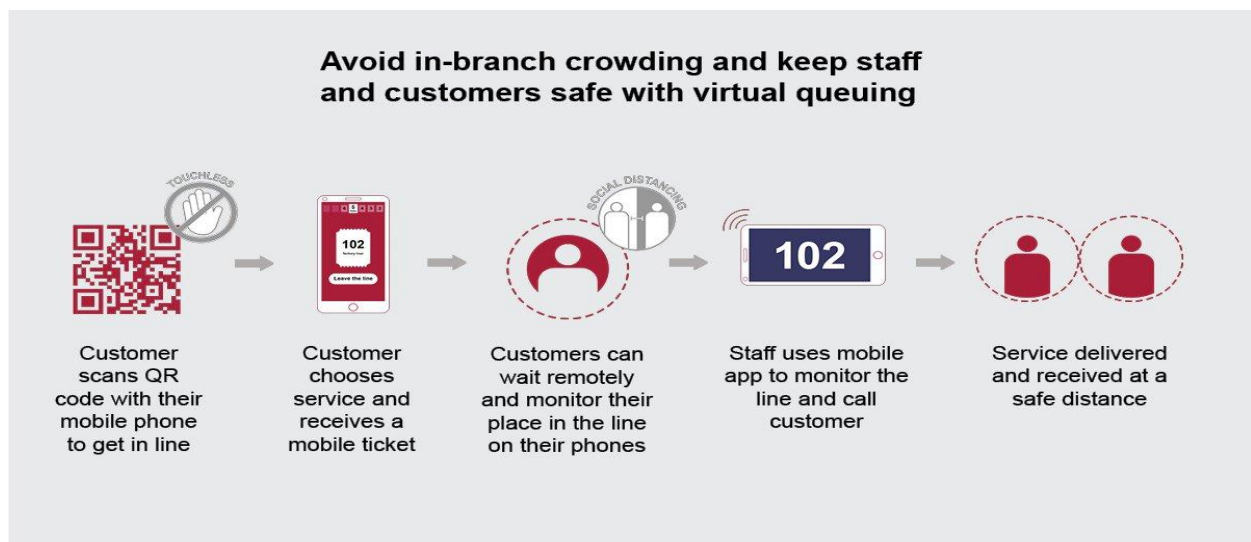
Our Strengths

We will follow high service levels, effective sales and service culture. A highly motivated staff will ensure that we remain close to our customers.

We will provide “Kulhad Chai” as a blend of tradition with modern ambience attracting Indian & Asian consumers. Kulhad also has antibacterial properties and is non-reusable.



Our strength includes technological innovations. We have adopted a unique **Virtual queue system** where customers wait in line on the phone and when your turn is about to come you get notification. This avoids huge lines, contact and is perfect during Covid.





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We will launch an unique **3D virtual website** for the franchise where you can visit a shop via phone/lap and see how it looks and make your own virtual plate and order them to your doorstep or visit the restaurant by getting attracted to its looks.



GIF Link : <https://images.app.goo.gl/vXoMgYEKBMbHroRw7>

We will emphasise more on the high ratings on review websites which is crucial to get what customers love in our service.



Finding Our Weaknesses

Opening a new franchise outlet requires historical data so limited access to marketplace data becomes a weakness for new outlets. Other issues may come like Limited market share, low brand awareness, many substitute competitive products etc.

Unlike Asian countries, Here we face a lack of affordable Potters. We have to give contracts to skilled potters. Although kulhad is our unique idea, the supply of kulhads can not be easily replaced.

People are highly diet conscious especially after the recent pandemic. And Tea is best with milk so bringing out healthy Tea recipes without compromising on good taste can be a weakness.

High Cost of living affording a shop and all the necessary items needs a lot of budget. For this particular issue, we are going to crowdfund for making our outlet more customer-friendly for the people by the people.

Although we are always keen on incorporating new innovations and dishes in our outlet, we still have a tough lot of giant competitors. We are planning for a mobile app to ease customer interactions.

By identifying weaknesses, we will realize opportunities to build strength.



Opportunities

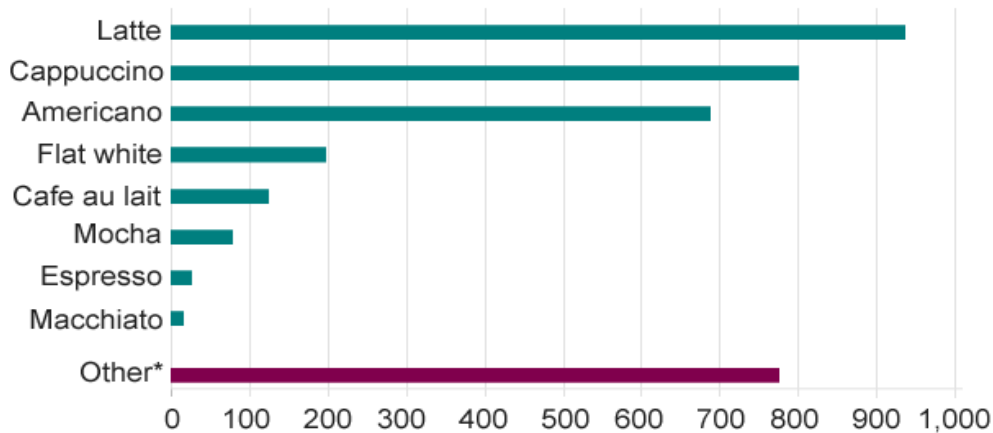
According to an estimate, people drink approximately 2.5 billion cups of coffee everyday around the world. Experts say that the figure would increase to 67% by the end of 2022. Thus Post-pandemic quick growth is expected creating suitable conditions to open a new franchise outlet or expand the restaurant chain.

To fulfill diverse customer choices we can provide a wider range of food and drinks which are UK's favourite.

UK's favourite coffee drinks

Sales, year ending 25 February 2018

■ Units sold (millions)



Source: Kantar Worldpanel. *Includes filter, granular and niche coffee drinks.

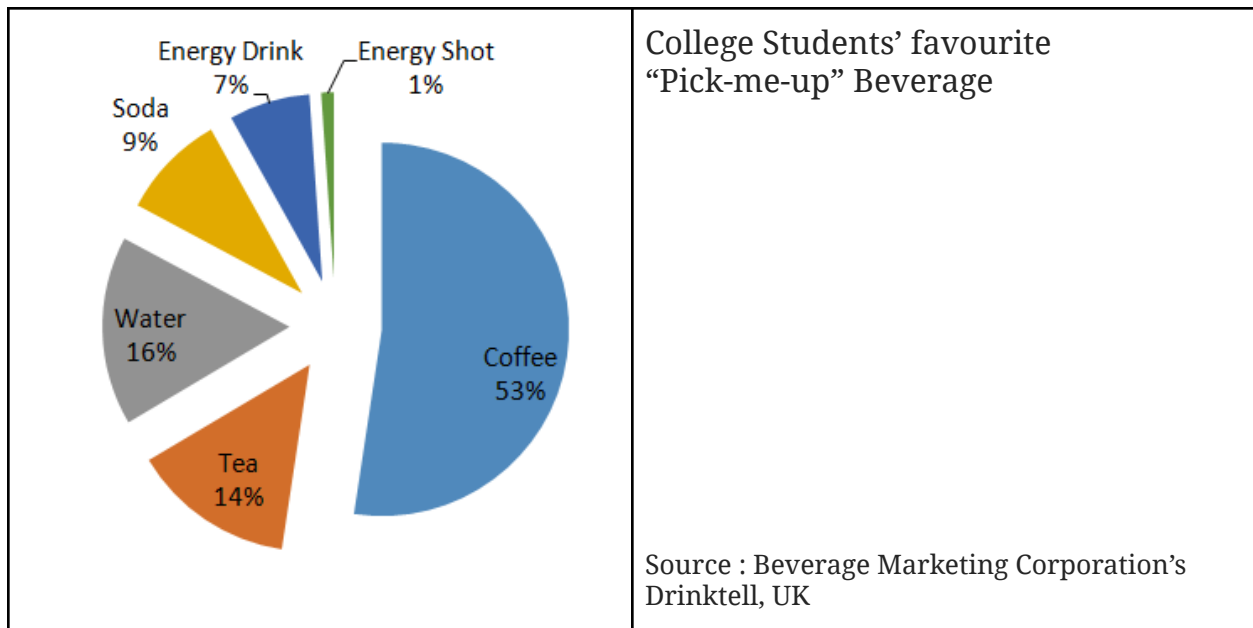
BBC

Innovation & New Techniques

With the advent of Data-driven decision making and Internet of Things we can provide technological solutions to customer problems. Smart devices using machine learning algorithms can be used to serve, monitor, data collection, taking feedback etc.



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Increase the Target Geographic Area :

Several institutions around the area provide a good number of student's population in customers. Hence tables with access to power (electricity switch board) to connect/charge their laptops and mobiles will add to our service rating.

Collaborating with other restaurants and institutions - As the location is London city center, there are various institutions in that area, so we can also collaborate with the institutions to open new outlets inside the college campuses.

Advertisement to Build Brand Awareness:

One day sample stalls providing free food products to make people taste our food. "Buy 1 get 1 free" like discount coupons and loyalty cards can also add to promoting our brand and attracting customers to try our menu.

Apart from this, we can give free merchandise like mugs, keyrings, t-shirts to represent our cafe. Later on we can even get an opportunity to start selling our merchandise.



Identifying Threats

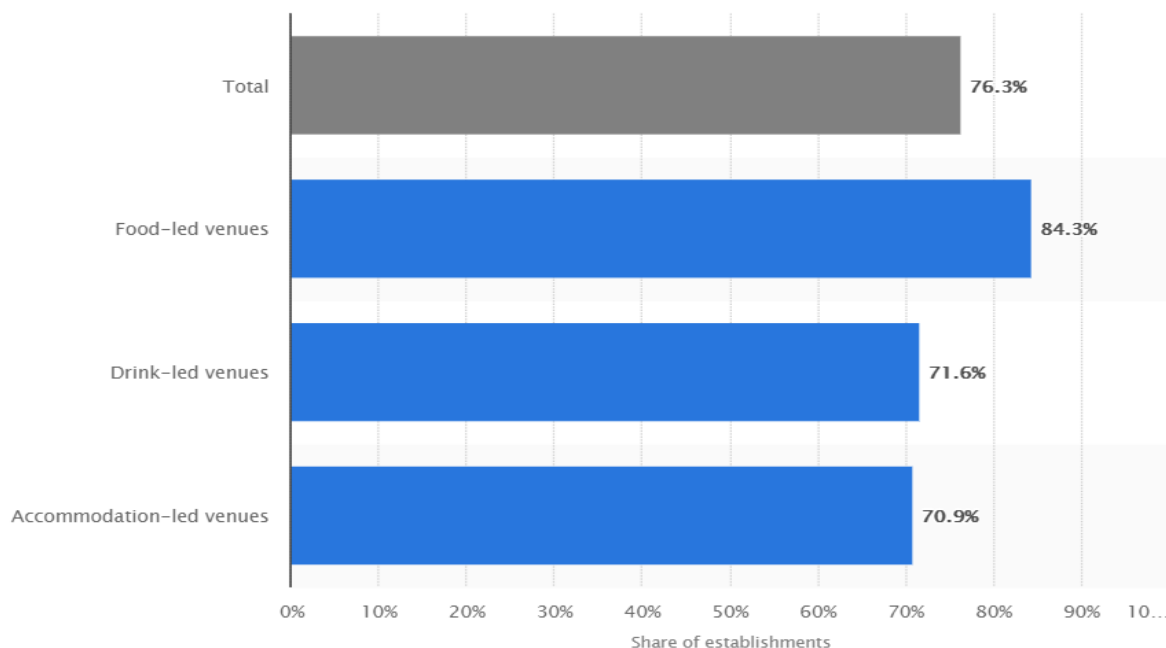
Brexit :

Since announcing the intention to leave the EU the pound has lost 15% against the Euro. The Bank of England has warned of increasing inflation risks.

A tea in Sainsbury's is now £1.10, up from £1.00; in Morrisons it's now £1.05 as opposed to £1.00, Costa have pushed the price of a small latte from £2.25 to £2.35.

Pandemic :

Measures to reduce the spread of the coronavirus proved damaging for the UK restaurant industry. The year-over-year decline in seated diners in UK restaurants went down by 82% on March 17, 2020. Only a few days later, from Friday evening on March 20, restaurants were forced to close.



84% of Food-led venues in Great Britain resumed trading as of the end of August, 2020, following coronavirus lockdown restrictions. In total, 76.3% of licensed food, drink and accommodation-led sites resumed trading activities.

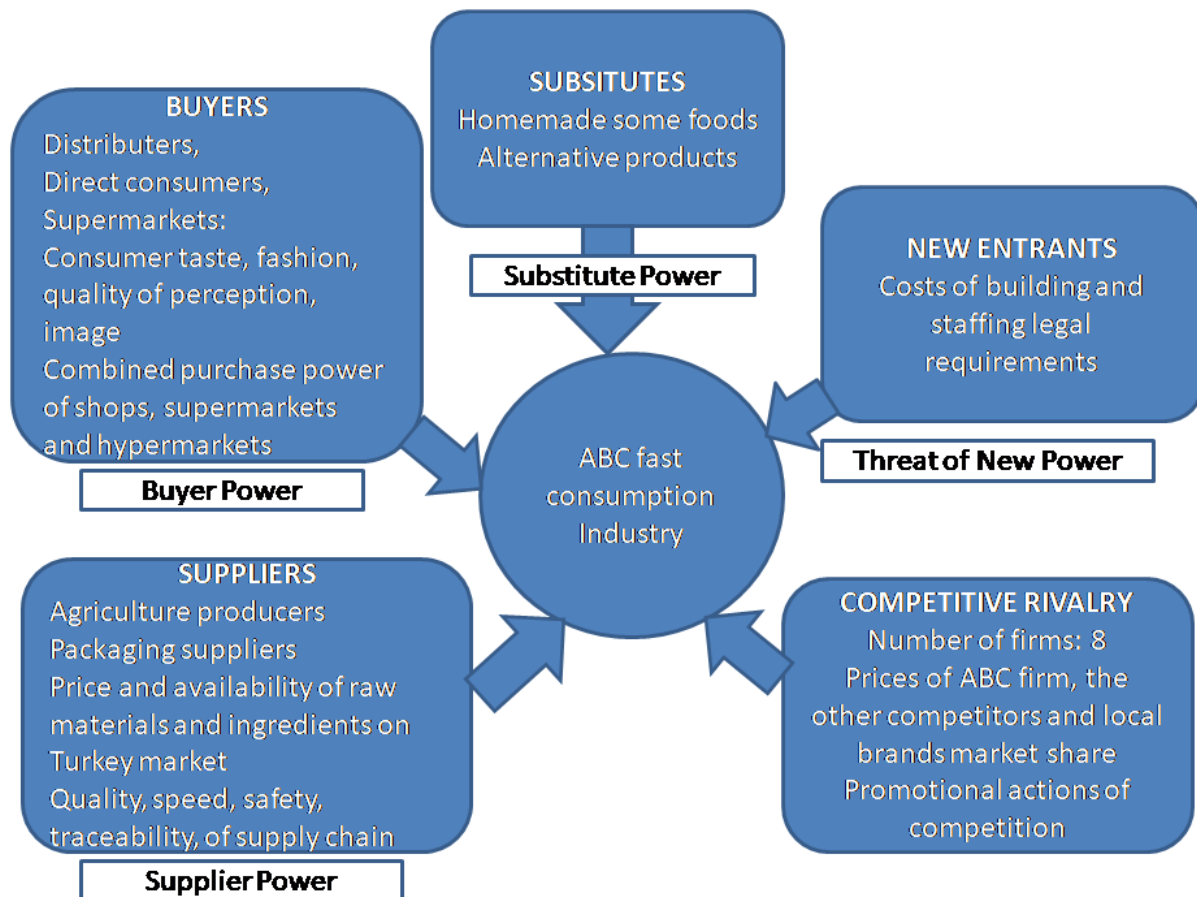
Even after resumption of activities, supplier costs have increased. Competitor behaviour has become more aggressive.



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Consumers are becoming more health and price-sensitive.

We conducted Porter's five forces analysis to determine competition and forces in the market which can create problems for us.





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SWOT Summary

STRENGTHS	WEAKNESS
High Service Levels Kulhad Chai Highly Motivated Staff Close to the customer High ratings on Customer review websites High Quality products Virtual Queue System Effective Sales and Service Culture 3D Virtual website Positive attitudes to the Brand Team-based culture Good Corporate Culture Attractive store design/layout Strong net-promoter scores	Limited access to Marketplace data Low brand Awareness Limited Market share Lack of affordable potters Broad Competitive Set Weak Financial reserves Health and Price sensitive Consumers Many Substitute Competitive Products Tough lot of Giant competitors Limited Social media access Weak bargaining power with suppliers
OPPORTUNITIES	THREATS
Wide range of Foods and drinks Build our brand awareness Grow customer loyalty Expand our number of stores/Outlets Add more product line extensions Innovation and new techniques Collaborating with other restaurants Demand of Home delivery Create Consumer "Love" for our Brand Develop an innovation culture Build stronger customer relationships Discount coupons and Loyalty cards Free merchandise to promote our café Develop relationship with online influencers	Limited Profit Levels Increasing Inflation risks Increase in Supplier costs More aggressive competitor behaviour Brexit and Geopolitics Pandemic and new wave Competitors targeting our key customers Consumers being more price sensitive Organic Homemade foods



Break Even Point Analysis

Breakeven quantity is the number of incremental units that the firm needs to sell to cover the cost of a marketing program or the other types of investment. Breakeven analysis imparts discipline into marketing decision making.

While calculating the breakeven point for a venture at the London City Center, London , UK following points were taken into calculation:-

- Initial Investment,
- Operating costs,
- Ordering costs,
- Variable costs and
- Selling Price

Ideally to calculate break even point , 3 components are essential i.e Fixed costs, Variable costs and Sales price per unit .These go into the formula as follows:-

$$\text{Break Even quantity} = \frac{\text{Fixed Costs}}{(\text{Sales price per unit} - \text{variable cost})}$$

The components are calculated as follows:-

1. FIXED COSTS

Under fixed cost rent to be paid for the venture location, salaries to the employees, Insurance & Electricity, Costs to purchase raw materials etc. are added. This cost includes Initial Investments cost, Operating costs and Ordering Costs.

According to our analysis following are the calculations -



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S No	Component	Cost (in Euro)
1	Salaries to employees (taking 12 employees at work 17016*12)	2,04,192
2	Rent for the site of Venture (for a place like London City Center pa)	1,50,000
3	Cost to purchase Raw Materials(Tea Leaves,Coffee Powder,sugar,salt,milk,buns etc for a month*12)	129610
4	Furniture (Chairs £ 80*30= £ 2400 & Tables £ 90*15= £ 1350)	3750
5	AC+Radiant Heaters	3000
6	Other Expenses	2500
7	Insurance+Electricity (pa)	1880
8	Fridge	1500
9	Machines (Tea Machine,Coffee Machine,etc)	1000
10	Various Taxes	1000
11	Computer(s)	600
Total		4,99,032

(We have taken all the data for costs from UK owned websites to get values as close to reality.)

From our analysis we found that the total Fixed Value for a venture will be close to £4,99,032.

For easy calculation we have taken the Total Fixed Value to be £5,00,000 .

2. VARIABLE COST

These are the costs incurred to create one unit .

After studying the costs of all materials that go into producing one unit , we have estimated the cost of one unit to be £66. This cost includes tea/coffee and snacks that can generally be ordered by a customer.



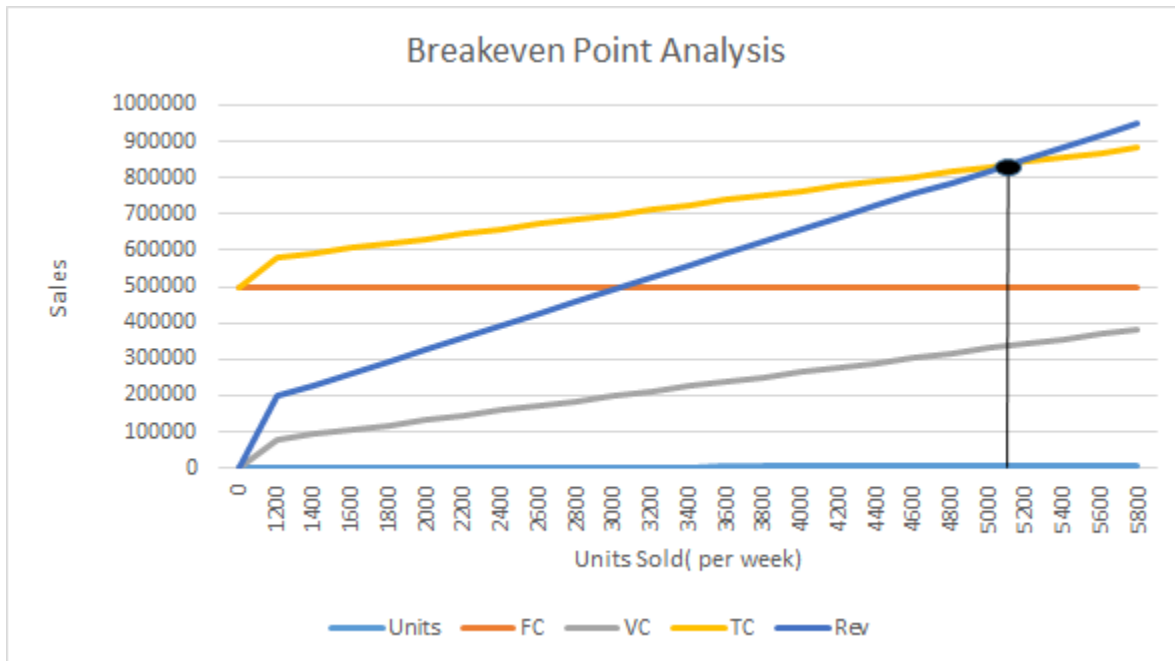
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3. SELLING PRICE

It is the Selling price (unit selling price) of one unit.

Analysing the amount of raw material it takes to create one unit and all the taxes levied by the government, we have arrived at an approximate Selling price of £164 per unit.

Taking all the 3 prices we have the following observations.



In the above break even analysis graph, the black vertical line shows break even point on x-axis i.e Units sold per week.

For a venture to achieve break even point, it will have to sell 5102.041 units or approximately 5102 units.

According to the costs and units sold per week the venture will achieve its break even point by 21st to 23rd week that is approximately **5 to 5.5 months**.



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References :

Sources for Break even Point analysis

For salaries of employees

https://www.glassdoor.co.uk/Salaries/cafe-worker-salary-SRCH_KO0,11.htm#:~:text=How%20much%20does%20a%20Cafe%20Worker%20in%20United%20Kingdom%20make,per%20year%20in%20United%20Kingdom.

For electricity and other bills

<https://www.ovoenergy.com/guides/energy-guides/the-average-gas-bill-average-electricity-bill-compared.html>

To get rent price of a cafe

https://www.rightbiz.co.uk/cafes-for-sale-in-london.html?radius=5&adwords=1&gclid=Cj0KCQjwxJqHBhC4ARIsAChq4asmx60OUIMadGmwqN8qw7QboYt7nEDPBTCCE0kK-gmAHRJYJ3lZtckaAlaIEALw_wcB

To estimate price of furniture

https://contractfurnitureexpress.co.uk/?gclid=Cj0KCQjwxJqHBhC4ARIsAChq4au92c74IuD P-ijZ97sGYXM9gg-MFkafjRiwyTO2LYBtmvatBjOqncEaAouOEALw_wcB

To estimate prices of AC and others

https://www.topten.eu/private/products/air_conditioners

To estimate Computer and machines prices

https://www.ergo.co.uk/zoostorm/zoostorm-desktops/?gclid=Cj0KCQjwxJqHBhC4ARIsAChq4atSQ45DgMEUAQEHAAILDs7ZrN-31b3RbzDGyFXa55lxB7aRyAKYjiYaApZ2EALw_wcB