

# *Model of Analysis of Restaurant Services' Regional Market in Context of Intercultural Communication*

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**Abstract**—The necessity of assessing the competitiveness of the restaurant services regional market in the context of intercultural interaction is substantiated. It provides a possibility of identifying the market as strategically attractive. The Orel region is chosen as the object of study. The intensity of the industry's competitive forces is determined using the M. Porter model. The maximum level of threat is marked by the "substitute goods". The threat from new players, the threat of losing current customers, the threat from suppliers and the threat of intra-industry competition are on average. In general, the situation in the regional market under study is marked as relatively favorable. The results can be used to develop strategies for the development of enterprises and build long-term plans for the future.

**Keywords**—competitiveness; business; market; national restaurant; intercultural interaction

## I. INTRODUCTION

Currently, there is a real boom in the development of restaurants of national cuisines. It is safe to say that this has become a fashion trend in the development of catering. Ethnic restaurants have become a cultural and social phenomenon. In Moscow alone, more than 1.1 thousand catering enterprises represent the national cuisines of 43 countries of the world [1]. The leaders among institutions of national cuisine are the restaurants of Russian cuisine (280 enterprises), Japanese cuisine (175 enterprises), Chinese cuisine (111 enterprises), Italian cuisine (103 enterprises). However, this situation is typical not only for metropolitan restaurants, but also for

regions [2, 3]. An example of this is the city of Orel. Considering all the existing catering enterprises in Orel in the context of gastronomic culture, it can be noted that for the city the same tendencies are characteristic as for the whole country. Here dominate catering enterprises with Italian, Japanese, Eastern, Caucasian, American cuisine. The development of the restaurant business in the context of national interaction can lead not only to expanding the business, but also to popularizing the traditions and culture of other nations [4–8]. In general, the situation on the market of national food in the city of Orel is quite favorable. And there are objective conditions for its further improvement. On this basis, studies of the competitiveness of enterprises in the restaurant industry specializing in national formats become relevant.

## II. MATERIALS AND METHODS OF RESEARCH

Prospects for the development of one or another industry can be determined using the model of five competitive forces of Michael Porter. The proposed method allows determining the intensity of competitive forces in the industry. According to this theory, the market has five driving forces that determine the further development of the industry and the possible level of profit. M. Porter identified the following driving forces: the buyer's bargaining power; the vendor bargaining power; the threat of invasion of new members; the risk of substitute goods; the level of competition or intra-industry competition [9–11].

The use of the M. Porter's model of five forces allows not only to analyze the state of the industry, but also to build long-

term plans for the future. As a part of this study, the M. Porter model was used to assess the prospects for the development of the restaurant business in the city of Orel in the context of intercultural interaction [12–14].

### III. RESULTS AND DISCUSSION

The following results were obtained during the analysis. To assess each of these five forces, the corresponding matrices were constructed. Inside the matrix, each parameter is rated on a scale, where 3 points is a powerful force, 2 points is an average force, and 1 point is a weak force.

The first force is the threat of invasion of new players. It allows you to determine the possibility of the emergence at the market of new catering enterprises specializing in national cuisine and focused on the promotion of ethnic traditions. Evaluation of the threat of entry of new players into the market is presented in Table I.

Saving on scale implies that a larger volume of production leads to lower costs per unit of production. Accordingly, in such a situation, it will be difficult for new players to achieve high profitability when entering the market.

As for Orel catering enterprises that specialize in national cuisines, only a few market players have economies on scale in the production of goods or services. First of all, institutions focused on the American model of nutrition, i.e. fast food restaurants should be attributed to this category. Indeed, these enterprises have rather large production volumes. In addition, they do not specialize in complex dishes, do not use expensive and exotic ingredients. This is the reason for the relatively low cost of meals. Also, such enterprises have a very democratic interior.

A similar situation is seen in institutions offering Japanese cuisine. There are also large volumes of production. Many sushi bars in addition serve directly in the restaurant practice selling food takeaway and home delivery. However, such institutions as a rule have more expensive interior, they often use expensive ingredients. If we speak about restaurants offering Caucasian, Eastern, Italian cuisine, then they do not have economies on scale in the production of goods or services.

In the segment of national cuisine institutions at the Orel catering market, now only a few large players can be identified. They can be categorized as “strong brands with a high level of knowledge and loyalty”: these are, first of all, the McDonalds network known all over the world. A network like Burger King is quite popular. In the category of institutions offering Japanese cuisine, the most well-known network is that of Autosushi cafes with the delivery, which exists in 22 other cities of Russia in addition to Orel. Among the local large and recognizable brands are the Italian restaurant Mezzanine and the Fusion restaurant, which offers four national cuisines.

The parameter of differentiation of services in the segment of national restaurants is at an average level. On the one hand, in Orel there are widely represented catering establishments belonging to ethnic (Russian, Japanese, Italian, Caucasian, oriental cuisines), and on the other hand, there are niches not occupied by players. In this regard, new players have the opportunity to fill empty niches, thereby increasing the variety

of services in the industry. For example, Chinese, Mexican, Thai and other cuisines are not represented at all. In Orel, the emphasis is still made on more traditional cuisine, than on exotic one.

TABLE I. EVALUATING THE THREAT OF THE ENTRANCE OF NEW PLAYERS

Parameter	Parameter value, points		
	3	2	1
Saving on the scale in the production of goods or services	Does not exist	only a few market players have	significant
		2	
Strong brands with a high level of knowledge and loyalty	no major players	2-3 major players hold about 50% of the market	2-3 major players hold over 80% of the market
		2	
Product differentiation	low level of product diversity	there are micro niches	all possible niches are occupied by players
		2	
Level of investment and cost to enter the industry	low (pays off in 1-3 months of work)	average (pays off in 6-12 months of work)	high (pays off more than 1 year of work)
			1
Access to distribution channels	access to distribution channels is fully open	access to distribution channels requires moderate investments	access to distribution channels is limited
	3		
Government policy	no restrictive acts by the state	the state intervenes in the industry, but at a low level	the state fully regulates the industry and sets restrictions
		2	
Industry growth rate	high or growing	slowing down	stagnation or decline
		2	
The willingness of existing players to lower prices	players will not go to lower prices	big players won't go for price cuts	any attempt to enter a cheaper offer existing players reduce prices
		2	
Total:		16	

The level of investment and costs to enter the industry is very high. Catering enterprises do not fall into the category of quickly paid off; therefore, a high initial level of investment for entering the industry is an obstacle for new players.

In terms of the difficulty of reaching the target audience, the segment of national restaurants is very attractive for new players; access to distribution channels is completely open.

Currently, the state in some way intervenes the industry. First of all, this may include the policy of import substitution. After the introduction of a number of states of sanctions against Russia and counter-sanctions on the part of our country, catering enterprises specializing in national cuisines had certain problems. In particular, there were difficulties associated with the acquisition of certain food products and ingredients that had previously come from foreign countries. Also, sharp fluctuations in the national currency led to a rise in prices for

imported products. All these difficulties can significantly reduce the attractiveness of the industry for new players.

The growth rate of the industry can be considered slowing down. In Orel one can see the withdrawal of some catering establishments from the market. For example, the famous sushi bars “Japan,” “Katakana” and some other national institutions were closed. The economic crisis dictates its own rules.

As for the willingness of existing players to reduce prices, the big players will not go for it. They are fairly confident in their reputation among consumers, have built up their customer base. Therefore, they do not see the emergence of new players as a threat.

As a result, the threat of entry of new players corresponds to the average level (8 points - low level, 9-16 points - average level, 17-24 points - high level).

The second power is the bargaining power of buyers (Table II). They are able to exert a strong influence on the competitiveness of goods, services, enterprises by the degree of satisfaction with their needs.

TABLE II. THE BARGAINING POWER OF THE BUYER

Parameter	Parameter value, points		
	3	2	1
Proportion of buyers with high sales	over 80% of sales accounted for several customers	insignificant part of clients keeps about 50% of sales	sales are evenly distributed between all customers
Propensity to switching to substitute products	the product is not unique, there are full analogues	the product is partially unique, there are distinctive features that are important to customers	the product is completely unique, no analogues
Sensitivity to price	the buyer will always switch to a product with a lower price	the buyer will switch only with a significant difference in price	the buyer is absolutely not price sensitive
Consumers are not satisfied with the quality of the existing market supply	dissatisfaction with the key characteristics of the product	dissatisfaction with the secondary characteristics of the product	total satisfaction with quality
Total:	7		

Sales volume is evenly distributed among all customers. As research has shown, different customers have their own feeding formats. American cuisine (especially fast food) is preferred by young people, but among the admirers of the Caucasian, Eastern, and Italian cuisines there are mostly older people [15–17]. All these institutions are not elite and are designed for middle-income people. Therefore, it is impossible to single out the part of consumers that provide a greater volume of sales [18–20].

There is a partial tendency of consumers to switch to substitute products. On the one hand ethnic institutions have a certain uniqueness that distinguishes them from ordinary catering enterprises, but on the other hand there is competition

within the segment of national enterprises. At any time, a dissatisfied consumer may switch to another manufacturer or vendor. Thus, a product can be considered partly unique, having distinctive characteristics important to customers.

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Buyers demonstrate high price sensitivity, and have a high need to lower their costs in the future. This is especially true during a crisis. Visitors, as a rule, choose places because of their uniqueness, exoticism [21–23].

At the same time, this group of consumers cannot be considered absolutely insensitive to price. Most likely, the buyer will switch to cheaper catering institutions only with a significant difference in price.

Consumer satisfaction with the quality of existing catering market is on average level. As noted above, in general, the city of Orel presents the most popular national cuisines and food formats among Russians. However, consumers tend to show some dissatisfaction with certain secondary characteristics of the product, so the buyer's bargaining power is at an average level [24]. The bargaining power of the buyer corresponds to the average level (4 points - low level, 5-8 points - average level, 9-12 points - high level).

The third force is the market power of suppliers (Table III). Suppliers can influence the competitiveness of a company's product on the market, as they own resources for the production of goods in the industry. Catering enterprises specializing in the ethnic concept have a wide choice of suppliers. The resources of these providers are unlimited. However, when switching to other suppliers, problems may arise. Thus, the policy of Russia and some foreign countries concerning the food embargo within the framework of sanctions and counter sanctions can significantly increase the costs of catering enterprises when purchasing raw materials. At the same time, the restaurant business is of high priority for many suppliers.

TABLE III. EVALUATION OF THREATS FROM SUPPLIERS

Parameter	Parameter value, points	
	2	1
Number of suppliers	few suppliers or monopoly	wide choice of suppliers
Resource limitness of providers	volume limitations	unlimited scope
Switching costs	high costs of switching to other suppliers	low costs for switching to other suppliers
Priority of direction for the supplier	low industry priority for the supplier	high priority of the industry for the supplier
Total:	5	

Threat from suppliers corresponds to the average level (4 points - low level, 5-6 points - average level, 7-8 points - high

level). Thus, the average level of influence of suppliers on the industry is noted.

The fourth force is the appearance of substitute goods (Table IV). Substitute goods limit the market potential in terms of price increases. Usually, substitute goods have an impact on the establishment of the upper limit of market prices, which in the face of rising costs of production and raw materials reduces the profitability of companies.

TABLE IV. EVALUATION OF THREATS FROM SUBSTITUTE GOODS

Parameter	Parameter value, points		
	3	2	1
Goods-substitutes "price-quality"	exist and occupy a high market share	exist, but only entered the market and their share is small	do not exist
Total:	3	3	

As noted above, in the city of Orel there are a large number of catering enterprises of various types. The city accounts 54 seats per 1000 population. The rate exceeds the standard of offer by 35%. First of all, as substitutes for ethnic restaurants, one can consider enterprises that do not have a pronounced national concept. The share of such institutions is great. They are able to attract consumers with affordable prices, a wide range of dishes, a rich and interesting entertainment program, high quality service, interiors, etc. As for national dishes, many catering establishments that do not have national specialization include ethnic dishes that are most popular with consumers on their menus. Traditionally, these are dishes of Caucasian and Oriental cuisine, such as kebab, pilaf, manti, shawarma, etc. In many restaurants and cafes, and not only in specialized sushi bars, they have recently begun to offer sushi and rolls. Pizza and pasta can be served not only in Italian restaurants. This trend creates a certain threat to the national catering enterprises, so the level of threat from substitute goods is high (1 point - low level, 2 points - average level, 3 points - high level).

The fifth force is intra-industry competition (Table V). The rivalry among existing competitors is all about the desire to improve their position in the market by any means, to attract consumers [25].

In the city of Orel, there are fast-food chains promoting the American food format, and more reputable restaurants offering American cuisine. This includes sushi bars introducing consumers to the Japanese diet. Restaurants of Caucasian and Oriental cuisine are opening. There are also various types of enterprises specializing in Italian dishes. However, this niche is not yet completely filled. It can be said that only a few national cuisines are represented. The segment of more exotic gastronomic trends is undeveloped.

Chinese, Mexican, Thai and other cuisines are not represented in Orel. Therefore, the market saturation with players is at an average level.

The growth rate of the market is slowing, but the market is still growing. This is evidenced by official statistics. There are new catering establishments, but at the same time, some players who existed before are leaving. The slowdown in market growth is largely due to the economic crisis.

TABLE V. EVALUATION OF THE INTRA-INDUSTRY COMPETITION LEVEL

Parameter	Parameter value, points		
	3	2	1
Number of players	high market saturation	average market saturation	small number of players
Market growth rate	stagnation or decline in the market	slowing but growing	high
The level of product differentiation on the market	companies sell standardized goods	the product on the market is standardized by key properties, but differs by additional benefits	the products of the companies are significantly different
Price increase restriction	tough price competition in the market, there are no opportunities to raise prices	there is an opportunity to raise prices only to cover the growth of costs	there is always an opportunity to raise prices to cover cost increases and increase profits
Total:		2	8

The level of product differentiation in the market is also average. On the one hand, the proposals of national food institutions are unique, different from traditional ones, but on the other hand, a certain standardization is observed within the niches themselves. For example, if we consider Japanese restaurants separately, they all have a similar interior, the same dishes on the menu, etc. The same situation can be traced in other formats, for example, Caucasian, Eastern, American, Italian. They differentiate when comparing one cuisine with another, but are fairly standardized within their segment.

TABLE VI. RESULTS OF MARKET ANALYSIS

Parameter	Value	Description
The threat of new players	Average level	This industry is very attractive for new players. Not all niches are occupied. But in some cases, business investment can be high.
The threat of losing current customers	Average level	The services offered by national institutions are quite unique, but if prices rise or customer dissatisfaction rises, there is a risk of losing them.
Supplier Threats	Average level	There is a certain stability, but at the same time there is a threat of losing suppliers. Switching to new suppliers may increase costs.
Threat from substitute products	High level	The great diversity of both national catering enterprises and traditional ones significantly increases the risk of switching customers to "substitute goods".
The threat of intra-industry competition	Average level	Enterprises specializing in national cuisine compete both with traditional establishments and within their niches. However, the market is still not fully saturated.

The opportunity to raise prices exists only in the framework of covering the growth of costs. In general, price competition is different in various niches of national gastronomy. Stricter price competition may exist in the segment where there are more similar enterprises offering similar products. First of all, this applies to fast food restaurants and sushi bars. Restaurants, distinguished among others by their concept and differing from competitors, have the opportunity to raise prices both to cover cost increases and to increase their own profits [26, 27]. As a result, intra-industry competition corresponds to the average level (4 points - low level, 5-8 points - average level, 9-12 points - high level).

As a result, intra-industry competition corresponds to the average level. Final results of the study are summarized in Table VI.

#### IV. CONCLUSION

Thus, the use of the M. Porter model, adapted for the analysis of the regional restaurant services market in the context of intercultural communication, made it possible to draw the following conclusions:

- the industry is very attractive for new players. Not all niches are occupied, but in some cases business investment can be high;
- all services offered by national cuisine institutions are quite unique, but if prices rise or customer dissatisfaction increases, there is a risk of losing them;
- there is a certain stability, but at the same time there are threats of losing suppliers. When switching to new suppliers, costs may increase;
- a large variety of both national catering enterprises and traditional ones significantly increases the risk of switching customers to "substitute products";
- enterprises specializing in national cuisine compete both with traditional establishments and within their niches. However, the market is still not fully occupied.

The findings and proposals may further be used as the basis for the development strategy of the industry.

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