

Economies of scale

The entry of new competitors from small businesses have low margins or can't get a large volume of sales that allows them to reduce costs to compete with the structure of the company, so it's likely the entry of new competitors that are also franchises. Therefore, the entry of chains or franchises in this type of industry in the area are a major threat to TGB, as they can have easier access to distribution channels, reduce costs, development in marketing and that the customers find it inexpensive to change to the new competitors, by this part is likely that new competitors may appear, but it is not easy to meet all the requirements for opening a franchise.

Threat of substitute products: Replacement products are those that satisfy the same need and are different. Customers switch easily to alternative products, because there is high competition in this market of fast food and more and more competitive prices. It is worth noting that pizza is one of the main substitutes, although in recent years it is gaining strength alternative products such as kebabs, snacks and sandwiches. Customers have low switching costs to switch to substitute products; therefore, the threat of switching to a substitute product is high. Competition is constantly developing new innovative products to attract new customers. Also, two large competitors like McDonalds or Burger King have easier access in order to buy their directly from the car without entering the facility. Other companies offer delivery services, some fast food establishments close later in certain seasons or even have 24-hour service to attract more customers. All the mentioned reasons could be a great threat, making customers to switch. Regarding the product quality, it is decisive in the choice of buyers; the public is more concerned about their health and looking for other alternatives such as gourmet products. The Good Burger Company offers gourmet products, ensuring good quality at a good price and innovating products with a New Yorker reference; therefore, the threat of substitutes is smaller.

Rivalry between competitors: The level of competition that exists in this market can be addressed by two approaches, as The Good Burger has entered a market in between gourmet burgers and fast food. First, if we focus on the fast-food market, we can say that the number of companies competing in this sector is very high; therefore, the rivalry between competitors is higher. On the other hand, if you look at the fast food market in gourmet products, currently there isn't a lot of competition in this market with quality products, because there aren't still many companies that serve fast food and provide gourmet products, then, the differentiation of gourmet product and not being as

standardized as other products in the market makes, the rivalry between competitors, less.

2.3. ANALYSIS OF THE COMPETITION

2.3.1. LEVELS OF COMPETENCE

The Good Burger competition consists of all operating companies in the sector of fast and gourmet food products. Competition from a consumer perspective can be set to four levels as we can see in Figure 8 and then describes each level of competence.

Figure 8. Levels of competence of TGB



Competition in product form: In this first level of competition is where the biggest rivalry exists because those companies are offering the same type of product with similar attributes and head for the same product-market. In this case we find companies such as Plan B and The BocaVaca, both companies offer gourmet burgers in Castellon. Because of the similarities of product type, TGB must convince the market segment that their product is better than the competitors.

Competition in product category: In the second level of competition are found all those similar products which have one or more different attributes from the product offered by The Good Burger. At this level are included companies like McDonald's,

Burger King and Forster's Hollywood, the main difference is that the burgers contain high levels of preservatives and chemicals.

Generic competition: At the third level are included the substitutable products that satisfy the same basic need of TGB's consumer. In such level are fast food companies like Telepizza, 100 Montaditos and Pans & Company. The products offered by these chain restaurants are not the same products as TGB, but satisfy the need for a service and fast-food.

Budget: At this last level are considered those products or services that compete for the same customer budget.

2.3.2. MAIN COMPETITORS

The catering sector and the fast food segment are characterized by a strong competition, plus the number of companies with a recognized trademark in this sector is also high. It is true that The Good Burger has been introduced in a market between fast-food and gourmet products and is a less standardized market, but it is necessary to analyze briefly the main competitors that have the same attributes as the products offered by TGB and other companies that have the same product but with different attributes and can act as a substitute product. The main competitors are:



McDonald's is the most famous chain of hamburger restaurants and has a high percentage of market shares. It has a big number of products in its establishments, although the main products of McDonald's are the burgers. The products offered are:

Figure 9. Product lines "Mc Donald's"



Source: own elaboration. Data: Website Mcdonald's

There is also another product line, "Breakfast", which lets you choose between 2 burgers, three types of croissant or three different toasts. Finally, this line also has two types of donuts and two muffins. The variety of healthy food is scarce. The company targets all market segments, which are young people, adults and families with children. The best-selling product is the menu including burger, fries and drink. The average price of the menu is about 7 euros.

McDonald's restaurants are located in high-traffic areas such as shopping malls, airports and in city centers. They have the "McAuto" service in many establishments so that consumers can make their purchase of products without having to get off the car and leave. On Friday and Saturday they have 24-hour service to offer their products. They also have "easy order" service to make faster orders via a touch screen at the local and avoid the queues at the establishment although payment has to be by credit card.

The advertising actions of McDonald's are excessive, through television commercials, outdoor brand advertising, discount brochures, limited date's promotions, social networks, app and web, gifts given in the children's menu, and more actions taken to reach more customers and boost sales. It is worth noting that this chain targets children. In most restaurants they have included playground areas for children, and gifts and a childish packaging for the kid's menu.



Burger King is the second largest hamburger chain in the world after McDonald's; the features of this company are similar to McDonald's. This fast food chain has the following products:

Figure 10. Product lines " Burger King"



Source: own elaboration. Data: Website Burger King

Burger King has renewed its corporate image aiming for a more youthful concept; the company target audience is mainly composed of young adults and families with children. The average menu price is €7.37 and around €4.32 for a single burger. Burger King has home delivery service and the "Autoking" service to collect food by car. In Burger King there is self-service drinks machine for the customer to fill his drink whenever he wants, provided you have paid the first drink. The communication mix that has Burger King is also high, including television ads, social media, web page, discounts, product promotions, gifts for children, and advertising in the cities. This company has very similar features as McDonald's, and it also focuses on children's marketing, gifts of toys or movies, childish packaging, themed birthday celebration with gifts, invitation's cake for guests, and surprises for the guests.



Pans and Company, working under the design concept of being fast casual and it offers sandwiches with typical Mediterranean food ingredients. It addresses all market segments. Next are shown the product lines of the franchise:

Figure 11. Product lines "Pans & Company"



Source: own elaboration. Data: Website Pans & Company

Pans & Company has also menus for adults and children, containing a sandwich, drink and chips or salad; it also has products exclusively for breakfast and lunch. The average ticket for an individual menu is €6, and it has Pans & Auto Service, although this service is currently only in two cities in Spain. The promotions usually are discounts that can be downloaded on the website and a variety of products at €1. On the other hand, this company shows a great concern for healthy eating and each sandwich is described by its nutritional information.



Telepizza is classified as indirect competition because it satisfies the same consumer need; it is the main competitor of substitutable products instead of burgers. Telepizza is a pizza restaurant chain with a strong presence nationwide and is aimed at all segments. The products offered are:

Figure 12. Product lines “Telepizza”



Source: own elaboration. Data: Website Telepizza

The company has 21 different menus to choose for one person or several people. The main service of Telepizza is home delivery, although you can also eat on site. It is a major consumer choice of most buyers because of the convenience of the home delivery.

Telepizza’s minimum price is € 6.95, and the average price of a medium pizza is 16 €. As for promotions, this franchise has done continuously promotions such as 2x1, 50% 3x1 crazy Tuesday or Sunday in order to reach more customers and does promotions on special days, such as heart-shaped Valentine’s pizza. The communication mix of Telepizza is through television ads, flyers in mailboxes, social networking, website, aerial advertising, and outdoor advertising on billboards or signs.



100 montaditos belongs to the Restalia Group, as the company that we are studying, but despite being a brand of Restalia Group, it is also an indirect competitor for The Good Burger. This company is a chain of restaurants selling 100 different types of sandwiches. The products this company has are:

Figure 13. Product lines “100 montaditos”



Source: own elaboration. Data: Website 100 montaditos

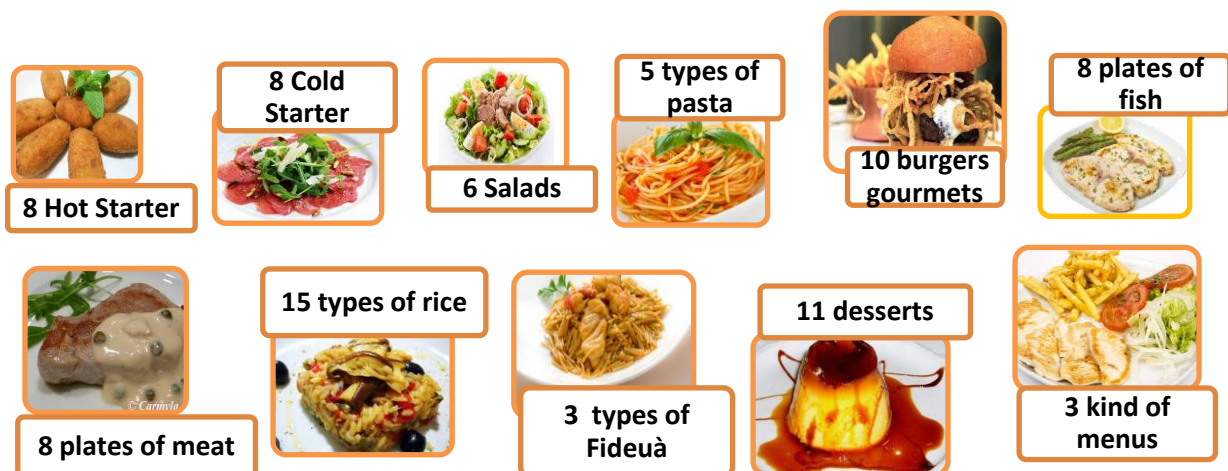
The price of the sandwiches ranges from €1, to €2, depending on the montadito, but the average ticket is lower than the rest of the catering sector. This chain of restaurants is located in high-traffic areas and has several promotions every Wednesday and Sunday when they sell all their sandwiches at €1, on Mondays they also have sandwiches at €0.50, and finally they have the tablamanía for €5.

100 montaditos can be found in social networks and through its website. On the other hand, it also advertises in its own establishments about the promotions.



Plan B is a restaurant with fine dining and cutting edge cuisine in Castellon. It offers quality products and has gourmet burgers, but isn't a fast-food company. The product lines that Plan B has are numerous, and are the following:

Figure 14. Product lines “Plan B”



Source: own elaboration. Data: Restaurant menu

The burgers are made from high quality fresh meat, bread is baked on site and the presentation of the burgers is creative. The average price of a hamburger is 8 euros, which doesn't include more products. The design of the place has a modern and elegant atmosphere; the restaurant is open from Tuesdays to Sundays, only lunch and dinner are served. The mix of communication they have is through the website and social networks.



La BocaVaca is a gourmet burger restaurant located in the center of Castellon. They have a large assortment of beef, ox and chicken burgers, characterized by its craftsmanship, high quality product and the developing of new burgers. Customer service is a bit slower than the fast food chains, but the product presentation is creative and neat. The product lines that BocaVaca offers are:

Figure 15. Product lines “La Bocavaca”



Source: own elaboration. Data: Restaurant menu

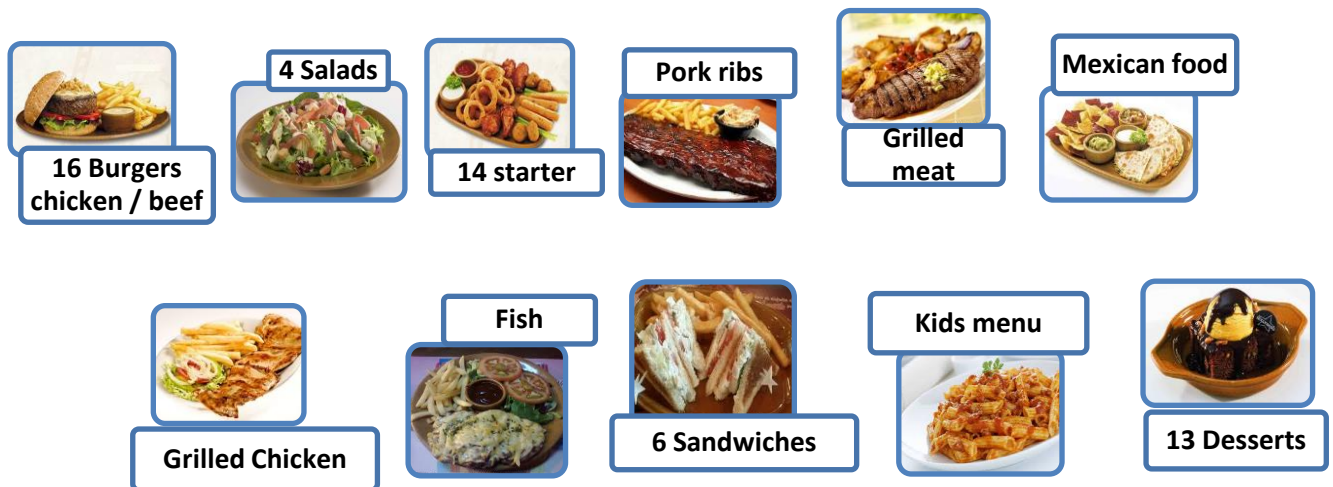
The establishment schedule is from Tuesday to Sunday and does not open all day, only lunch and dinner are served. The decor is simple and inviting. As for the average price of a hamburger is about 9 euros, without including more accessories like drink or chips.

The sales promotions that the company makes in order to attract more clients are that people who make a picture with the car company "BocaClio" have the first refreshment, beer glass or wine cup for free in the restaurant. They also have a public relations representative to get new customers and delivering flyers to people to get a free drink at dinner in the restaurant. Finally, they also make dinner raffles and use social networks for communication.



Foster's Hollywood is the first and a pioneer restaurant chain specializing in American food in Spain. It is famous for the design of the establishments and the typical American products offered in the menu. The products offered are:





Figure 16. Product lines "Foster's Hollywood"







Source: own elaboration. Data: Website Foster's Hollywood

Foster's Hollywood has incorporated celiac dishes in the menu of its restaurants. The average price of a hamburger is €10.50 and it includes fries. The Foster's Hollywood restaurants are mainly in shopping centers. This franchise gives importance to child marketing and children's menus takes a tablecloth to color, a balloon, a surprise gift and collectible glass. One of the most popular promotions Foster's Hollywood has, is the "Cheque Gorrón", which consist on a 2x1 dinner and this promotion is done in several seasons a year.

2.3.2.1. Table competition summary

Competitor	Product	Medium Price	Place	Promotion
	<ul style="list-style-type: none"> - Burgers chicken/beef - Salads - Chips - McWrap - Snacks - Burger menu - Salad menu - Kids menu - Ice-cream - Desserts - Smoothies 	7 euros	<ul style="list-style-type: none"> - Retail business and Franchises - Self-service - 485 restaurants in Spain - 4 restaurants in Castellon - Mcauto 	<ul style="list-style-type: none"> - Outdoor advertising - Discounts, presents - Competition with prizes, pamphlet. - Cross-selling - TV commercials, radio, magazines. - Patronages and events - Banners - Mobile marketing - Website - Social networks - Viral marketing - Children marketing
	<ul style="list-style-type: none"> - Burgers chicken/pork/beef - Salads and chips - Snacks - Wrap chicken - Burger menu - Kids menu - Desserts - Ice-cream 	7,37 euros	<ul style="list-style-type: none"> - Retail business and Franchises - Self-service - Home delivery - Auto King - 600 restaurants in Spain - 3 restaurants in Castellon 	<ul style="list-style-type: none"> - Outdoor advertising - Coupons, prizes and discounts. - TV commercials, magazines and radio. - Pamphlet. - Website - Social networks - Promotions special dates. - Present products. - Patronages and events. - Viral marketing - Cross-selling - Banners - Children marketing
	<ul style="list-style-type: none"> - Sandwiches - Snacks - Salads - Sandwich menu - Kids menu - Desserts 	6 euros	<ul style="list-style-type: none"> - Retail business and Franchises - Self-service - 146 restaurants in Spain - 2 restaurants in Castellon 	<ul style="list-style-type: none"> - TV commercials - Coupons and prizes - Website and Social Networks. - Outdoor advertising - Patronages - Free products - Cross-selling - Raffle
	<ul style="list-style-type: none"> - Pizzas - Starter and pasta - Burgers chicken/beef - Sandwiches - Salads - Desserts 	16 euros	<ul style="list-style-type: none"> - Retail business and Franchises - Self-service - 530 restaurants in Spain - 3 restaurants in Castellon - Home delivery 	<ul style="list-style-type: none"> - Pamphlets, raffle and discounts. - Promotions special dates. - TV commercials, radio ads and magazine. - Website and Social Networks. - Mobile marketing - Outdoor

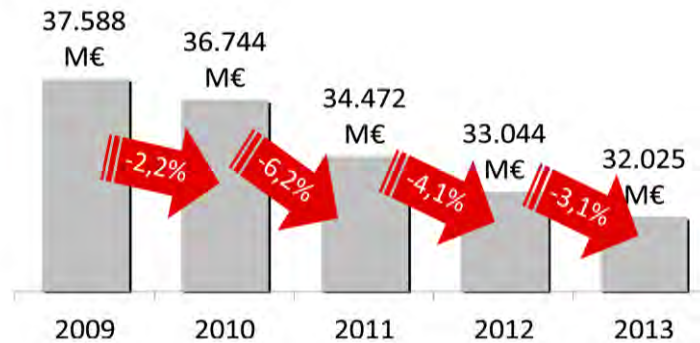
				<ul style="list-style-type: none"> advertising - Cross-selling - Viral marketing - Patronages
	<ul style="list-style-type: none"> - Sandwiches - Sweet sandwiches - Snacks - Salads 	5 euros	<ul style="list-style-type: none"> - Retail business and Franchises -Self-service - 300 restaurants in Spain - 2 restaurants in Castellon 	<ul style="list-style-type: none"> - Promotions days a week. - Promotions of products - Raffles - Website and Social Networks. - PVL - TV commercials
	<ul style="list-style-type: none"> - Burgers gourmets - Hot and cold stater - Salads and pasta - Fish and meat - Rice and fideuà - Menus - Desserts 	10 euros	<ul style="list-style-type: none"> - Retail restaurants - Full service - 1 restaurant in Castellon 	<ul style="list-style-type: none"> - Website - Social Networks
	<ul style="list-style-type: none"> - Burger gourmets - Starters - Salads - Veggie Burger - Chips 	9 euros	<ul style="list-style-type: none"> - Retail restaurants - Full service - 2 restaurants in Castellon 	<ul style="list-style-type: none"> - Flyers - Social Networks - Public relations - Promoting free drinks. - Raffle of dinners
	<ul style="list-style-type: none"> - Burgers chicken/beef - Salads - Starter and fish - Pork ribs - Mexican food - Grilled Chicken - Sandwiches - Kids menu - Desserts 	10,50 euros	<ul style="list-style-type: none"> - Retail business and Franchises. - Full service - 400 restaurants in Spain - 2 restaurants in Castellon 	<ul style="list-style-type: none"> - TV commercials - Website and Social Networks. - Outdoor advertising - Discounts of products and coupons. - Promotions of dinners - Raffles and prizes - Banners - Cross-selling - Patronages

2.3.3. MARKET ANALYSIS

2.3.3.1. Sector Analysis

Cuisine remains as one of the main engines of the economy in Spain, but the catering industry has also been affected by the economic crisis, 40% of family households aren't able to handle unforeseen expenses and 12% of the population has serious trouble making ends meet. The consequence is that consumption in bars and restaurants has decreased in recent years.

Graph 4. Annual turnover of Spanish restaurants



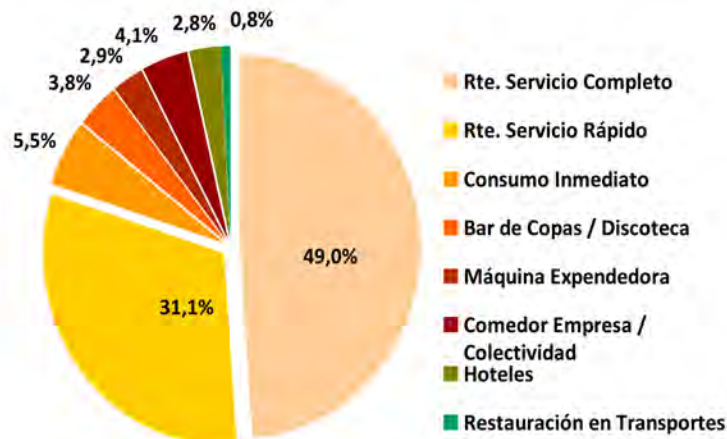
Source: Ministry of Agriculture, Food and Environment

However, as we can see in the graph 4, after six consecutive years of negative performance due to the crisis, bars and restaurants have closed the year 2014 with an average increase in their top billing of 3%. It appears that the restoration sector is showing signs of recovery. The prices of the restaurants and bars have maintained a yoy evolution of 0.5% during the period of the crisis, in the current year has increased by one tenth to 0.6%, according to the National Statistics Institute.

Moreover, the fast-food sector has not been as affected as other establishments in other specialties or food services, but for fast-food has been an opportunity for sales growth, these restaurants are benefiting from the competitive advantage of the price compared to other forms of restoration. These fast-food restaurants represent 18% of the sector and had increased its revenues by 4% in 2013.

In addition, the gourmet burgers have set trend and have become one of the most popular dishes in 2014. In 2013, expenditure outside the home was 32.025 million and obtained 6.658 million visits in the catering sector. The following chart breaks down the sales of the various hotel and catering establishments in 2013:

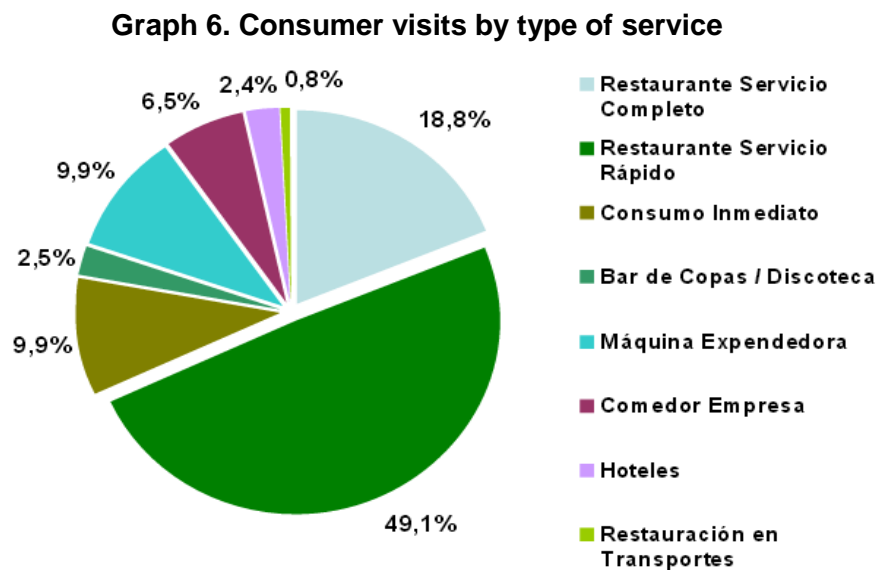
Graph 5. Sales by types of hospitality collectives



Source: Ministry of Agriculture, Food and Environment

The full service restaurant remains the collective catering with more turnovers in Spain, which are those restaurants with a la carte menu, and an average ticket of €16.51 and €8.24, respectively. The quick-service restaurant with 31.1% ranks as the second best-selling group consisting of self-service restaurants, cafes, bars, fast food restaurants and ice cream parlors. The average ticket of a quick service restaurant is €4.94.

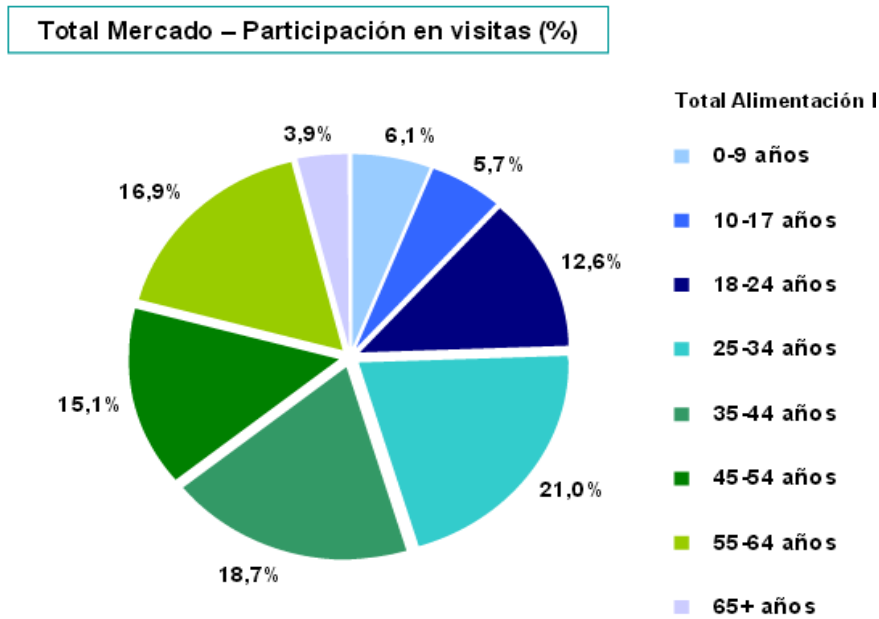
However, half of the visits are generated in fast-food establishments. We can see in the graph 6 that consumers make more visits to fast food and then to full-service restaurants.



Source: Ministry of Agriculture, Food and Environment

As for market size, market segments continue to fall mainly on the male consumer with a 55% share of sales and 45% women. The group of people between 25 and 44 years are the market segments who visit more the food establishments. In addition, families with children between 0 and 9 years have increased their consumption, but 57% of turnover from sales of full-service restaurants is the consumption of families and 31.4% in quick-service restaurants. Moreover, 52.5% of family visits are made to the quick-service restaurant, while the full-service are 26.8% of visits. (Graph 7)

Graph 7. Visits to food establishments by age group



Source: Ministry of Agriculture, Food and Environment

Products with higher demand in the market are “tapas”, along with bread based products, which are burgers, sandwiches, sandwiches and pizzas. Drinks are present in 91% of purchases made outside the home, with soft drinks (32.2%), coffee (25.3%) and beer (16%) as the most demanded by customers.

The positive effect of the crisis is that catering companies have begun to innovate to better serve customers through new technologies or investing in training their workers.

2.3.3.2. Consumer Analysis

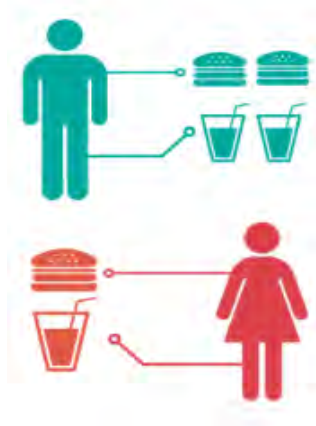
The characteristics of customers purchasing products from fast food and attending this places are:

- People who work longer hours or are busy are more likely to go to fast food by the speed of service.
- Families with children have a higher consumption of fast food than other population groups.
- Students or teenagers consume this type of food and are attracted by the price, texture, color, taste and image.
- People who occasionally prefer not to cook and eat fast food.

- Individuals who were suffering from anxiety or depression often turn to this kind of places to consume high-calorie foods.

Regarding the chosen company to go to the establishments, partner and friends are the selected companions. 60% of men consume more fast food than women and 40% of women consume this type of food weekly. According to a study of EAE Business School, the Spanish men eat fast food more than twice that of women as we can see in Figure 17.

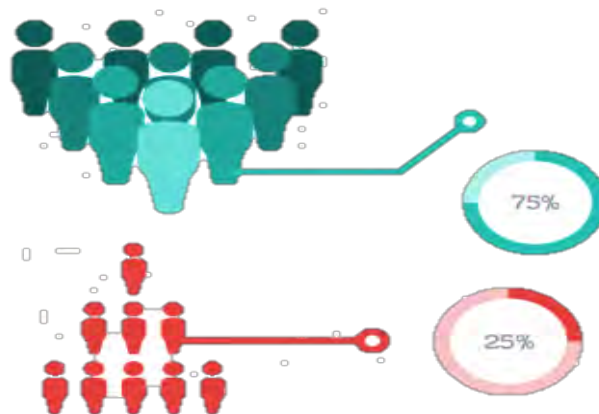
Figure 17. Fast food consumption by sex



Source: Study of EAE Business

On the other hand, 75% of the Spanish population aged between 9 and 35 years consume more fast food than the rest of the population, only 25% of the population over 35 years old consumes fast food. (Figure 18)

Figure 18. Fast food consumption by age group



Source: Study of EAE Business

Client motivation to consume fast food products is due to the brand, taste, price, speed of service, lack of time or unwillingness to cook, be shopping for convenience, working or non-working people who have little time to go home to eat and are away from home, but mainly to get out with your partner, friends or families with children. Fast food products that consumers purchase more often are the burgers with preferred brands McDonald's and Burger King. In the graph 8 we can see that consumers spend more money on burgers.

Graph 8. Money spending by type of food



Source: Study of EAE Business

Hamburger chains are leaders in the fast food market in Spain with more than 3 million consumed burgers per week. The determinants factors for choosing a setting and linked to the consumption of hamburgers are related to the following points:

- Decoration and American environment.
- Great variety of toppings and breads, customers do not want the traditional hamburger ground beef, lettuce and tomato, the current client and society pushes the trend of burgers with different combinations and constant product innovation and to be suitable for all segments.
- The new sauces and dressings are a decisive factor for the consumer as sauces help reinventing new products.
- The burger is an economic fast served product.
- Social networks and online reviews are becoming decisive factors for consumers. 75% of Internet users read reviews before deciding which restaurant to go, and 45% of these considered the decisive views.

- Low prices, family recreation, coexistence as social meeting points, and free toys, attract consumers and busy parents who want to control their budget.
- Proximity.

Consumers have changed the trend in recent years; buyers choose the product quality as the first determining factor in deciding the choice of the establishment, being the good prices of the products and the proximity of the establishment as second and third factors, respectively.

In Spain it isn't spent as much on fast-food. The Spanish population consumes five times less fast food per year that Japanese and Americans. The Spaniards made an average spent of €40.08 on fast-food, being among the Europeans who spend less on fast-food. In regards of the average consumption expenditure in some Spanish regions, it's shown in the table below:

Table 2. Average consumption expenditure by Spanish regions

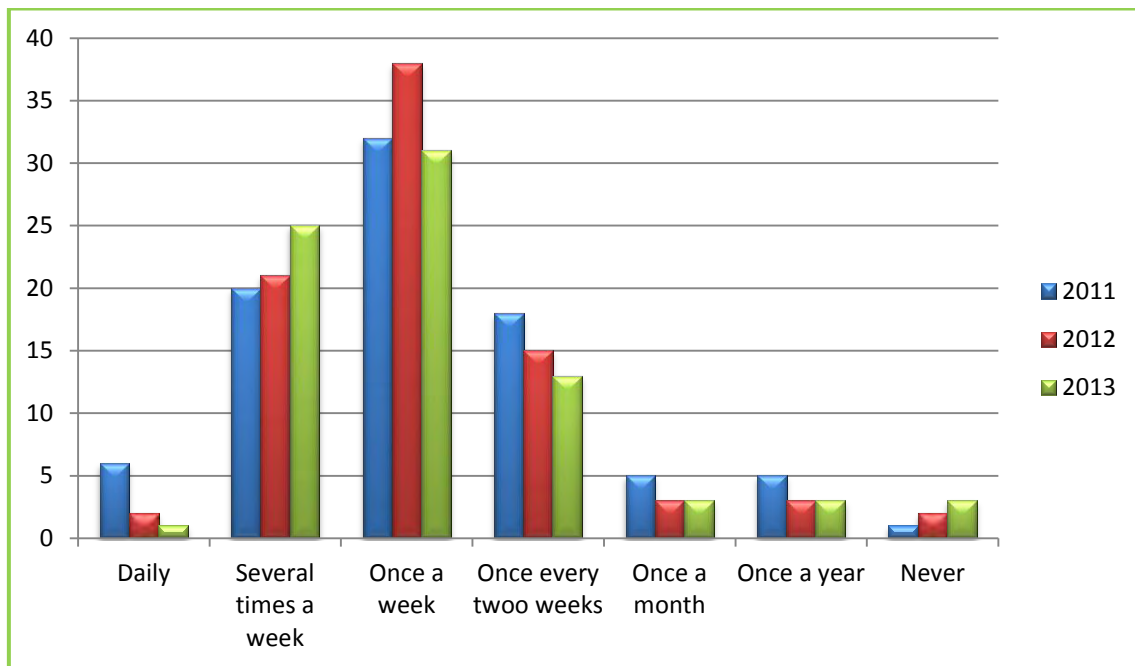
	Autonomus region	Average expenditure
Regions where more fast-food is consumed	Islas Baleares	95€
	Canarias	58€
	Comunidad de Madrid	47€
	Cataluña	47€
Regions where less fast-food is consumed	Comunidad Valenciana	24€
	La Rioja	24€
	Ceuta	20€
	Extremadura	19€

Source: own elaboration. Data: Study of EAE Business

The frequency of consumers eating out and go to restaurants or purchase food products is shown in the following graph:

:

Graph 9. Frequency of consumption of fast food



Source: Market Study Febbo

In the current situation of Spain and the available income of Spanish, we can see that the frequency of eating out has declined in recent years. 38% of individuals eat away from home once a week, 21% of people eat at restaurants or fast-food several times a week, 20% goes to food establishments once a month, and only 2 % buy products every day.

The days of the week with more visits to food consumption places are Fridays, Saturdays and Sundays. It is also important to analyze the times of day of food consumption. In Table 33 we see periods of the day to read the moments that consumption is made in the establishments depending on whether the consumer is visiting on a weekday or during the weekend.

Table 3. Consumption moments of the day

Moment	Breakfast	Morning Snack	Aperitif	Lunch	Afternoon Snack	Dinner	Night Snack
Weekday	78,30%	80%	59,60%	63,70%	66,50%	42,50%	49,50%
Weekend	21,70%	20%	40,40%	36,30%	33,50%	57,50%	50,50%
Week Total	100%	100%	100%	100%	100%	100%	100%

Source: Ministry of Agriculture, Food and Environment

Lunch is the time of consumption that generates more sales in this sector, and dinner is the second most significant sales moment.

Spaniards go less often to restaurants, bars, and cafes, especially in the mid-morning snack and appetizer, but maintain their level of spending per premises visit.

Finally, a study of extra-domestic consumption in Spain by the Ministry of Agriculture, Food and Environment, the consumer visits in the establishments are due to the following variables shown in Table 4:

Table 4. Decisive variables of customer visits

Menu	8,4%
Promotion price	3,3%
Promotion product	4,7%
Promotion present	0,3%
Other promotions	2,1%
Without promotion	83,7%
Total	100%

Source: own elaboration. Data: Ministry of Agriculture, Food and Environment

3. SWOT ANALYSIS



STRENGTHS:

- ✓ **High quality products:** The burgers are 100% beef with an ideal balance of fat, and the rest are quality ingredients.