ABT FINAL PROJECT

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Executive Summary and Introduction

For our client report, we chose Josie's Pizza and Wings. Josie's is a full service pizzaeria that opened for business in 1992 located in Metro West Florida. Their menu options include pizza, wings, pasta, sandwhiches, salads, and appetizers. They also have a wide variety of craft beer and wine. They are renouned in the local area for having excpetional service and high quality food. In 2014, Tripadvisor ranked Josie's Pizza as the number one pizzaria in Metro West.

The purpose of this report is to diagnoise and address the largest problems Josie's faces through technology. According to IBIS World, they fall under a full service industry. They offer dine-in, takeout, and delivery food services. According to the owner, the biggest problem they face has to do with their outdated delivery system. Because there is no accountability for the drivers, they often take advantage of the transportation time involved with making delivieries. They do this to avoid the sidework involved in being at the resturaunt. When a driver is not on the road, they must sweep the floor, handle and wash dishes, changes trash bags, and keep the bar stocked with glasses.

Our solution to this problem is introducing an application to track their wherabouts in real time. This information will be provided to the restaurant and the customer. This added scruteny, will incentivize the driver to deliver as effceiently as they can. If this does not drive them to deliver more effeciently, it will be easy for the restaurant to repremand the driver and reevaluate their employment. According to our survey we conducted, the results outlined that if an application with tracking was implimeted at Josie's Pizza and Wings, they would be more inclined to order more per month. The application we selected will yeild a ROI of $9,300 per year. It will also create the opportunity in attracting new cusomters while persuading current

customers to order more frequently. We calculated an estimated yearly value per customer of $1,056. If that customer were to order just one more time per month, the value would immediately jump to $1,584.

External & Internal Analysis Tools

Josie's Pizza is classified as a single location full-service restaurant. This industry includes single location restaurants that are often family or independently owned. Externally, there are no major competitors. Due to a high level of market segmentation the competition between restaurants is high. Pizza focused restaurants only take up 6.4% of the entire industry. As the economy has recovered, there has been an increase in consumer spending which has helped the industry since the recession. Households that make $100,000 or more a year are key economic drivers for the industry. This demographic is the main customer base for Josie's Pizza. Internally, Josie's Pizza is a family run restaurant that takes pride in quality food, a family environment, and their relationships with customers. They currently occupy one location, have under 20 employees, and work with a loyal customer base. Because they have been in the community for so long, all advertising takes place through word of mouth. They also spend zero dollars a year on advertising.

Josie's Pizza is experiencing difficulty in their delivery system due to a lack of technology and unmotivated delivery drivers. When taking an external look at Josie's Pizza and the single-location full service restaurant as a whole, it is important to utilize Porters Five Forces and Simply Map. The elements of Porters Five Forces are threat of new entrants, determinants of supplier power, threat of substitute products, determinants of buyer power, and rivalry among existing firms at the center of them all.

Threat Of New Entrants

The threat of new entrants for single location full-service restaurants is low. "Despite low barriers to entry, barriers to success (i.e. the ability to stay profitable and in operation for more than a few initial years) are high. This is mainly due to the highly competitive nature of the industry and the low profit margins available. Operator turnover is high with many new restaurants failing within a few years of opening. Even among those family-owned and operated restaurants that are successful, owner burnout is high as the hours are often demanding" (IBIS). Josie's pizza has been able to beat the odds, they entered the market in 1992 when it was not saturated, created a stable customer base and became one of a few successful family owned restaurants in the area. Josie's Pizza resides in the Metro West area of Orlando. This area houses many pizza restaurants and does not risk new competitors entering their geographic location.

Determinants of Supplier Power ?

Threat of Subsitute Products

The threat of substitute products in Metro West comes from rival pizza restaurants that offer delivery, varying cuisine, and trying to meet an innovative trend. After a major switch in eating habits towards healthier alternatives, the threat of substitute products increased. Consumers are becoming increasingly health-conscious and eco-conscious and want to eat local produce. Due to these rising trends, restaurants have expanded the number of healthy options on their menus and sourced more of their ingredients from local providers. For many restaurants, the health factor has become a key focus of their marketing strategy and has enabled them to target a new segment of the market and renew interest in their products (IBIS). This is a growing threat for Josie's Pizza, but their loyal customer base and established brand can help them combat the health trend.

Determinants of Buying Power

Determinants of buyer power for the single location full service restaurant industry are very important for Josie's pizza. Referring back to the Porters Five Forces chart, the determinants are volume of buyers, quality of food, household income, healthy substitutes, delivery service, and the convenience of technology. Household income is one of the most important determinants of buyer power. Households with a total income of $100,000 or more have disposable income that can be used for pleasure - and most importantly for this industry, food. "Full-service restaurants tend to draw their customers from higher income households. Given this factor, growth in the number of households earning over $100,000 annually will benefit the industry" (IBIS). Josie's Pizza's location in Metro West is surrounded by an few affluent communities. An important one to note is Windermere. Windermere is located south west of Josie's Pizza and Wings.

Rivalry Among Existing Firms

Metro West area has quite a few restaurants that Josie's competes with. There is an NYPD Pizza restaurant nearby and also a Hurricanes Wings nearby that are alternatives for customers to choose from. These restaurants have many locations and customers. These customers have experienced the food before and this could take away from Josie's customer base. People tend to stick with the same foods instead of trying new places when next door is a well known place. The low level of concentration in the industry results in fierce competition among operators. The industry has low barriers to entry and owners typically compete on price, menu offerings, cuisine and customer service. Owner-operators are prominent in the industry, putting a significant proportion of their own time and effort into running a restaurant. The industry is known for its large staff turnover, which generally depends on the number of casual staff who work in the industry while attending school.

Internal Analysis: An internal analysis is a review of the company's strengths and weaknesses within its domain. A detailed analysis will give a business the proper insight on how to improve customer relations and provide beneficial information to grow the business. An internal analysis also takes the company's mission statement to come up with strategical objectives in order to meet that mission statement.

Strengths: The strengths that Josie's Pizza has to offer are as follows: Quick service, high quality food, low cost, healthier alternatives, strong loyal customer base, strong recognition, and a great dine in atmosphere. Josie's keeps their prices low to remain as an affordable Italian restaurant for large nearby families. It is these factors that gave them high reviews on Yelp and Tripadvisor.

Weakness: Josie's pizza has a few weaknesses that can affect a customer's experience. They currently only have one location. This limits their ability to reach new prospects in different areas. They also need to work on their delivery system, customers often complain on how long the food takes to get to their house. Another weakness of Josie's is the majorty of their menu is not health conscience. In order to address this deficency, Josie's needs consider advertising activities on showcasing their healty menu options.

Opportunity: Josie's has a lot of opportunities for being a single-location restaurant. They offer a diverse menu including pizza, pasta, wings, subs, and various salads. They also hold a basic liquor license that allows them to serve beer and wine. The beer pairs well with the causal crowd. The customers that want to enjoy an ice cold beer with their wings and pizza. The wine is perfect for diner's who want to pay the casusal price, but have an elevated experience. Customers also have the availability of different options for dining. They can eat in, take out, or have Josie's deliver. Their target market is household who make near $100,000 a year in income. Their

location is nearby many affluent residential areas. This creates a great opportunity for word of mouth to generate new qualified prospects. Our perposed soultion, the 86 Boarders application, will provide opportunity in regards to delivery. The delivery application will allow customers to be in direct contact with the driver and resturaunt. This will make for a better experience and will retain more customers. 86 Boarders is a great opportunity for Josie's to go above and beyond the average delivery restaurant.

Threats: A threat that Josie's faces is that prices tend to fluctuate for their raw ingredients. Cheese is the worst colporate in this situation. According to the owner, prices for cheese sometimes fluctuates as high as 15% from its ususal position. This creates instances where their curent prices do not reflect their pricing model, interfearing with their markup projections. In order to maintain consistency they cannot keep changing the menu prices.They are forced to take the hit. Josie's has a lot of competition from nearby locations as well. They are competing with Italian restaurants and big name pizza places, who not only have higher brand awarness, but also delivers much faster.

Major Problems

SWOT Analysis

	Helpful	Harmful
Internal	**Strengths** - Quick service - High quality food - Low Costs - Healthy alternatives - Strong customer base/ Local brad recognition - Great atmosphere	**Weaknesses** - One location - Small variety of healthy options - Outdated delivery system - Drivers don't care - Long delivery times
External	**Opportunities** - Diverse menu (pizza/wings/subs/salads) - Liquor License (Beer/Craft Beer/Wine) - Delivery, take out and dine in - Location relative to households with an income near 100,000$ or greater - Delivery app connecting customer and driver	**Threats** - Competition: Franchised restaurants, chains, limited service restaurants - Costs of raw materials fluctuates - Pizza restaurants that have integrated technology into their delivery service

Based on our SWOT analysis, Josie's faces intense competition given its centralized area. There are many franchised locations with multiple storefronts in the surrounding perimeter and Josie's currently has one location. Additionally, they struggle with the prevalence of health conscious individuals steering away from high fat high calorie foods. To strengthen their position, Josie's must overcome the deepest challenge of them all - their inferior delivery system. Currently, Josie's averages 1 hour wait times from Monday to Thursday and 1 hour and 30 minutes from Friday to Sunday. Customers can easily get frustrated with the long wait times and this can increase the threat of customer loss.

In order to stay competitive, while still maintaining the integrity of Josie's highly rated food, they must analyze the two factors causing the delivery issues. On average, Josie's receives approximately 300 delivery orders per week, which makes up to 40 percent of their annual sales. With such a large margin of the business's success dependent on the efficiency of their delivery system, it is essential to assure they are equipped with enough delivery drivers to meet the delivery needs. Currently, Josie's employs 3 delivery drivers which limits their ability to exceed their current delivery amounts, thus limiting their sales.

Lastly, Josie's is at a disadvantage due to their lack of technology within the business. They purchased and integrated point of sale system a few years ago, but did not find value in it. They removed it shortly after its installation. Their current system requires manual writing and does not include any automated systems to process orders. This can add confusion when preparing orders and when customers call to place orders. When competing with large chains, it is imperative that they adapt to advances in technology in order to interact with the customer efficiently and maintain customer retention.

Technology Recommendation

Considering the frequent issues surrounding Josie's Pizza, we suggest they adopt a mobile application provided by 86 Borders. 86 Borders is an application development company based in Atlanta, Georgia. They develop business grade applications for companies specializing in any type of logistics. This includes any industry with a delivery service such as food, consumer goods, healthcare, and novelty items. The specific features of each application developed is called a widget. Widgets are functional capabilities that operate independently and can perform different tasks on different devices. This allows for unlimited opportunities for customization based on the needs and wants of the industry. Based upon the industry analysis conducted, Josie's falls within a similar category as comparable companies that have successfully implemented this technology.

After speaking with the CEO of the company, we were informed that 86 Borders has partnered with other companies similar to Josie's Pizza. The CEO stated that there was already an application created that fits all of the desirable functions of a small "mom and pop" restaurant. The major benefit of using the existing design of the application is that there are no start up or installation costs. Unlike other comparable applications, 86 Borders does not require additional upgrades to the customer's existing technology. On the client's end, all that is needed is a device that can access the internet to log into the 86 Borders web platform. On the driver's and customer's end, all that is needed is a smart-phone or tablet with internet access. The application is free to install and requires no additional upgrades.

The application that a driver installs is different from that of the customer. The customer has the ability to track the driver when the driver is within a specific area in regards to the restaurant and their address. These areas are created using Geo-fencing, "Which is a feature in a

software program that uses the global positioning system (GPS) or radio frequency identification (RFID) to define geographical boundaries (Rouse, 2015)." A geo-fence is a virtual barrier which is established through Google Maps.

A function that is available to the customer by using the application, is the ability to directly call or text the delivery driver. The driver's phone number is linked to the application. Their phone serves as a beacon, broadcasting real time data to the restaurant and the customer. This eliminates the need for the customer to call the restaurant. The elimination of these phone calls can contribute to an increased level of employee productivity. Employees will spend on average 15-20 minutes an hour answering phone calls on a busy night. The majority of which are the customer's initial phone call to place the order. There are also frequent calls to address inquiries regarding status or location of active orders. In eliminating these unnecessary calls, Josie's will save an estimated $10,860 a year. This number is derived from an estimated 12 hour work day in which Josie's typically schedules 3 wait staff for the entirety of that day. Each server is paid the state minimum hourly wage for employees earning tips which is $5.03 an hour. Based on these figures and an estimated 10 minutes per hour spent on follow up calls, Josie's is losing roughly $30 a day of productivity.

Another function that is produced with the application is the client's ability to track the location of their delivery drivers. As stated previously, the driver's phone serves as the tracking beacon. As long as that driver is clocked into the application, Josie's will be able to track his or her whereabouts. This is beneficial for the client because it can help them gauge when they should start preparing a customer's order so it will be hot and fresh upon delivery. If they see that their driver is still 30 minutes out from getting to the restaurant, they might delay the start

time of preparing the food. Delivering your product to your customer in a timely fashion is important, but delivering a high quality product is equally imperative.

A final function of the application will allow Josie's to create a customer database in which they can utilize to maintain personal connections with their customers. They can also send company updates or coupons in the mail. The data is inputted into the 86 Borders database and can be exported into an easily accessible spreadsheet. This can also be useful to generate reports to determine total customer lifetime value. Maintaining contact and understanding the ultimate value each customer adds to the business can help Josie's achieve a competitive advantage.

As previously mentioned, 86 Borders requires no installation. It is completely browser based. This feature allows the users of 86 Borders to access their accounts and its services through any computer with an internet connection. This is not only extremely convenient, but it also provides an unprecedented level of reliability. Each client is assigned an account manager that will provide them with an instruction manual and will conduct a webinar outlining the basic functions and parameters of the application. Any questions or concerns while adapting to the new technology will be addressed with their 86 Boarders assigned account manager at no additional cost.

The current cost breakdown for the use of the 86 Borders application is 10 cents per delivery. At the end of the month, the client receives an invoice of all the accrued transactions. Given the estimated 300 deliveries per week at a 10 cent charge per delivery, Josie's cost outlay annually would amount to roughly $1,560 a year. This is assuming they agree to the suggested functions included in our consultation package. They have the option to add more features to the application at an additional cost in the future. With the current cost benefit breakdown, Josie's would experience an ROI of $9,300. Based on a survey of Josie's customers, 80% of participants

who prefer delivery revealed they would order more if the application was implemented at their restaurant. According to the owner and our survey data, Josie's customers order on average two times a month. This equates to a yearly gross value per customer of $1,056. If these customers are driven to order at least one more times per year, Josie's Pizza can expect an increase of $528 per customer with the application. If we subtract the cost of the newly acquired 12 orders per year, the net profit per customer yields $526.80.

Fallout

The biggest challenge when deploying a GPS tracking app is a social one. Employees don't want to be monitored and might feel like their privacy could be invaded. However, these concerns can be addressed by taking the proper measures. For example, Josie's Pizza can ensure their employees that the application seizes tracking after their shift has ended. Also, Josie's Pizza can educate the drivers in what information is being tracked, stored, and monitored.

Another risk in the implementation of the application is the increased opportunity in texting and driving. If a driver receives a text message from a customer in route, they may be driven to look down at their phone pulling their attention away from the road. This increases the liability of the restaurant and could lead to legal action and/or loss of life. In order to eliminate this plausible fallout, Josie's Pizza can disable this feature off of the application for the driver when the vehicle is in motion. This means that the customer could only contact the driver via telephone call while the vehicle is in motion.

The last major potential fallout could be the information provided by the application can backfire on Josie's Pizza - as we have given the consumer the power of tracking their orders in real time. For instance, if being monitored by the restaurant does not make the driver deliver more efficiently, the customer now has the ability to see that. Instead of penalizing the driver

with a bad tip, they may penalize the restaurant by not ordering again. Thus losing credibility for

the restaurant. This can also deteriorate their reputation by giving the perception that the driver

does not care about the customer their delivering to. Because they primarily rely on word of

mouth marketing, this can have lasting negative effects on Josie's brand image.

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