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Success Factors of a Potential Hungarian Restaurant in the Republic of Azerbaijan

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ABSTRACT

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This thesis aims to identify success factors for a potential Hungarian restaurant in the Republic of Azerbaijan. The study evaluates what opportunities lay in the Azerbaijani catering market as well as how a potential new foreign restaurant could be developed to achieve success in the country.

Chapter 1 on this paper focuses on market research from a theoretical perspective. Its definition, characteristics and processes are introduced to understand how to carry out a successful market study. In Chapter 2, the theoretical basis of restaurant development is discussed, identifying the key areas and concepts new restaurant start-ups need to be aware of to assure success. Chapter 3 presents the results of the Azerbaijani catering industry dynamics, showcases underlying opportunities for restaurant start-ups, and evaluates in what ways the potential restaurant could be developed to establish itself successfully in Azerbaijan. Lastly, Chapter 4 provides conclusions and recommendations in case an actual project of opening a Hungarian restaurant in Azerbaijan were to be carried out.

The research method utilized in this study is qualitative interviewing of area experts, and secondary research for quantitative market data. Based on the results and observations, it can be concluded that there are opportunities for a potential Hungarian restaurant in the Azerbaijani catering market. They can succeed by developing a high-quality, traditionally conceptualized restaurant in the center of Baku, the capital of the country.

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PREFACE

The idea of this thesis was conceptualized as I was eating food in my kitchen. For right or wrong, the most appealing ideas usually come in the simplest of moments.

I would like to dedicate this thesis to my parents and family as a measurable piece of academic success for their ever-forgiving, constantly supportive and financially sacrificial attitude towards my educational career. I hope the end result will have justified the torture I often put them through. Without their support this thesis would have been impossible to conduct.

My sincere appreciation goes out to the guiding and help of the teaching stuff of Kajaani University of Applied Sciences. Specifically I would like to thank Kirsi Sievers and Sami Malm, both of whom have played an incremental role in helping me actually deliver this thesis in an orderly fashion.

Last but not least my love goes out to the Ketunpolku Family, for they are the reason I can muster perseverance in the darkest of adversities. Without their unconditional care and encouragement, life would seem dull and burdensome. May this thesis serve as a permanent homage to the greatest people I have met in my life and a platform to foREVer engrave their names on the premises of Kajaani University of Applied Sciences.

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1 INTRODUCTION

Foreign restaurants are part of each country's catering industry and there is an increasing number of such establishments being opened in the world. Azerbaijan is an economically developing country which is highly interested towards the Western cultures and tries to incorporate them into their own cultural life. Hungarian restaurants are a proud part of their nation's culture, and there are numerous such establishments in foreign countries. With their unique cuisine and cultural atmosphere, a Hungarian restaurant is a great advocate of the Hungarian culture and people.

This study's aim is to identify how a Hungarian restaurant could be successful in Azerbaijan. The two countries have historical ties that remain strong to this day and their economic and social relations are developing at a rapid pace. The main research objectives of this study are what opportunities lay in the Azerbaijani catering market and what a potential Hungarian restaurant should do to be successful.

The main research questions of this paper are:

- What are the market dynamics of the Azerbaijani catering industry?

- What are the possibilities in Azerbaijani catering industry that a potential Hungarian restaurant could exploit?

- What aspects does the potential Hungarian restaurant need to focus on to be successful in Azerbaijan?

The research questions aim to identify information on the Azerbaijani catering industry's tendencies, customers and competitors. From this information, the study hopes to detect underlying possibilities and areas of unmet demand in order to penetrate the market. Lastly, once this information has been researched, the crucial factors of successful restaurant development will be looked at, particularly how restaurants need to be assembled in order to successfully survive in Azerbaijan.

In order to answer these research problems, the theoretical framework of this study employs two main topics: market research and restaurant business development. Market research is a tool used widely to gain valuable information about markets. The components and charac-

teristics of a successful market research will be looked at. The focus areas of the theoretical examination of market research include defining what it stands for, what different kinds are available for study and what information can be gathered using this tool. Furthermore, conceptual guidelines of planning and designing a market research will be looked at, as well as what the general process of such studies is. Finally, the different techniques employed by market researches will be examined also.

The second part of the theoretical framework of this study focuses on restaurant development, particularly placing focus on what areas and aspects are crucial for a newly-to-be developed restaurant. The main aspects evaluated within this topic are restaurant design, including the type of the restaurant, what market decisions need to be made and the location selection criteria, and the restaurant concept development process ever so important in the case of foreign catering start-ups.

The research method utilized in this study is qualitative interviewing backed up by secondary data research. The qualitative interview questions were developed to focus on the main aspects provided by the theoretical framework, emphasizing a perspective of evaluation of Azerbaijan. Area experts were the sample of the interview with the aim that their answers will provide insight to research questions simple secondary data collection could face limitations in. Secondary research meanwhile is utilized to find quantitative data on market dynamics of the Azerbaijani catering industry.

2 MARKET RESEARCH

Market research is characterized as any concentrated effort to collect information about markets or customers. It has become a very important tool when formulating any kind of business strategy for companies. Upon embarking on a new project or delivering a new product, businesses have to evaluate the market to see whether or not it would be positively responsive towards their new ideas. (McQuarrie 2006, ix.)

Market research is a useful way of assisting marketing decisions. It can help with problem areas such as selecting the best from multiple alternatives, achieve competitive advantage by assessing the opportunities for innovation and can even help with decision making agendas. The key that makes market research so valuable is that decision making in all areas of business, including finance, production, human resource management etc. can only be successful if information is available and is being used. Any form of collecting information that contributes to decision making can be considered as market research. The end goal of marketing is to understand and satisfy market needs. Market research has the ability to collect information about the markets in a very effective manner. All the information collected by market research helps with the research objectives of decision making with the end goal of being profitable and satisfying certain market or customer situations as much as possible. While in many cases the common knowledge of the decision makers is viewed as satisfactory, the ever developing modern markets, heavily influenced by internationalization, increased uncertainty and change make it impossible to rely on such basic grounds. It can clarify the dimensions of the particular market segment – who are the majority customers, who are the main competitors, what could be the potential risks and the means to deal with them etc. (Hauge & Jackson 1996, 11-15.)

Market research has two main, basic aspects: gathering information and interpreting it. There are many ways in which intelligence can be gathered, but it is crucial to identify the areas of research. Similarly, there are even more ways to interpret such information, and it is usually subjective to the research problem, the people in charge of the project and numerous more factors. (McQuirre 2006, 3-4.)

2.1.1 Information Targeted By Market Research

Market research can be conducted in any market where there is an interaction between sellers and buyers with the goal of increasing value to either side. Depending on characteristics of the particular market, the market research approach will consider a lot of different methods. Anyone conducting a market research will have to place much emphasis on their own market's traits so that the effective technique can be selected. Consumer markets will require a quantitative method because of the huge numbers of buyers. Markets that are categorized as business-to-business will apply similar research methods but with a different focus on the buyers of the sector – the many companies and organizations. Industrial markets of products and services required in the manufacturing production will have less numbers of buyers therefore making the research less resource heavy. One or a small group of researches could be at no disadvantage when exploring the consumer characteristics unlike in other markets with huge numbers of buyers. (Hauge & Jackson 1996, 13-17.)

The Market	**Market Structure**
• total market size and trends • consumer profiles and requirements • market segmentation	• major players – shares held • branding – shares held • distribution structure
Consumer Perceptions	**Products**
• underlying needs • perceptions of brands • perceptions of suppliers and brands • perceptions of suppliers and retailers	• analysis of available products • product usage and consumer satisfaction • product differentiation • market segmentation
New Product Development	**Pricing**
• Unsatisfied product needs (gap analysis) • acceptance of new products • new product branding	• current pricing structures • past trends • price sensitivity
Distribution/Retailing	**Advertising and Promotion**
• distribution levels achieved • sales at retail level and by type of outlet • retailer requirements	• campaign planning • creative development • promotion evaluation

Figure 1. Common Information Areas Met Through Market Research (Hauge & Jackson 1996, 16)

Regardless of markets, a market research seeks to collect information for the specific decision problem of the study. Its goal is to articulate and identify evidence that can support or answer the decision problems. (McQuairre 2006, 4-6.) While markets can be different, the decisions that need to be taken are often very similar if not identical. The industry of question does not often make a market research completely different from another because while its components will vary and be distinct, the main areas targeted by the studies are usually similar. The emphasis and details however, are different in each case. (Hauge & Jackson 1996, 15-17.)

2.1.2 The Process of Market Research

The primary function of market research is to provide information to decision makers about the opportunities and threats facing the specific company. However, there are identifiable key tasks that a general market research undergoes. While these are not to be used as a template since all marketing projects are different, there are major functions that can be summarized in a market research process. (Berkowitz et al. 1997, 4.)

The first responsibility in a market research is to *describe* the relevant market dimensions to the decision makers. This usually includes a comprehensive profile of the target market, comprising of information on the population, the industry or any number of appropriate targets. (Berkowitz et al. 1997, 5.)

Once the description of the market has been made, the *identification* of opportunities and threats can follow. With the emphasis on the possibilities of introducing new products or technology or service, a target niche can be selected for the decision makers to move on to. (Berkowitz et al. 1997, 5.)

Identifying the opportunities is not enough, they need to be *evaluated* as well. It is likely that more than one advantageous niche can be found and in that case the market research at this point needs to compare all the options and select the best alternative. (Berkowitz et al. 1997, 5.)

The act of *comparing* between multiple alternatives and options is critical. A good market research needs to analyse all the options with qualitative and quantitative methods to under-

stand which one is best suited for their purposes, or which one offers the most potential success. (Berkowitz et al. 1997, 6.)

Regardless of what area, *monitoring* is heavily involved in market research activities. Tracking the on-going changes of the subject of topic is important because understanding the trends and tendencies of what is occurring results in quality information for decision makers. (Berkowitz et al. 1997, 6.)

Data collection is only a preliminary step of market research. It is important to *interpret* and to understand what the information actually means in order to fully capitalize of the advantages the numbers bring and to better understand the nature of phenomena occurring. (Berkowitz et al. 1997, 6.)

While all the options have been compared to and have been analysed, the decision makers awaiting the results of market research will want a clear *recommendation* as to which direction to move towards to. A number of confusing options never satisfies as usually the identification of the best alternative to be recommended is available. (Berkowitz et al. 1997, 6.)

Hague and Jackson (1996, 18-19) use a similar model to describe the market research process (Figure 2). They describe it as ad hoc research which is a one-off project.

Definition — Objectives

Collection — Planning

Data Collection

Analysis — Data Analysis

Interpretation — Reporting
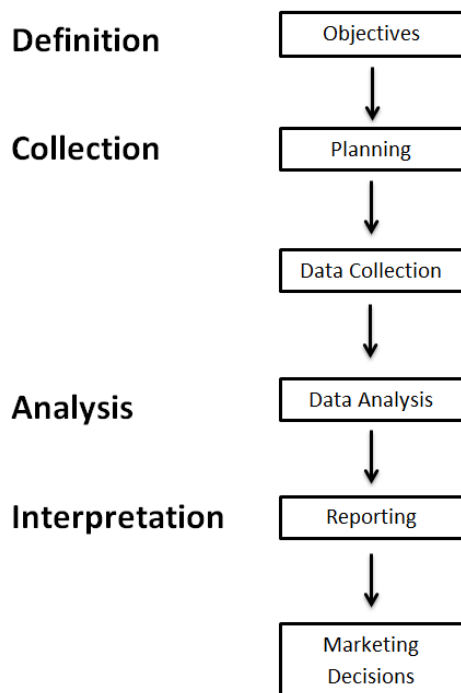
Marketing Decisions

Figure 2. The Market Research Process (Hague & Jackson 1996, 19)

In this case the market research project will collect the information once for the project and analyses and recommendations will be based off of that - the process is not on-going. In the method, the steps are very similar to the previous. First, the clear objectives need to be stated and identified. Second, the planning of the data collection is done by selecting which market research technique to use. Then the data is collected using that method. Analysis and reporting follows before the marketing decisions can be made. (Hague & Jackson 1996, 18-19.)

According to Berkowitz et al. (1997, 30-31) reviewing existing literature is another important step in the market research process. They place it right after defining the main issues but before actually identifying the research objectives.

2.1.3 Exploratory vs. Confirmatory Market Research

There are two kinds of overall driven market research when conducting an investigation for a new project – exploratory and confirmatory. It is very important to determine which one is more applicable to the specific task because they will formulate the way and nature of the whole research. Before even embarking on the actual market research plan, the researcher knows whether it is an exploratory or confirmatory study being conducted. An exploratory research tries to widen the perspective of an already base-found knowledge. It serves as a tool to see if anything new is out there, if there is any demand or specific trend that could be taken advantage of. It helps in finding new areas to guide the business into action. A confirmatory research is different in the way that it seeks to identify whether already established hypotheses or strategic decisions will actually work. This form of research tries to find information from the market to determine if the market will be responsive towards the firm's planned steps in the future. (McQuirre 2006, 6-8)

2.1.4 Market Research Design

Designing a market research has many choices involved because there are many different options that all have their advantages. The specificities of a particular market research also

place boundaries as to what is possible from the alternatives. Designing a market research however, usually involves a structured plan (Figure 3). (Hague & Jackson 1996, 44-46.)
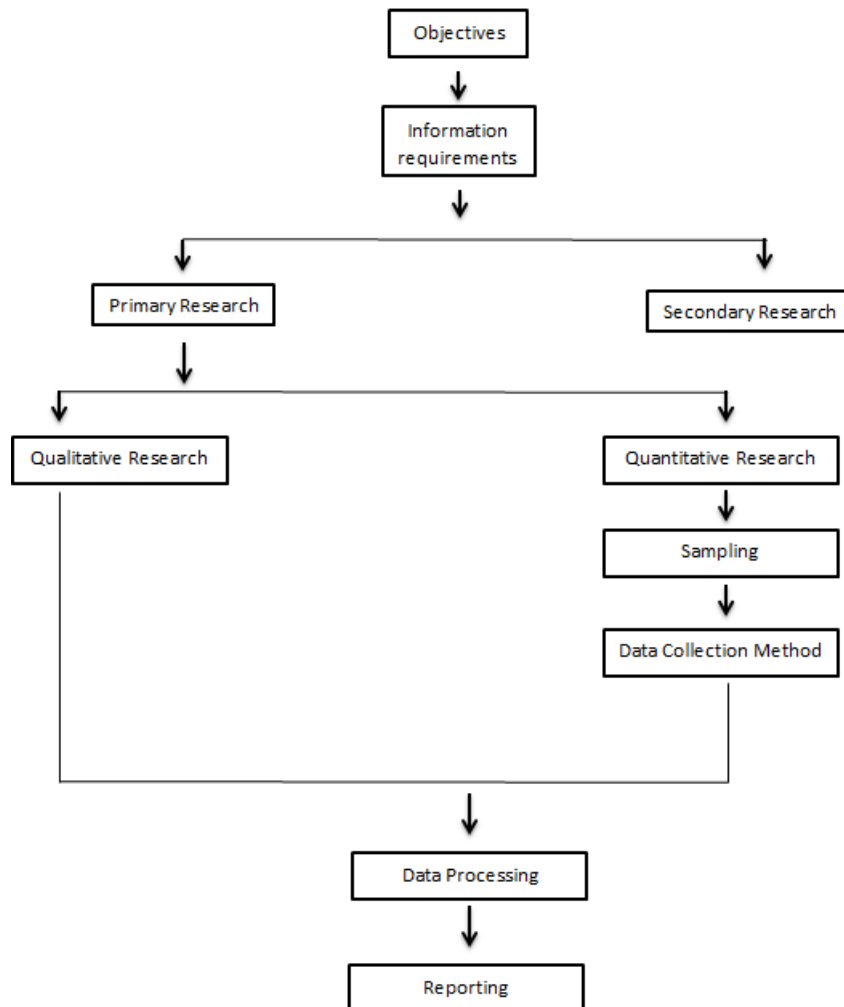

Figure 3. Market Research Methods (Hague & Jackson 1996, 45)

The design will clarify how the relevant information will be collected. (Hague & Jackson 1996, 44-46.) There are many factors that affect what particular methods market researchers will undertake and they usually depend on the specific project itself (McQuirre 2006, 28-32).

Primary Research vs. Secondary Research

One of the first decisions to be made is what kind of research to use - primary or secondary. Primary research is when the researcher conducts their study with the goal of establishing new data which has not been produced before. This can include interviews, collection of

market data, assembling customer responses via surveys or any of that nature. (Berkowitz et al. 1997, 47-49.) The other form of market research is secondary research. This form of investigation uses already existent data and interprets information from that. The advantage of this kind of research is self-explanatory – it is much easier and cheaper to collect data that is already available than to conduct entirely new material. (Hague & Jackson 1996, 51-53.)

Qualitative vs. Quantitative Research

There is a difference between qualitative and quantitative research approaches. Qualitative research focuses more on the understanding of why and how of the information as opposed to the measurement approach of quantitative research. The latter approach often involves straight forward questions so that they can be presented in a numerical form for raw data analysis. There is a difference in sample sizes also being researched. Quantitative research allows surveying many more people, but qualitative research will achieve a more in-depth analysis since it works with a much lesser amount of answers. (Hague & Jackson 1996, 64-65.) According to McQuirre (1996, 13-16) there are 4 identifiable differences between the two research approaches:

- what type of problem each can solve,

- sampling methods being used

- the style and methods of information and data collection and

- methods and techniques of analysis.

For a long time, market researchers heavily preferred quantitative research because of the raw data collection it offers. Analysing quantitative data is easier because the information cannot be ambiguous and the interpretation is straight forward. (Berkowitz et al. 1997, 50.) These concerns often discourage market researchers to use qualitative data; even governments refrain and issue mostly quantitative research (Hague & Jackson 1996, 65.) Qualitative research has made its comeback and is now used in many market research projects. There are more and more techniques for use to interpret and analyse such information. A good market research will find use for both kind of research. It is important to understand that

both offer different advantages and can make a successful research project in unison. (Berkowitz et al. 1997, 50.)

2.2 Market Research Data Collection Techniques

Market research is a subjective business territory where many individual techniques are used depending on the nature of the study. However, there are a few techniques viewed by the public as essential, which are the most common practises to find in the field. They all have their advantages and disadvantages and based on these qualities a market research can determine which technique is most suitable for their own research. These techniques can either be used all alone for an effective market research or can be utilized in combination if the particular study enables it appropriate. (McQuirre 2006, 32-34.)

Secondary Research

As explained before, secondary research is any information used that has been conducted by a separate party beforehand. This market research technique is used in almost all of the market researches since it is impossible not to use already prepared data in today's world – it saves a lot of time and is easily accessible. With this in mind, companies go even as far as to strategically operate their own library to truly use the resources secondary research offers. (Stewart & Kamins 1992, 14.)

This technique has its advantages as well as disadvantages. The advantages are obvious – this information is very easy to reach and can represent a quick fix to problems. Most often than not, a new market research will rely heavily on secondary research in the beginning stages of the study. With the maintenance of legitimate sources, this technique is almost guaranteed to be used in a market research due to it supplying relevant information in an easy way. However, herein lay the disadvantages. Secondary research can be very limited – it is ok to find relevant information but very rarely will it actually show the whole picture and come up with enough detail. Data found from other researches is just that – it could be relevant to the topic on hand however it could also have some valuable points left out. Not to mention that the sources from where the data was obtained have to be legitimate. An unreliable source could throw off the whole market research from the very beginning and eventually lead down a

dangerous path of being incorrect. It is advisable to incorporate secondary research into a market research but it should not be used solely to avoid its limitations. (McQuirre 1996, 60-62.)

Customer Visits

A customer visit is described as when one or more decisions makers from the seller company directly interact with the current or potential customers of that company. While this is a recurring event with customer service and sales in many business areas, a customer visit in the market research area is knows as when some of the decision makers make such a visit from one field of the company that would not be expected to do such. To give an example, a person from research and development could make such a visit – they do not usually interact in this way with customers, but for the purposes of doing research on their market this tool is useful for them. (Guillart & Strudivant 1994, 116-125.)

The main advantage of a customer visit is that it puts the decision maker into the customer's context. This in turn makes it easier to gather contextual intelligence to better improve the product rather than formulating opinions in a closed off fashion where direct customer feedback is not present. Another advantage of this technique is that it is based on face-to-face interaction which is usually the most revealing an honest. There are disadvantage to this technique as well, which come in the form of bias. Continuing with the example of a research and development decision maker making a visit to a customer, they will be biased towards their product that they have worked on for so long and consider it their own. This can lead to overlooking of very important feedback and intelligence. The other disadvantage of a customer visit is that it works with a small sample size, not accounting for strong preferential data. Whereas big questionnaires and survey target a lot more potential and current customers, a customer visit will not have the same sample size – making the research less objective towards the whole field. It is advised to follow up customer visits with other research techniques that will account for the limitations of the technique. Questionnaires or choice modelling could be used to avoid being biased and having a small sample size. (McQuirre 1996, 79-81.)

Focus Group

A focus group is any group interview that is set up in a certain way concerning market research. It is designed to provide a specific infrastructure for the interview where more than one person is being asked questions. The infrastructure should include the market researcher, the moderator and it should be held at a specific facility. The facility provided for a focus group is usually an independent small business with a specialized room designed for group meetings. The moderator acts as a mediator between the market researcher and the people being interviewed while also helps the researcher with designing what questions to ask and what the strategy of the whole interview should be. He also may supply any external resources suitable. The market researcher and the moderator can be from the same company however they are usually from separate entities. (Edward 2002, 22.)

The advantages of focus groups lie in its dynamics. Since customers are interacting with each other in an organized manner by the moderator, they will share their honest opinions and be challenged more by the others. This could not be achieved in a one-on-one interview, where the interviewer would not be able to ask controversial and more aggressive questions. The group dynamics however enable the market researchers to find out new information since it is bound to come up when a group of customers are interacting with each other. There are disadvantages of a focus group as well. The main shortcoming of this technique is that of other market research techniques – the small sample size. Even in the name "focus group" the word group is involved and while it entirely possible to utilize more than one group of focus groups, it will still equate to a smaller sample size. Conclusions therefore cannot be made, however new idea generation is a key strength. Another disadvantage of the focus group is that it is prone to uneven group dynamics. The moderator needs to be carefully chosen in order to control the group carefully and have a great understanding of the product. The different characters of the interviewees can also present a problem – some can be too manipulative and controlling while others will share less if they are shy in a group dynamic. (McQuirre 1996, 88-91.)

Survey Research

In a survey research, market researchers use questionnaires to address specific questions that they have or gain more information from a predetermined sample of people. It is important

to carefully select the sample for the study as it will reflect the perception of the answers. This technique is used for the purpose of assessing the opinions of individuals and, together with an effective sample size, generalize it for a larger portion of the particular customer base. The results of surveys and thus the makeup of the questions can be analysed in different ways. There are percentage figure surveys, where the results will assess what percentage of the particular group is of a specific opinion; frequency count surveys which assess a numerical number of a certain event happening; while cross-tabulation surveys will compare two groups' habits. (McQuirre 2006, 115-118.)

Conducting a survey can be done many ways. Most popular today is via internet as it is cost efficient and fast. However, surveys can be administered in person, through the phone or via e-mail as well. Generally it is important to be very organized with the goals of a survey. Its questions need to be simple yet effective for the research's purposes, the main research problem and objectives need to be adequate and the sample sizes carefully thought through. (Rossi et al. 1983, 3-4.)

The advantages of a survey research are because of its precise numerical data. It is invaluable for many businesses to know exactly what number of people react towards their product in a certain way instead of just knowing that there are many. It can free the researcher of bias towards their own product since the questionnaires and surveys are answered without them being able to manipulate the outcomes. Surveys provide a lot of ground for analysis with the statistical data they present and can easily determine clear differences between different target groups. Many surveys are based on an on-going basis which becomes a powerful tool to assess the market and hypotheses even further. There are weaknesses to surveys as well and most of them lie in the nature of how static a survey research is. The questions cannot be adjusted midway and thus a survey becomes only as good as its questions. Similarly, surveys do not reveal new insight, they only acknowledge predetermined assumptions (whether true or not). They do not provide with completely new information like some other market research techniques. Lastly, it is important to realize that the participants completing a questionnaire will have their own limitations with which they can rare find help. This is a reason why the questions need to be very effectively designed. (McQuirre 1996, 129-134.)

Conjoint Analysis

Conjoint analysis is a form of choice modelling. In a conjoint analysis, a product is broken down into its attributes and the research is focused on determining how much each of these attributes weighs into a buyer's decision. It is a useful tool, since there are many products that have many separate characteristics about them. A conjoint analysis provides estimates of how important each attribute is in the buyer's eyes, and thus provides information from the market about what characteristics the producers should prioritize. A typical example of such an analysis is when a mobile phone is broken down into its attributes (e.g. price, brightness, ease of use etc.) and is then assessed by buyer response and data. Each attribute will have a score level prescribed to it which is then selected by the buyer. Hence, the importance of each attribute can be evaluated. (Green & Srinivasan 1990, 3-19.)

The main advantage of a conjoint analysis is its complexity and the analytical data it provides. While many of the other market research techniques produce the similar data, none of them can provide with a clear cut preference based analysis which in turn helps decision making by clearly identifying which attribute is preferred more. Conjoint analysis also provides a platform for the simulation of different product placement approaches because of its attribute based information. The limitations of this technique are similar to that of the other techniques. It is difficult to correctly generalize results based on a sample, especially if that sample is incorrectly done. Also the attributes provide limitation because there are many products that have too many, and a conjoint analysis cannot analyse all of them at the same. Hence it is important to carefully choose the most important beforehand. (McQuirre 1996, 160-163.)

Experimentation

Experimentation is a similar market research technique to conjoint analysis. Upon recognizing that products can be broken down into many attributes determining each attribute's importance is done via conjoint analysis. Experimentation technique however will provide a way to determine these attributes and what they should be set at and prioritized as more exactly. Experiments can be conducted by using two scenarios (or more). The key is to make sure that all the variables of each scenario are exactly the same except for one. That one attribute is going to be the item experimented. A simple example would be to test a product

description. In this case the research is going to focus on a particular attribute, for example quality, and it will then be tested whether the customer base is more responsive to option A, which for the sake of the example is focused on portraying higher quality, or option B, which will be of lower quality. (Almquist & Wyner 2001, 5-7.)

The main advantage of experimentation technique is that it helps choosing between two promising alternatives and via its response can determine which one is better. This cannot be achieved via other techniques as effectively, since experimentation provides a testing approach between alternatives. The weaknesses of experimentation lie in the size of the customer base. It needs to be big enough to provide for enough answers for both experimented alternatives. The other clear limitation lies in this technique's very nature: there are only limited scenarios to experiment. This research will become an either-or, a selection between limited options, thus it does not work well if the focus is on determining many facts about multiple questions. (McQuirre 1996, 179-181.)

Interviewing

Interview research is a common practise in market research. Initially interview is seen as an easy self-explanatory kind of research where two participants are involved – the interviewer and interviewee. The interviewer is the one who sets up the framework for the process. They make the initial contact, choose the location and time schedule, selects the location and ground rules and most importantly, designs the questions. The interviewee is then asked these questions and is expected to provide information on the topic. They do not get involved in the designing and structural parts of the interview process and they ask questions only for clarification purposes. The interview research has become a common practise in almost every person's life since there are many events where somebody is being questioned for information and does so without hesitation or trouble. (Gubrium & Holstein 2001, 3-4.)

Interviewing is both a qualitative and quantitative research method. In a qualitative interview, the interviewer seeks to understand the respondent's view on the topic of question instead of just recording the particular answers for data. They try to thematize together about the topic – not only does the interviewer think about their own view on the topic, they do it in conjunction with the respondent and their view. In a qualitative interview the

questions asked are designed so that the answers will shed light on deeper information and the particularities of why on the subject. (Gabrium & Holstein 2001, 85-86.)

There are different techniques involved in interviewing. They all try to gauge the respondent's views in different ways. Association techniques involve the subject to respond to stimuli with the first word that comes to mind. Completion techniques require the subject to complete sentences with their opinion. Construction techniques encourage the interviewees to provide little dialogue or description of a certain object. There are also many other expressive techniques where respondents are put into various scenarios to boost the creation of opinions, but in market research the only such technique used is role-playing. Regardless of what the technique is during the interview, the goal is to achieve a different perspective for the respondent to gauge more information out of them than the simple replies they could otherwise give. (Berkowitz et al. 1997, 63-67.)

Interviewing can also be quantitative research. Sometimes the information sought can only be obtained by actually asking people. This method is different to qualitative as it yields much more standardized answers without the possibility of trying to delve deeper into the specifics and reasons. The most important aspect to understand about quantitative interviews is that the data obtained will be highly dependent on the questions being asked. Therefore, formulating the questions becomes critical. This kind of method will yield data that can answer specific questions such as product assessment, quality concepts etc. perhaps in a more efficient way than other market research methods would. The questions can involve tools such as numeric or quality scales to provide raw data for the research much like survey research would, but with a more personal level with the respondent. (Hague & Jackson 1996, 83-85.)

3 NEW RESTAURANT BUSINESS

New business opportunities form an integral part of entrepreneurial success. They help already existing companies diversify themselves, and help the construction of start-up businesses. There are always new opportunities on the market but they generally fall into four categories of products, services, processes and business. Opportunities can be characterized as a combination of market newness and product newness which creates gaps not filled on the specific market. New opportunities most often involve risks of various extent which are all dealt with by companies using different goals based of the levels of uncertainty. New business creation relies on identifying and realizing new business opportunities which involve strategic, conceptual, market driven and commercial aspects that should be evaluated by decision makers. (Hassett et al. 2011, 16-18.)

There are two possible forms of opportunities in the business environment, one being the recognition of already existent opportunities while the other, the creation of entirely new opportunities on the market. Generally the creation of new opportunities is considered a long term oriented process, while enacting on identified and existing opportunities is more short-term. While opportunity recognition is viewed as a sequential multi-step process, in practise it is easier achieved by people who have had a long history of experience within their particular industry, specifically with long-term exposure to both customers and markets. Opportunity creation is viewed as a more creative process that also has a step-by-step basis but is more dependent on what individuals do by enacting through their experience on situations they feel are worthwhile in terms of long-term success formulation. (Rae 2007, 32-33.)

The amount of risks involved with each new business opportunity is high and something that should be considered. Many times companies or entrepreneurs fail because they have overlooked some of the critical information that was available. The high levels of uncertainty however should be accounted for in order to reave bigger results. From a strategic perspective, new businesses usually focus on a set of reasonable assumptions that are identified but they need to forecast different alternate scenarios as well in order to understand the full range of possibilities. When speaking about new opportunities, the categorization and identification of risks involved can sometimes determine whether the opportunity is worth going after or not. (Hassett et al. 2011, 24-28.)

3.1 Identifying New Opportunities

The preliminary stages of the business creation process, when opportunities are identified and implemented is considered as opportunity management. The constant changes in the market environment represent opportunities that are potential investments of value in the future. The possible advantages need to be weighed against the uncertainty factors involved when identifying what opportunities to pursue. The core of opportunity management is based on knowledge, learning and being creative. Constant monitoring of the market environment, research and finding the relevant ideas become increasingly important activities for existing as well as start-up businesses. Strategic commitment to innovative problems and a long-term entrepreneurial culture are key if businesses try to identify opportunities effectively. Amongst others, back-casting and road-mapping are considered useful opportunity management tools. (Hassett et al. 2011, 38-43.)

Exploring new opportunities can be done via a multiple number of methods. These are dependent on what the nature of the business is and what the characteristics of the market and the industry are. Creative thinking and innovation are the driving processes of opportunity exploration which seeks a thorough study of the possibilities and problems involved. (Figure 4). (Rae 2007, 66.)
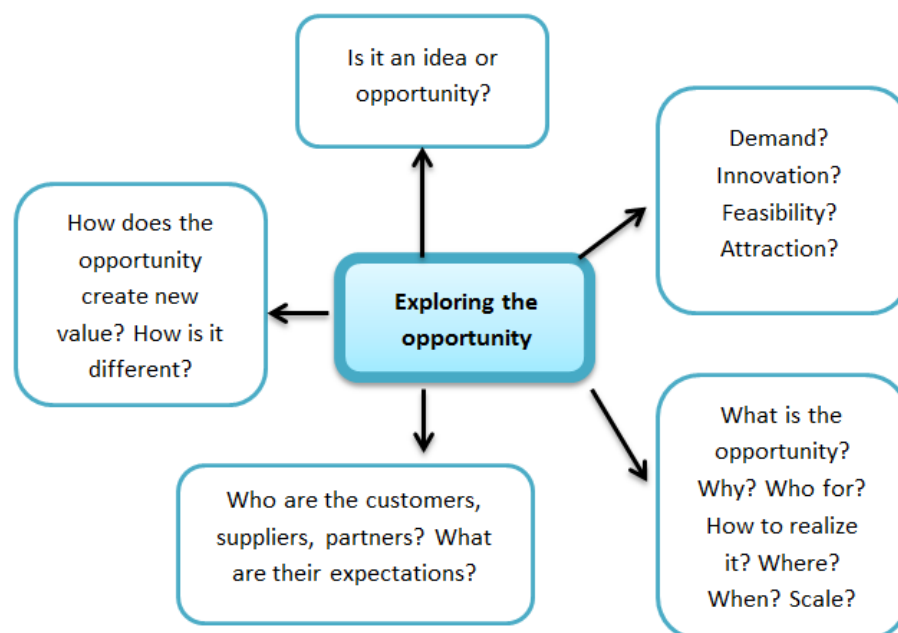
Figure 4. Exploring the Opportunity (Rae 2007, 66)

The core of successfully exploring opportunities is to consider the players and aspects involved and assess their reality. How value is created, who are the customers or suppliers, who will benefit from the opportunity and other characteristics of each scenario should be investigated to fully understand the nature of the opportunity and if it is worth exploring or not. (Rae 2007, 66.)

Whether an opportunity exists in the external business environment can be defined by using the DIFA method. This comprises of four features of an opportunity. Demand is the first feature, which indicates that there is a need or problem that needs to be satisfied. Innovation is the second, which represents an idea for the product, service or experience provided. The third is feasibility, which indicates that the idea is technologically or otherwise feasible. The last one is a subjective feature which often determines whether or not the opportunity is exploited, and it is attractiveness. This feature represents the interest of the entrepreneur and the potential rewards. (Rae 2007, 72-74.)

Furthermore there are factors which nurture opportunities and are viewed as reasons for possibilities from the supply side and the demand side of market needs. The supply side factors include changes in technology and innovation, new products becoming available, resource costs increasing or decreasing, legal compliance, decrease or increase in process costs, availability of skilled people and capable suppliers or distributors etc. The demand side factors on the other hand include social and consumer trends, demand for value or innovation, the effects of the competition environment, reduction in uncertainty, potential advantages or demand from suppliers and distributors etc. The factors on both sides are high in number and give rise to opportunities in many ways. A successful exploitation of an opportunity usually happens when supply and demand converge since that is where the most value is likely to be generated. (Rae 2007, 74-75.)

The link provided between idea generation and opportunity identification, and the creation of new business is the evaluation process. Evaluating opportunities is very important both from a qualitative and quantitative point of view. In many companies and among different entrepreneurs, the analytical nature of quantitative evaluation is not a preferred option and personal perspective and intuition found from qualitative methods are used more often. However, because of the high level of uncertainty and risks involved, the information provided through research and data is not to be ignored as it can provide valuable information for both companies and entrepreneurs. There are many commonly used methods for oppor-

tunity evaluation that include strategic alignment, financial methods, scoring and ranking methods and checklists and different methods for early new business development stages. (Hassett et al. 2011, 59-66.)

Upon entering new markets that are unfamiliar, the exploration of the market is necessary as that is the way to identify whether there are new opportunities worth pursuing. The market generally sets the rules of opportunities and there are different areas of need that have to be investigated which include: (Rae 2007, 90.)

- the identification of potential markets

- the assessment of market characteristics (total value, growth, accessibility)

- decision on a target market

- identification of customer segments within the market

- identification of segment characteristics (total value, growth accessibility)

- decision on target segments

- identification of customer needs, preferences

- decision-making factors, pricing

- identification of media, promotional and sales channels

To fully seize the opportunity, these areas of information need to be researched thoroughly. Potential markets need to be studied using questions such as what is the size and the total value of each market; is it growing, static or declining; what is the intensity of the competition; is it attractive to enter and etc. The target market should be analyzed seeking information such as how many customers are in the market; what are the key factors which drive the demand and price; who are the dominant sellers; what are their market shares etc. Once customers segments have been identified, the target segment also needs to be evaluated using questions such as what percentage of the annual spend by this segment can the business potentially secure, do they need or have demand for the product; how far are these needs

met; what dissatisfaction do these customers experience; what are their buying criteria etc. (Rae 2007, 88-92.)

Once the market research shed light on these factors, the industry can be analyzed in order to see who exactly the competitors are and how the own product can be differentiated for the customer. The specifics of the product need to be addressed as well. Key areas to consider are how the product will be priced and do the customers worth the product for that much; what the customer relationship is (loyalty based or other); how can customers be offered improvements over competition and how will they be persuaded of this etc. (Rae 2007, 92-93.)

3.2 Restaurant Business

The restaurant business offers a lot of advantages to people, which makes it a very attractive business area to invest in. It has the possibility to be highly profitable, it has great potential for buy-outs by different large corporations, it offers constant interpersonal relationships for socialization, can offer a fun and habitual lifestyle that enables one to express oneself while also offering a constantly challenging business environment for competitive owners. At the same time, the restaurant business involves a lot of liabilities which often affect the personal lives of those involved. Divorce rates are high among restaurateurs and managers because of the stressful lifestyle and long working hours. A lot of energy and stamina is required to maintain a collected approach. Loss of investments is a high risk and the business knowledge alone is often not enough but must be accompanied by a good understanding of food as well. The failure rate of restaurants is high and the business is considered as high-risk. Banks are conservative about lending loans to restaurants and in some areas there are too many of them to successfully operate. (Lundberg & Walker 1993, 1-4.)

People have historically been keen on eating out, however, with lifestyles becoming busier by the day more and more people feel the demand for a more convenient alternative to cooking. They prefer eating tasty meals without spending the time on preparation and washing the dishes. More elderly people, singles or dual-career families prefer to eat out at convenient and pleasant restaurants instead of home. (Entrepreneur Magazine 2012, 1-2.) There are different kinds of restaurants which vary in terms of their menu items offered and quality of food, ambiance, service, and menu prices. The eating establishments are classified into

three categories: commercial foodservice, institutional foodservice and military foodservice. The commercial category includes places such as restaurants, refreshment places, cafeterias, caterers, bars etc. Food contractors include office buildings, educational facilities, sports centers etc. Military foodservice is comprised of clubs for officers and military personnel. Restaurants are further classified into quick service consisting of fast food restaurants, midscale that include family restaurants, upscale that are comprised of high-ticket, white-tablecloth restaurants and casual dining with dinner houses. Furthermore, there are additional examples of different restaurant categories such as coffee-shops, cafeterias, convenience stores, and take-out and home delivery services. No matter what kind of a restaurant it is, it must perform the following functions: purchase food and beverages, receive and store food and beverages, prepare and serve food and beverages (Lundberg 1994, 220-229.)

3.3 Developing a New Restaurant.

Restaurant development is a constantly evolving and changing process. Identifying its key steps for a guide is impossible since the process can be different for each particular case. Hundreds of events occur during the development process and they can all be vastly various depending on many different factors. However, there are some elements that can be generalized as key factors for the development of a new restaurant. The main steps of restaurant development start with identifying where the initial idea comes from. These can be as simple as enjoying a particular city and thinking about opening a restaurant there to as complex as seeing a void or opportunity and trying to fill the need. Once the decision to open the restaurant has been made the research part follows. It is vital to understand the specifics of the selected area in order to enable the development process further along. Financial planning is the next step, where the business plan is drafted and the supporting budgets are identified. In the restaurant business an operational plan is necessary which seeks to select management, staff and other operational activities that need to be planned. The selection of the location for the restaurant is the next critical step. The design of the actual restaurant ensues with the planning of construction and facility decoration. The planned construction can then actually be done. Finally, with the help of a preopening plan, the restaurant is ready to open. While there are hundreds of steps in all these major categories, some of them are especially critical to identifying whether the original idea is suitable and how the concept of the restaurant needs to be made. (Katz 1997, 1-14.)

3.4 Restaurant Design

This thesis evaluates the steps that are required for the development of a successful restaurant before the financial and operational plans are made. These steps are restaurant design and restaurant concept.

Restaurant design and concept are interdependent and related aspects. Restaurant concept is the ideas and implementations of factors that will contribute to forming the perceived image of the restaurant. However, before such decisions can be made, the restaurant design has to carry out to see what kind of concept is actually suitable. The important factor as with any new business is to analyze the market and determine a niche where the concept could be applied to. In the competitive restaurant business there are constantly new concepts taking over customer interests and whether a concept is successful or not depends on a lot of factors. It is very important therefore, to understand what the metrics and characteristics of the particular market are in order to supply it with the newest alternative concept. (Lundberg & Walker 1993, 11-12.)

3.4.1 Type of Restaurant

One of the most important factors to be considered when completing the restaurant design is what type of a restaurant to develop. The types are numerous and the market should generally dictate what the most advantageous types are in the particular case. Sometimes the portfolio of existing restaurants in the specific location indicates that there is a need for one, or that because of the high number of said type restaurants existing in the area, it is the one that is most profitable. Customer preferences, geographical characteristics or limitations, can influence this decision and will usually point the developers into the correct direction. (Baraban & Durocher 2010, 2.) Sometimes personal preferences also play a factor in choosing the type of restaurant. Assessment questions such as what do I like to do, what investment can I afford, what working hours can I afford? etc. manipulate the decision and selection of the type. (Rainsford & Bangs 1997, 13.)

Different kinds of restaurants require different levels of service. Vending and fast food restaurants will offer less service and make the customers more independent. Cafeterias repre-

sent a little bit more service while coffee shops, family restaurants and dinner hoses will provide much more attendance and service. The highest level of service is offered in luxury restaurants since their customers demand a quality experience and the restaurant should meet those needs with extra care. Similarly, different types of restaurants have different levels of seat turnovers. In a luxury restaurant, the customers spend a much longer time than in a fast food place because they want to enjoy their experience as much as possible. This also correlates to varying space per customer requirements for the different types of restaurants. I vending or fast food restaurants the places per customer are small, while family restaurants, dinner houses and especially luxury restaurants will provide much more. (Lundberg & Walker 1993, 32-34.)

3.4.2 Market

Another very important factor is the evaluation of the market. Ultimately the goal is satisfy the customer base with the restaurant product and service, however it is not done so easily. The whole range of customers on the market does not represent the potential customer base, therefore market analysis is required to assess what are the characteristics and segments of the market. Similarly, the competition needs to be assessed as well in order to identify in what areas customer satisfaction could be met more effectively or how to differentiate the product or service. (Baraban & Durocher 2010, 2-5.)
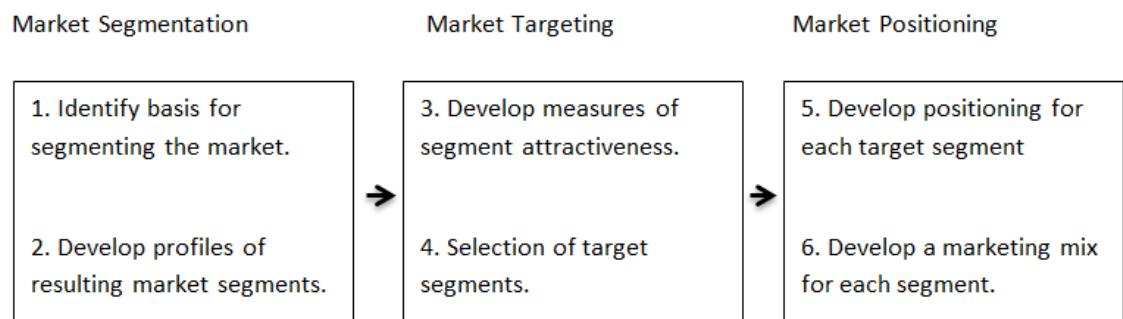
Market Analysis

Figure 5. Steps in Segmentation, Targeting, and Positioning (Kotler et al. 2006, 263)

Market analysis is commonly used by companies and strategic decision makers to evaluate their market in the dimensions of environment, customers and competitors. The analysis seeks to identify important factors for the success of the company by focusing on the target group that is most relevant with the highest potential, their own product's positioning and purpose as well as the overall most suitable marketing strategy for their goals. (Donald et al. 2010, 26-27.) The components of market analysis that will be looked at in this thesis are target marketing, positioning and market segmentation (Figure 5.)

Market Segmentation

Market segmentation is a tool generally applied by companies to help the positioning of their product or service to that of the most appealing from the potential target groups on the market. Segmentation helps to identify and categorize all the customers and consumers on the market by distinguishing them on specific characteristic differences into various groups. Since all the consumers on the market are not the same, companies cannot focus equally on all of them. Target groups yield the advantages of establishing priorities and putting emphasis only on the most attractive groups. Especially in the restaurant business, the most easily reachable customers are of focus. The four most established criteria in market segmentation are demographics, psychographics, behaviouristic and geographic aspects. (Donald et al. 2010, 36-37.)

The aspects needed to be identified in demographical segmentation are variables such as age, gender, family size, income level, life cycle etc. People of various ages usually have different specifics and needs which companies have to take into account. Thus, identifying the specifics of age in the market becomes very important for product positioning. Similarly, gender is one of the drivers of purchase decisions by consumers since female customers are likely to have difference preferences than male. This is especially evident in market areas such as clothing or jewellery. To assess the profitability of different customer groups and market segments, information on the income levels is of tremendous need. Furthermore, some product packages such as holiday packages position themselves towards certain customer family sizes and life cycles in order to make their product or service as profitably as the market allows. (Kotler at al. 2006, 266-270.)

The people of the market all have different interests, opinions or general activities which affect their purchasing behaviour. Psychographic segmentation analyses these personality patterns to identify different target groups. Additionally, the same demographic group often has the possibility of having different psychographic characteristics. Behavioural segmentation seeks to identify similarly personal traits of how customers view the usage of the product. Factors such as the usage rate of the product of purchasing frequency usually form the basis of this particular segmentation technique which most often becomes one of the first variables looked at during market segmentation. (Donald et al. 2010, 36-37.) Lastly, geographic segmentation refers to the assessment of location, city size or population density of the market. Local culture and climate should also be factored in as they heavily impact the possibilities of the market. (Kotler et al. 2006, 263-266.)

To get the full extent of market segmentation, additional factors should be considered as well. Whether each specific market segment is big enough for sustained business or profitable via a satisfactory level of purchasing power by the customer base are all aspects of a market segmentation project. Accessibility is an important criteria as well since markets that can be served to the best extent are generally favourable. Measurability of all these factors ensures that the different target segments are all relevant and suitable for the product or service without the uncertainty of the whole business activity to fail. (David et al. 2006, 125.)

Target Marketing

After the groups of the market have been identified by segmentation, choosing the most relevant, suitable and easily accessible target group can be selected. Companies seek the most profitable customer base and want to meet the customer's different needs to be successful. There are two main steps that are used in target marketing: assessing the target markets and groups and then designing a suitable strategy for the targets. (Jobber 1998, 188.)

In order to assess market segments, the companies need to look at the attractiveness of each group and their own capability to access them as profitable as possible. Market attractiveness relies on market, competitive and general factors. The market factors include aspects such as size, growth rate, price, bargaining power of suppliers and customers and the level of barriers to both entry and exit. Competitive aspects refer to differentiation, new entrants and the level of competition. Society, political factors and environmental features comprise the gen-

eral factors of target marketing. Additionally, the companies need to assess their own capabilities in light of factors such as marketing assets, technological and cost advantages and the commitment and competence of the management. (Jobber 1998, 188-189.)

There are different strategies applied in target marketing that all have their advantages to different kind of market segments and market metrics. When the market can be observed as having no significant differences in characteristics, an undifferentiated marketing strategy can be applied. In this scenario a single strategy is applied to all segments. If many different segments are identified all with various characteristics, differentiated marketing approaches are developed. This is a costly option and generally it is impossible to meet the customer needs of all segments, thus companies try to select the most appealing area and apply focus marketing strategy. In case of markets where a few customers hold significant purchasing power, customized marketing strategies are developed to meet their needs and attract them. (Kotler et al. 2006, 278-279.)

Positioning

Positioning refers to the act of customization of the product of service by applying the customer preferences and needs of the target segment. The final goal of positioning is to achieve differentiation for the company amongst competition to improve profitability. (Alain 2010, 34). There are different differentiation techniques for companies but they all strive for one purpose – to make their product outstanding, offering better alternatives to competitors for the customers. Product differentiation is one such technique and it hopes to provide better and unique features to the product that the competition does not possess. The product can be made more attractive by using promotional differentiation techniques concerning advertising activities. Differentiation can be achieved via expanding the distribution channels making the product more accessible to customers. Furthermore, offering lower prices to those of the competition can attract more customers as well. (Jobber 1998, 193.)

An effective positioning strategy involves a few key components same to all companies. One of the aspects which needs to be prioritized by companies is achieving clarity through comprehensive and simple positioning statements. This is important because it shapes a clear and memorable image of the product for customers. Consistency is also very important because customers do not relate well to constantly changing images and values of a product or

company. Customers seek credible products and services, therefore companies have to make sure the image of their product is the same as the reality after purchasing. Without credibility, customer loyalty is impossible to achieve. Lastly, the competitiveness of a company means the product and its features are viewed by the customer base as hard to replace and for the competition to imitate. (Jobber 1998, 193.)

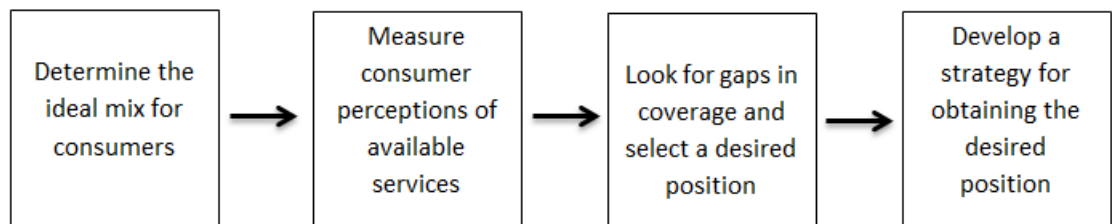| Determine the ideal mix for consumers | Measure consumer perceptions of available services | Look for gaps in coverage and select a desired position | Develop a strategy for obtaining the desired position |

Figure 6. The Positioning Process (David et al. 2006, 142)

The positioning process (Figure 6), as its first step, includes determining what the customers want from the specific product. There are usually key and identifiable characteristics most customers seek from a product. For restaurants these can be quality of the food, variety of the menu, good atmosphere and location, price level etc. (Donald et al. 2006, 143.) After this step, the perception of the customers' needs to be measured. The most common tool to use for this is a perceptual map. A perceptual map will enlighten what customers view as strengths and weaknesses as well as the positioning of competitor companies based on the perception values used as criteria. For example, a two dimensional perceptual map, including price and value as their dimensions would place the companies of the market by what they value more. Their positioning towards lower price and higher quality, or higher price and higher quality would give an effective picture of what their positioning strategies are. This provides the ability of assessing the market by how the competitors try to differentiate themselves. The third step of the positioning process follows this logic, as there is likely to be a gap in the coverage of the market by the competition. Developing an effective positioning statement to fill that gap while describing the unique features needed to be established is the basis to differentiate the product from the competition. A strong company image is then achieved by delivering and advertising the identified position for the company's product. (Balaja et al. 1996, 15.)

Competitors

Competition in the restaurant business is very wide spread with more direct competitors than other industries. Not dependent on the different concepts, all restaurants in the market compete against one another and have the indirect competition from the consumers themselves as they can choose to eat at home. Restaurant chains are a big competitor for other restaurants because they enjoy a strong brand recognition as well as more financial support. Convenience stores and supermarkets also offer food and meals that are easily accessed and bought fast. These are another major competitor group. Restaurants also have to find ways to persuade consumers to use their services instead of eating at home, and find ways to effectively advertise themselves. Positioning helps differentiate the restaurants from competition. (Entrepreneur Magazine 2012, 15-17.) Some of the ways restaurants can differentiate themselves include items such as quality, service, convenience, price, product range etc. (Rainsford & Bangs 1997, 29.)

3.4.3 Location

Location is a very important factor to consider when developing the restaurant design. Many restaurants are judged based on their location which needs to fit their specific concept. A high-end restaurant for example cannot be located in an inaccessible location. It needs a respectable building, a good enough location in the more hip parts a city with enough parking spaces. Similarly, a hot-dog stand needs a location that is good for its target market but will have a different criteria when assessing possible venues. The price structure of the restaurant, together with its concept is a very important factor affecting the location. There are multiple aspects restaurants need to evaluate when choosing their location including factors such as visibility, number of potential customers passing by, distance from target market, demographics of the area etc. For each restaurant these criteria are different. (Lundberg & Walker 1993, 43-44.)

When evaluating potential locations, knockout factors are typically assessed. These include negative features such as too much traffic, unavailability of utilities, small size etc. are just ones that affect the facility itself. When choosing a location, specifics such as market population, growth or decline of the area, number of competitors and so on pose issues to be ad-

dressed. Nevertheless, the location must fit the concept and design of the restaurant. These two factors will ultimately be the basis of location selection for any restaurant. (Lundberg & Walker 1993, 48-50.)

3.5 Restaurant Concept

The restaurant concept is one of the most important aspects of developing a successful restaurant. It forms the general image of the restaurant in the customers' eyes and includes menu items, building choice, inside furniture and virtually almost everything that puts labels on the restaurant. (Figure 7). Most restaurants want a clear cut concept so that customers can identify the business with what it is trying to portray. In most cases customers do not appreciate surprises and when going to a restaurant expect to receive a package previously communicated. In many cases a restaurant concept will combine food idea with design to achieve a strong image. An example is a Mexican restaurant that places sombreros inside its facilities. Not all concepts have to be so strong, some can involve basic shapes as a focus, or a cultural aspect. Nonetheless, the concept forms one of the most integral parts of the whole restaurant. (Baraban & Durocher 2010, 9-11.)
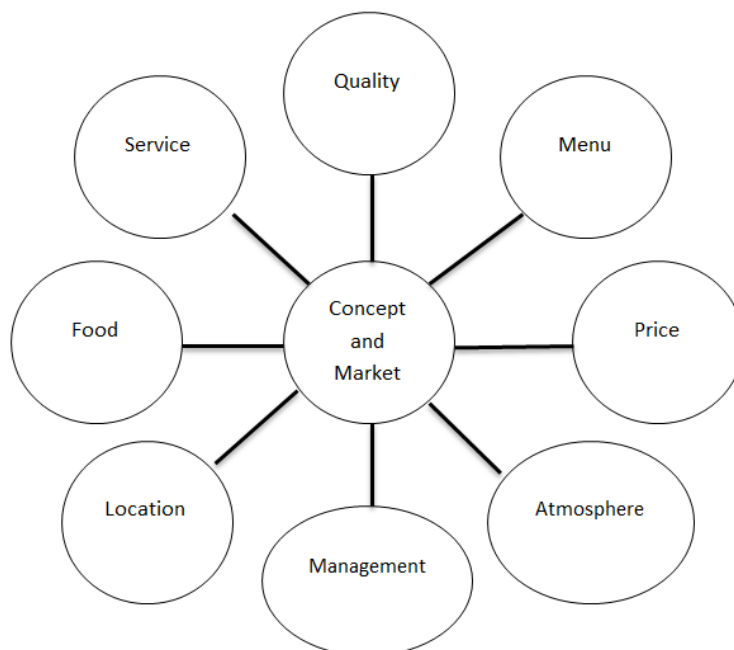

Figure 7. The Concept and Market are the Hub Around which the Restaurant Develops (Lundberg & Walker 1993, 16)

A restaurant will not be successful in its concept does not fit its potential customers. Thus, concept development is highly connected with restaurant design and the information it produced about the market. Selecting a suitable concept can sometimes be difficult and often some of the concepts do not fit the market at all. Concepts though can be adapted to be more parallel to the clientele. Such changes can include reforming the interior of the restaurant, adapting the menu, differentiating the atmosphere. Nevertheless it is critical in restaurant development to align the concept to the target market and what if their interests can be attracted by the restaurant. Often a clear gap in the market is filled with an effective concept design representing a way for restaurants to carve their niche. A concept develops the restaurant's identity and thus forms its image – making it a crucial part of restaurant development. (Lundberg & Walker 1993, 11-27.)

Menu is another important factor that forms an integral part of the restaurant concept. Juxtaposing, the concept heavily influences the menu design, as the meals served will reflect the specific concept the restaurateurs have developed. There are different factors that need to be addressed when choosing the menu, including the patrons' needs and desires, meal variation, pricing strategy, consistency and availability of menu ingredients or the design itself. The menu often serves as a way to differentiate from competitors since essentially the meals are the product of the restaurant. No matter how great the concept of the restaurant might be, if the customers are not satisfied with the meals the business will suffer. (Lundberg & Walker 1993, 63.) The specifics of effective menu planning are not touched on in this thesis, but recognizing the importance of this factor in later stages of the actual restaurant development is important.

4 MARKET RESEARCH FOR A HUNGARIAN RESTAURANT IN AZERBAIJAN

Hungarian restaurants offer a unique taste of Hungarian culture, and have been present in many foreign countries for decades. What makes them attractive to people are the wonders of the Hungarian cuisine with traditional tastes, a great atmosphere created by the beauty of Hungarian decoration and the enjoyable national drinks. The Azerbaijani and Hungarian culture has been friendly for a long part of history and Azerbaijani people have always been culturally open to Hungarians. A Hungarian restaurant could potentially find success in Azerbaijan, but the market characteristics need to be identified and evaluated before such a project can come to fruition.

4.1 Research Methodology

The research has been conducted using both primary and secondary research. Due to the exploratory nature of the research, a qualitative method of theme interviewing has been utilized. The interview questions have been designed to find answers for the research objectives.

The primary research questions of this thesis try to shed light on how a Hungarian restaurant could be successful in Azerbaijan. The market analysis and characteristics have been explored using both secondary research in order to find raw data and facts, and the interview responses in order to understand some of the dynamics numbers and statistics cannot showcase.

The questions addressing what the success factors for the restaurant are, and whether Azerbaijan represents a good fit have mostly been answered by the interviewees. Aspects considering restaurant development, such as questions about the design and concept have been evaluated using the hypothetical Hungarian characteristics of the potential restaurants. The interviewees have been relied on for expert opinion whether these traits could be successful in Azerbaijan or not.

There were 3 people in total interviewed, all three considered experts on the areas at hand. Erika Tóth, Consul of the Hungarian Embassy in Azerbaijan has been selected for Hungari-

an perspective living in Azerbaijan. Ibrahim Ismayilov, the vice-president of the Hungarian Trading House in Baku provided a perspective of an Azerbaijani businessman that also understands the country's relations with Hungary. Finally, Ates Rjazev, owner of multiple restaurants AR(T) ltd a cultural company has given an effective perspective from a cultural point of view and how foreign restaurants are viewed in Azerbaijan. The interviews were conducted on phone and transcribed by the Hungarian Embassy in Azerbaijan.

The interview questions have been designed to include 10 questions, each based on key areas identified by the theoretical background of the study (Appendix 1).

The areas touched are:

- Restaurant business market characteristics in Azerbaijan

- identification of new opportunities and potential markets in the Azerbaijani restaurant business

- segments and segment characteristics of the Azerbaijani population

- target market segments

- customer needs and preferences of the target market

- competition in the restaurant business

- effective positioning

- restaurant type and characteristics

- restaurant concept and,

- location.

There were limitations to the research as well. An official and comprehensive list of all the companies in the restaurant business could not be attained thus making the analysis of competition much less thorough. Another limitation was that the statistical data used only showcased the catering market of Azerbaijan not specifically the restaurant market, making the

research prone to statistical variations were the catering market segmented down. Further-more

4.2 Market Characteristics

Azerbaijan is a country with 9,59 million population that has experienced great economic growth due to its vast reserves of natural gas and oil. With 90% of the population made up of Azerbaijani and the rest by Dagestan, Russian, Armenian and other, their residents do not show a lot of variance. Similarly, the religion of 93,4% of the population is Islam with Russian and Armenian orthodox making up the rest. Thus, Azerbaijan is not a country with many different cultures, local people and their habits and behavior is dominant. The capital, Baku has a population of 2,123 million people (2011) and is the largest city of the country. (State Statistical Committee of the Republic of Azerbaijan 2013.)

The country experienced a GDP growth of 2,2% in 2012 and the GDP per capita figure was 10.700 USD. The main sectors of GDP are agriculture (6%), industry (63,8%) and service (30,2). With an unemployment rate of 1%, Azerbaijan exports a lot of oil and natural gas, while their biggest imports are machinery (41,7%), chemicals (10%) and food and living stock (9,9%). (State Statistical Committee of the Republic of Azerbaijan 2013.)

The average monthly salary in Azerbaijan has decreased from 109,9% to 109,4% (in percent to previous year) from 2011 to 2012. The population income per capita has shown decreasing tendencies as well from 117,6% (2011) to 112,2% (2012). The consumer price indices declined also 107,9% (2011) to 101,1% (2012). Thus the figures show a declining tendency for consumer income, which indicates a declining market possibility for potential service oriented businesses such as restaurants. However, the number of catering activities has shown growth each year since 2007. In 2011, a total of 9146 units were present while in 2012 that number grew to 9502. Similarly, the number of employees has been growing as well. In 2011, the accommodation of tourists and public catering economic activities shows 17,8 thousand people employed, while that number grew to 19,0 in 2012 and has been growing each year going back as far as 2005. (State Statistical Committee of the Republic of Azerbaijan 2013.)

The total volume of catering turnover also shows growth. In 2010, the total turnover was 417,8 million Manats, that grew to 565,5 million in 2011 and 680,0 million Manats in 2012. The number of seats in catering establishments meanwhile has grown from 289,5 thousand in 2010, to 307,4 thousand in 2011 and 326,9 thousand in 2012. It is also worth noting, that from the total catering turnover, only 1,8% was contributed by state-owned properties, while 98,2 came from non-state properties, indicated the independent ownership being dominant in the market. (State Statistical Committee of the Republic of Azerbaijan 2013.)

The interview responses further confirm the growing tendencies of the catering market. All respondents agree that as a total, Azerbaijan is a rapidly developing country that attracts numerous foreign businesses. The number of restaurants is increasing and more and more people are looking to eat out to enjoy something different to cooking at home (Rjazev 2013). According to Ismayilov (2013) and Tóth (2013), the standard in Azerbaijan is not having cafeterias at the office buildings with the possibility for onsite lunch, and therefore most workers tend to go to restaurants as often as each day of the working week. Due to the developing economy of the country and specifically Baku, there is an increasing number of consumers with more purchasing power due to their increased income, and at the same time the growing number of foreign businesses and businessman (specifically from multinational corporations that have opened business in Azerbaijan) also represents potential customers looking for more European restaurants. (Rjazev 2013). There are not enough European restaurants however, according to Ismayilov (2013) which indicates that the demand of such restaurants is unmet. Furthermore, Ismayilov (2013) adds, that 90% of his business meetings are held at restaurants, which suggests that the frequency and likeliness of workers eating in restaurants is especially high.

4.2.1 Regions

Azerbaijan has a territory of 86,600 square kilometers with 11 main economic regions. They are the following: Baku, Absheron, Ganja-Gazakh, Shaki-Zagatala, Lankaran, Guba-Khachmaz, Aran, Yukhari Karabakh, Kalbajar-Lachin, Daglig Shirvan and Nakhchivan. (State Statistical Committee of the Republic of Azerbaijan 20013).

The Baku economic region is the most profitable regions from catering, representing 405 millions of manats from the total turnover of 680 million manats of catering in 2012.

The other economic regions turnovers are considerably less. However, each region has shown growth in each year going back to 2006, with the Baku region growing from 561 million in 2011 to the aforementioned 405 million in 2012. (State Statistical Committee of the Republic of Azerbaijan 2013.)
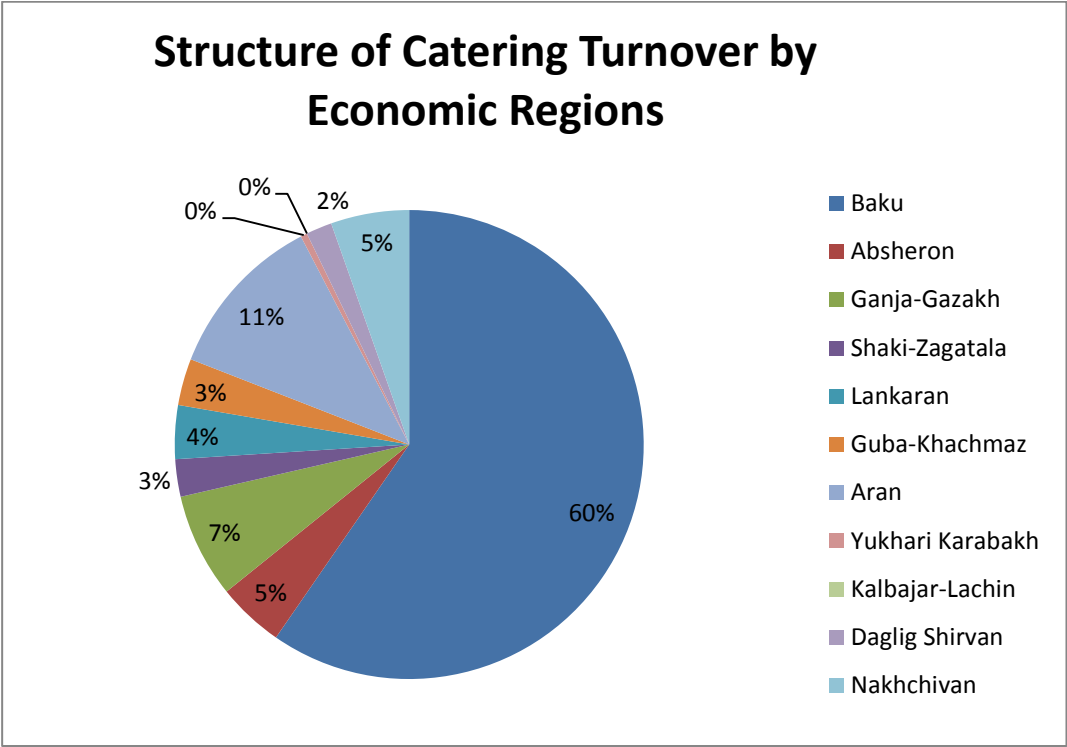

Figure 8. Structure of Catering Turnover by Economic Regions (State Statistical Committee of the Republic of Azerbaijan 2013)
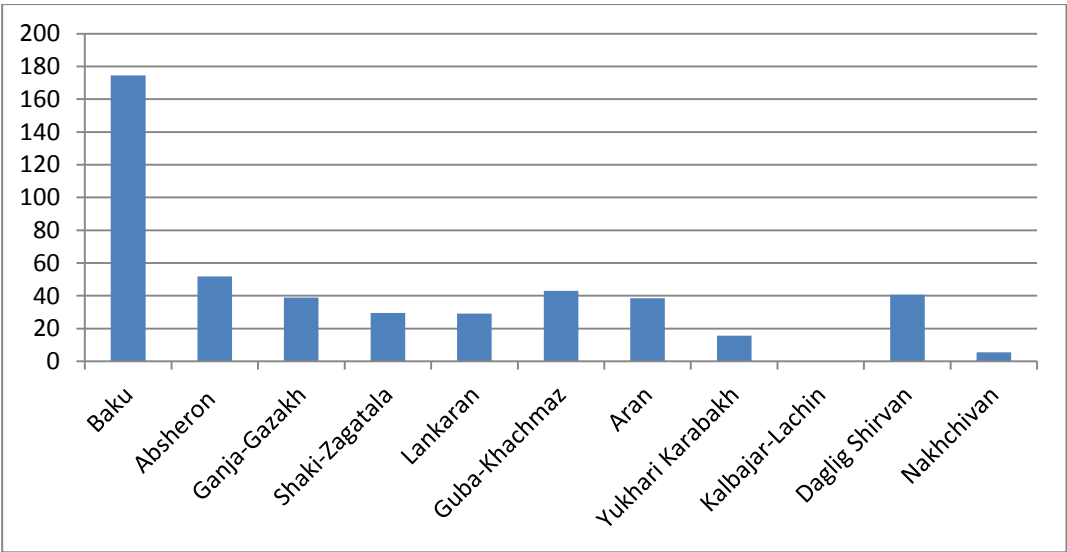
Figure 9. Catering Turnover by Capita by Economic Regions in Manat - the national currency of the Republic of Azerbaijan (State Statistical Committee of the Republic of Azerbaijan 2013)

As the two figures above show, the Baku economic region is vastly more profitable compared to the other regions. Its turnover represents 60% of the total volume, and the per capita amounts are more than triple of most of the other regions. The number of business subjects engaged in catering has been growing steadily as well. The Baku region represents a much higher number than the other regions; of the total of 9 146 of the catering sector there were 3 317 business in Baku in 2011, which number grew to 3 438 in 2012. The number of seats also shows the same trends. Of the total of 326 915 seats in the sector, 165 397 were in Baku in 2012, which increased from 149 928 in 2011. (State Statistical Committee of the Republic of Azerbaijan 2013.)

Judging from an economic attractiveness standpoint, the most appealing economic sector is Baku. Baku is where the most catering businesses are present as well as where the most turnover occurs. All interview respondents agree that Baku is the most attractive region for a new restaurant. According to them, compared to the other parts of the country, Baku is much more developed and is the true center of all the major social, business and cultural activities. Tourists also usually spend time mostly in Baku.

4.2.2 Demographic Segmentation

The population of Azerbaijan has been growing. In 2012, the population was 9235,1 thousand people which grew to 9356,5 thousand in 2013. The distribution between urban and rural areas is relatively even, with the urban areas in 2013 counting for 53,1% of the total population, while the rural areas 46,9%. There are no noticeable tendencies of an increasing number of people moving to urban areas however, despite all the economic development. The population of Baku itself has also been growing, albeit at a slower pace. In 2012, the population was 2122,3 thousand people, and it only grew to 2150,8 thousand in 2013. (State Statistical Committee of the Republic of Azerbaijan 2013.)
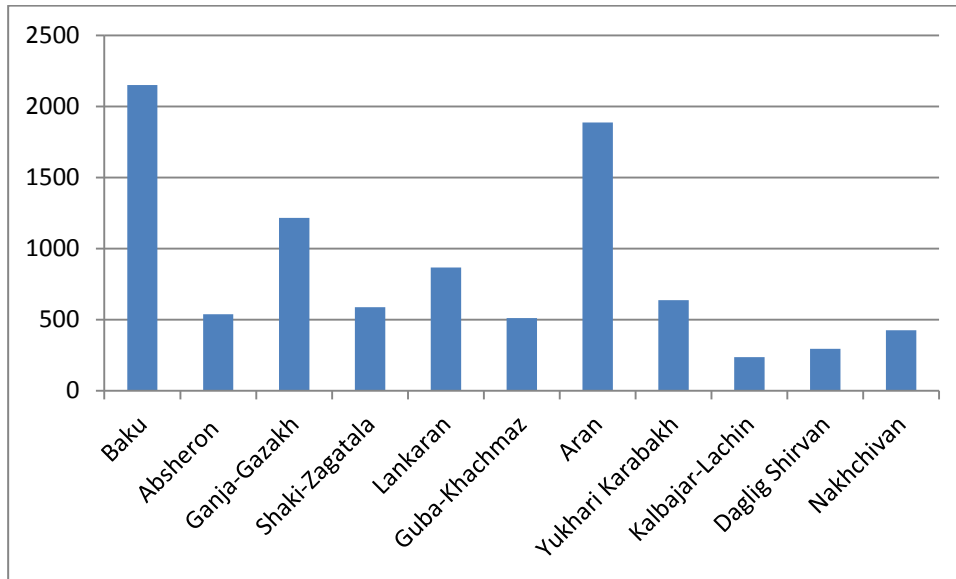
Figure 10. The Population of the Different Economic Areas in 2013 (State Statistical Committee of the Republic of Azerbaijan 2013)

The diagram shows that the only region coming close to the population of Baku is the Aran economic region. The rest of the regions show a much lesser number of populations.
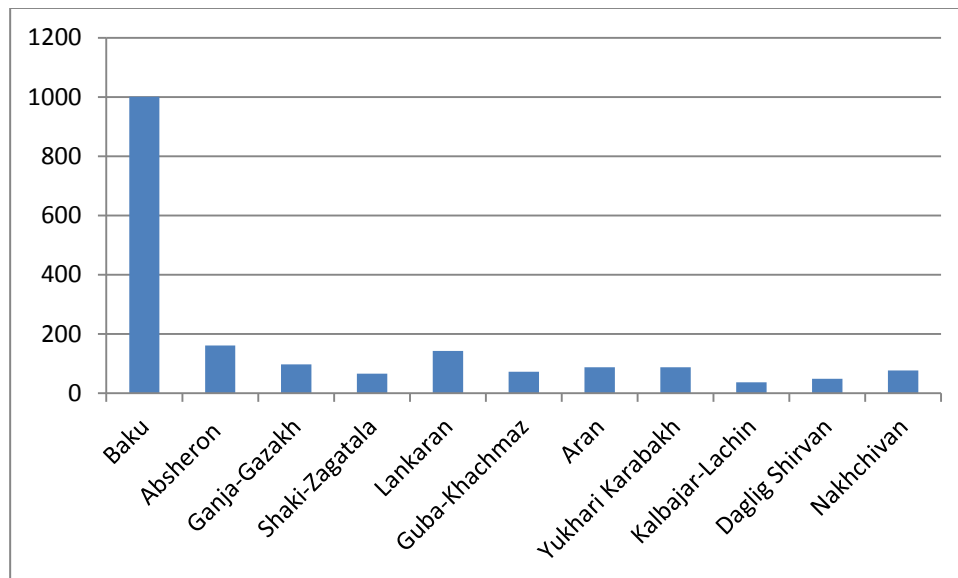

Figure 11. Population Density of Economic Regions 2013 (State Statistical Committee of the Republic of Azerbaijan 2013)

As the table shows, Baku has a much higher population density signifying the status of the capital as the true center of the country. Business activities are most likely to succeed there, especially with the requirement of accessible masses of customers for restaurants.
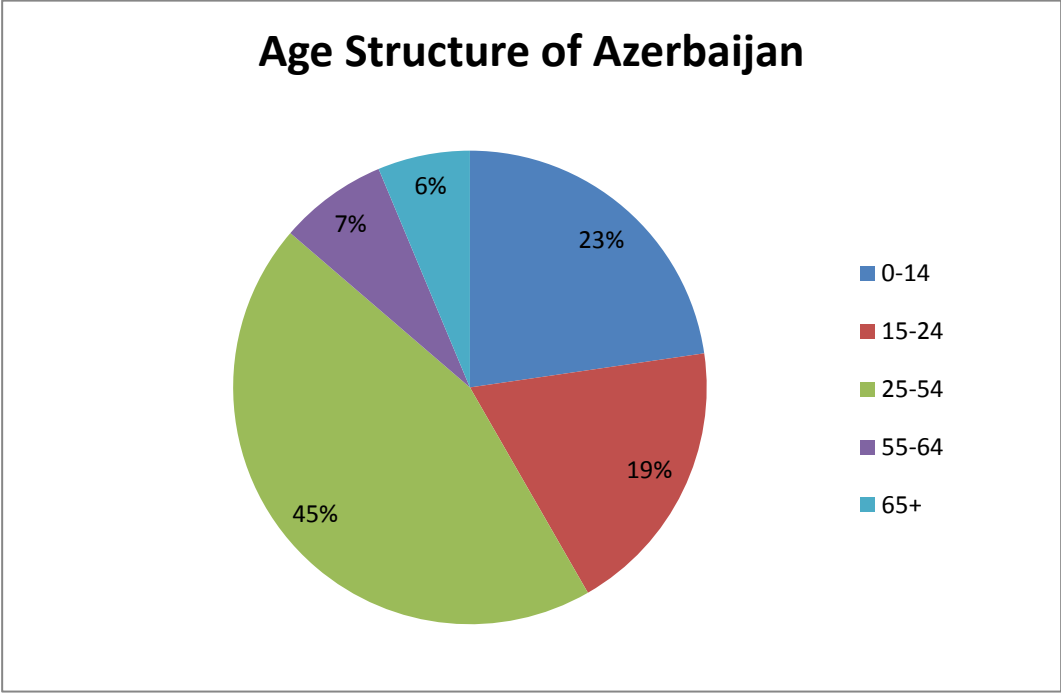
Figure 12. Age Structure of Azerbaijan in 2012 (State Statistical Committee of the Republic of Azerbaijan 2013)
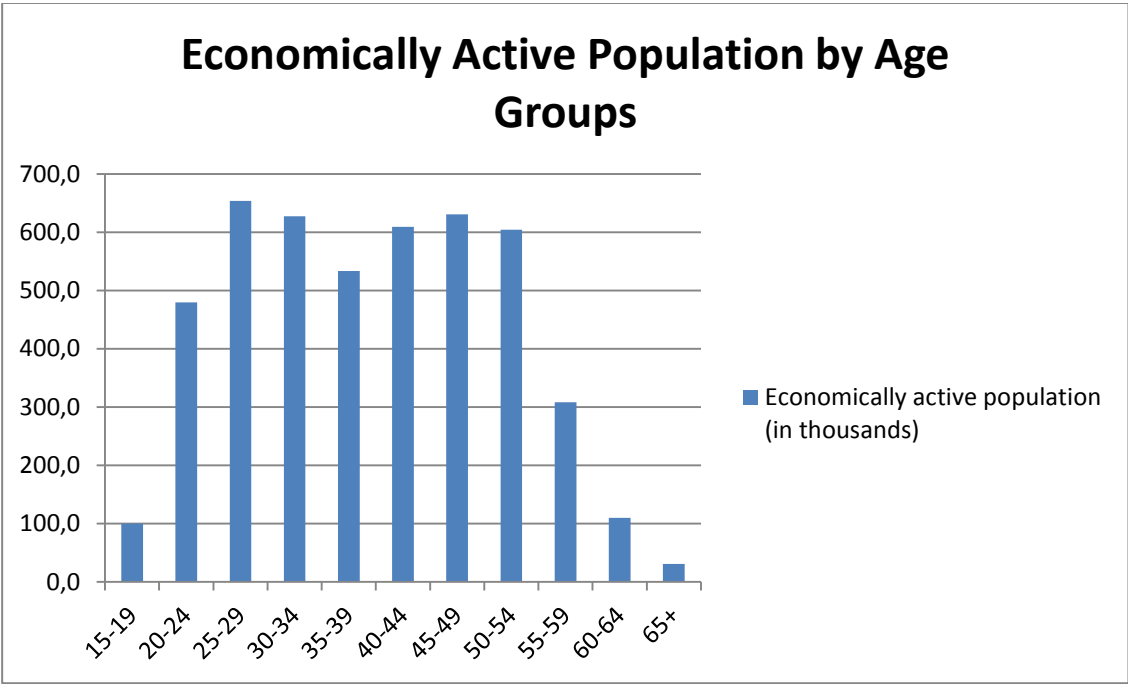

Figure 14. Economically Active Population by Age Groups 2013 (State Statistical Committee of the Republic of Azerbaijan 2013)

As the two charts above show, the major age groups of the country are between 25-54 years old, and those groups happen to be the most employed also. The other age groups are lesser in number and also are not considered working force. Additionally, the accommodation and food service sector has seen 48,9 thousand people employed, making up 1,1% of the total number of employed in the country. (State Statistical Committee of the Republic of Azerbaijan 2013.)
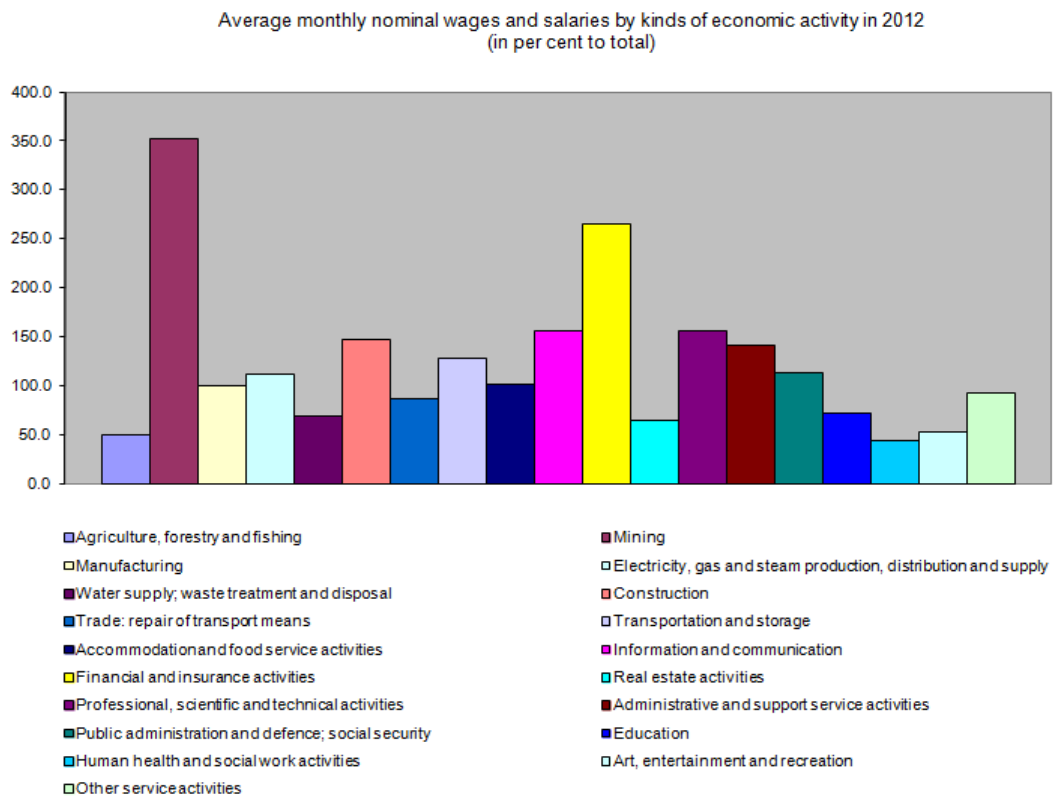

Figure 15. Average monthly nominal wages and salaries by kinds of economic activity 2012 (State Statistical Committee of the Republic of Azerbaijan 2013)

The above chart represents the segmentation of the different economic activities with their level of salaries. Water supply, and waste treatment and management are the leading sectors with the highest salaries, but the financial and insurance activities sector also stands apart from the rest. When assessing customer needs, these are important factors to consider.

The interviewees have given different information on market segments, however they can all be categorized similarly. Rjazev (2013) identified 3 main segments, teenagers and students, employees and workers, and retired and elderly. Teenagers and students prefer to go out and eat out because of their needs to socialize with friends and acquaintances. There is an in-

creasing number of students that go out many nights of the week, however they prefer cheaper places due to their income levels being low. They do not prefer to go to higher quality establishments due to similar reasons. Workers and employees spend a lot of time at restaurants on business meetings. The average income level of workers is increasing and their demand to spend time away from home and the work place is a noticeable tendency. While the elderly and retired segment generally prefers to stay at home with family, and they usually show hesitancy to spend their savings as much as the other two segments. (Rjazev 2013).

Tóth (2013) also mentioned 3 segments broken down to age. The first group of 15-25 ages she says likes to socialize and lives a much more out-going lifestyle. Their need is not for fanciness but rather enjoying their time. The second group of 25-55 focuses on their work and maintaining their personal life but they do have higher income levels and show more spending power. The third group of 55+ leads a more sedentary life, enjoying their retirement and they usually are not involved with a high level of social and economic activities. (Tóth 2013).

Ismayilov (2013) identified market segments by their spending tendencies. There are groups that spend much less on improving the quality aspects of their live: they do not go out much, spend little on them via shopping and do not travel. This group includes students, lower salary level employed and elderly. The other group identified has much more of a tendency to spend on enjoyment and are not solely focused on keeping a tight economic profile. They buy items for themselves and spend a lot of time enjoying cultural and night life. This group includes people with higher economic worth, usually local and foreign businessmen and their families.

4.2.3 Target Market

Based on the economic and geographic characteristics, the Baku economic region represents the target market for a new restaurant. The level of business activities, the growth of the sector as well as the potential customers make this region the most attractive and also accessible. The interview respondents concur in that Baku represents the most potential as it is the center of Azerbaijan and all business activities.

From the market segments, the number of employees and workers as well as their income levels indicate that they are the target segment. From the interview responses it can be concluded that people of the ages under 25 will have different priorities, not compatible with a foreign restaurant's standards, while the ages of 54+ just do not represent an attractive market for restaurants. Breaking down further the target market, the most potential for a new foreign restaurant lies in the following group of people: employees, people employed by foreign companies, high level income local residents, foreign people living and working in Azerbaijan and those open to foreign cultures in general. (Tóth, Rjazev & Ismayilov 2013). While it is hard to single these groups out by sheer number in the economy, almost all of these groups fall into the segment of 25-54 years old.

4.2.4 Customer Needs of Target Market

The target market has been identified as 25-54 years old employees, high level income residents, open to foreign culture and foreign people living and working in Baku. The customer needs this segment when it comes to restaurants is convenience joined by a moderately high quality of experience and service. A foreign restaurant needs to be easily accessible in Baku, while also being in a place of the city which is considered a place of higher standards. Business men that like to have meetings in restaurants want high quality both on the inside and outside to represent a status-quo and will not be attracted to low quality establishments. (Ismayilov 2013). A foreign restaurant is very attractive to any of the foreign people living or working in the Baku. European food culture is relatively similar between its countries but differs from the Azerbaijani cuisine. Having quality menu and food that represents the home country is a necessary requirement from foreigners living inside Baku since they want a legitimate variety in the otherwise foreign to them cuisine. (Tóth 2013). Culturally open-minded and adventure seeking residents in Baku require an atmosphere that represents the cultural traits of the country. References to the important and most popular monuments or characteristics of the foreign country need to be on display, otherwise the particular foreign restaurant would not be considered attractive. (Rjazev 2013).

All interview respondents agree that in general, customers prefer a foreign restaurant with high quality experience and are ready to accept that it will come at the cost of higher prices. A good location is very important as well as available parking space. (Rjazev 2013).

Below are some of the key needs of the potential market:

- high quality inside and outside

- high quality service

- easily accessible location with parking spaces

- quality menu and food, representing an alternative to local cuisine

- cultural atmosphere and,

- moderately acceptable prices.

This list is by no means exhaustive but summarizes some of the most identifiable aspects of the potential market needs. New restaurants should pay attention to these factors upon wishing to enter the market as a start-up project.

4.2.5 Competition and Positioning

In 2013 there were 3 317 business in the catering sector (State Statistical Committee of the Republic of Azerbaijan 2013.) The limitations of the statistical data however, make it impossible to make a profile of these establishments since the numbers of each type and category are not recorded. There are no official lists of these establishments either. Thus, only the major categories of the competition could be identified together with some of the most popular restaurants.

According to the interview respondents the perennial competition of a potential Hungarian restaurant in Baku is represented by other foreign restaurants. However, these are few in number (Ismayilov 2013). Other forms of direct completion include:

- coffee shops and fast food establishments

- lower quality restaurants including family restaurants and dinner houses

- other higher quality restaurants.

Cafeterias are exempt from this list because according to Tóth (2013) and Ismayilov (2013), offices do not provide on-sight eating premises.

There are an increasing number of fast food establishments in Baku and currently the major fast food places are McDonald's and Kentucky Fried Chicken. These however, are not as popular in Azerbaijan as in the other parts of the world, and even youth usually prefers to eat in local smaller restaurants or coffee shops. (Tóth 2013) These places do not pose as big competitors for the target market segment however. Lower quality restaurants and other local higher quality restaurants are big in number but they cannot effectively differentiate because their cuisine is so similar. Some of the most notable and popular of such restaurants are Nargiz and Köhne Baki, which are both local higher quality restaurants. Business men, foreigners and higher level income residents often dine here or hold meetings. (Ismayilov 2013). The most important group of competition to the target market segment is the other foreign restaurants which are few in number. Some of the most notable are Tosca, and Italian restaurant, Pirosmani, a Georgian restaurant or Mado, a Japanese restaurant. These restaurants represent high quality cuisine, service and experience. They involve various tactics to represent their culture, such as national live music, national art as well as the menu. They are successful because they represent quality alternatives to the local restaurants. (Rjazev 2013).

The positioning of restaurants towards the target market segment is towards high quality experience, food and service as an alternative cultural experience from the local restaurants. According to Rjazev (2013) however, many high quality restaurants have problems with accessibility and customers are often frustrated by the lack of parking spaces. This represents an unmet area in the customer preferences of the target market.

An effective positioning of the potential Hungarian restaurants towards the target market segment should most importantly focus on high quality. The facility should be regarded as a high standard both from the outside view and inside premises. The service and quality of food should be high in order to create a high quality and enjoyable experience suited for business meetings, cultural events and top quality dining. The restaurant should try and create a national cultural atmosphere which represents a viable alternative to local restaurants in both cuisine and experience, as well as an alternative to the other foreign restaurants with a national menu. The restaurant can differentiate itself by being easily accessible and offering a high amount of parking place since the competition lacks in this department.

4.3 Restaurant Design

To meet the customer needs of the target market segment, the restaurant should be a high-quality restaurant by type. All interview respondents concur that the most effective way to attract the customer base of the target market can be done by offering high quality experience, not fast-food or lower quality. The building of the restaurant should reflect this aspect – it should be viewed as a higher end establishment both from the outside view as well as the way it is constructed inside and filled with furniture.

The restaurant needs quality service, and long seating times because the target market usually holds business meetings in foreign restaurants. Enough seats inside and bigger customer space is a necessity. (Ismayilov 2013). The foreign people of the target market want an international experience, therefore the labels inside and preferable staff are not local. (Tóth 2013).

The location is very important and all interview respondents agree that the center of Baku is the ideal place for the potential Hungarian restaurant. The center of Baku already holds many restaurants because it represents very attractive dynamics. There are many parks where a lot of people like to spend time and most of the governmental establishments and bigger companies are also located in the center. (Ismayilov 2013). Furthermore, Icheri Sheher, also in the center of Baku holds most of the embassies of the capital, therefore a lot of foreign workers would become accessible. Most diplomats are also housed in the center of Baku. (Tóth 2013). Boulvar is walking street in the center of Baku that is very close to Icheri Sheher which would be an ideal location for the restaurant Many big hotels such as Hilton or Mariott are also located close to the Bulvar street as well as most of the biggest museums. Bulvar is also at the seaside where many yacht clubs are present. (Rjazev 2013).
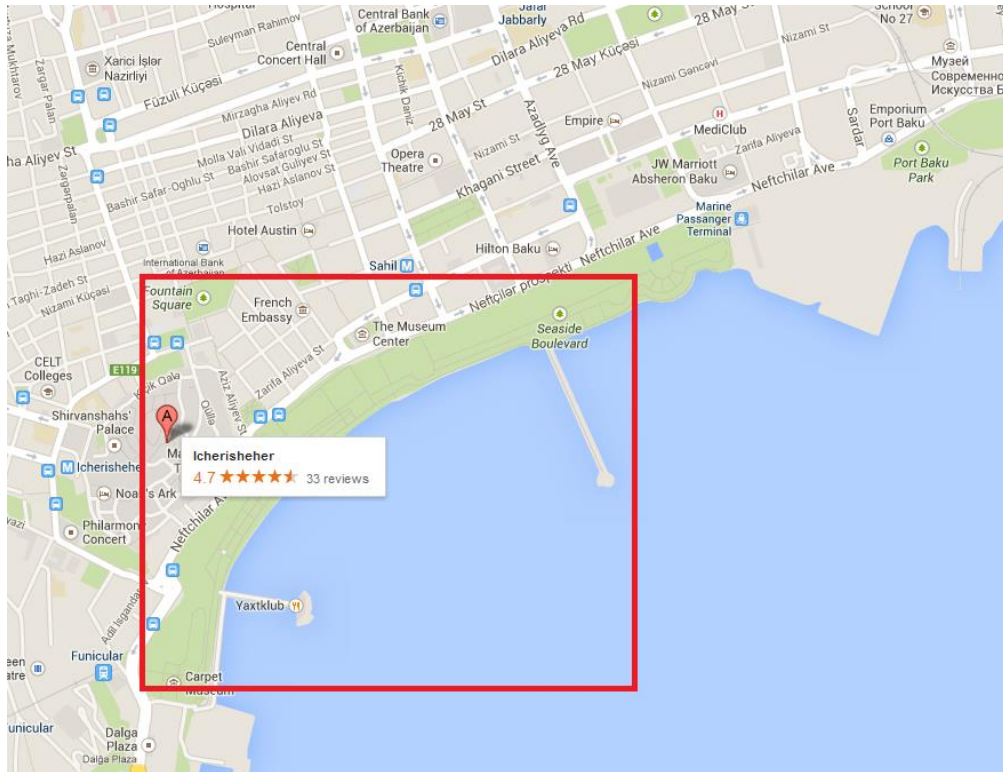
Figure 16. Potential Restaurant Location (Google Maps 2013)

The map above selects the potential restaurant location according to the suggestions mentioned by the interviewees. It is a place where a lot of the target market could be very easily attracted and reached, as well as representing all the necessary characteristics for a high-quality restaurant. According to Rjazev (2013) it is an area of which more high-quality restaurants could take advantage of, as their numbers in the area currently are very low. Since it is already a popular place for people in Baku, there is a lot of parking available as well as possibilities for renting more.

4.4 Restaurant Concept

All interview respondents agree that a Hungarian restaurant focusing on the Hungarian culture could be very successful in Baku. An elegant establishment with traditional Hungarian cuisine, appearance and high quality is a concept that could attract a lot of the population in Baku. (Ismayilov 2013). The atmosphere could be achieved by placing art of the most famous Hungarian sites as decoration, as well as placing Hungarian vines and pálinka (a traditional Hungarian drink) could represent a high-quality and enjoyable restaurant for not only

the Hungarian or foreign people in Baku but the locals as well. The menu should consist of the most famous Hungarian dishes, but it should be noted that most Azerbaijani people do not eat pork meat. (Tóth 2013). Many of the foreign restaurants already employ live music and traditional cultural performances to create their concept revolving around their culture. Hungarian national dances and music would achieve a great atmosphere for those seeking to experience of eating at a Hungarian restaurant in Baku. This could attract a lot of local culture enthusiasts as well as sophisticated businessmen. (Rjazev 2013).

The Azerbaijani and Hungarian cultures have been intertwined in the past and many of the locals still consider Hungary as a close friend country. During their history, the two countries have seen a fair share of the other's culture, and the people of Azerbaijan would be very open to experience it once again. A restaurant with a pure Hungarian concept could be the ideal step to open up the Hungarian culture for the Azerbaijani people. (Tóth 2013).

5 CONCLUSIONS AND RECOMMENDATIONS

The main research questions of the study were to find out how a Hungarian restaurant could be successful in Azerbaijan. Using market research, the market characteristics of Azerbaijan showed that there are opportunities for such a project to be established. The catering business of Azerbaijan has shown growth in the recent years and the economic activity overall of the country has produced numerous opportunities for foreign restaurants. While the population income levels have showed a dip in figures, however the economic development of the country attracts more foreign investment, companies as well as foreign people who are all appreciative of European restaurants in a different culture.

The catering business of Azerbaijan is most developed in the Baku economic region out of the total 11 economic regions of the country. It is in Baku that the highest number of catering establishments as well as the highest amount of turnover is present. Baku therefore represents the most attractive region for a potential new restaurant. The demographic segmentation also showed advantages of the Baku economic region. With the highest population and population density compared to the other regions, the customers are most accessible in the Baku region. The demographic breakdown, joined by the expert interviews singled out the 25-54 age group as the target market, specifically the high-income level residents, those employed by foreign companies, foreign people working and living in the country as well as people open to cultural experience. The study however, showed limitations in assessing the dynamics of these subgroups and the scope of research could only identify that they are located in the target market segment.

The customer needs of the target market have been identified as high-quality service, concept and cuisine representing an alternative to local restaurants with its traditional food and atmosphere, while also easily accessible premises and moderately acceptable prices. Besides meeting the other customer needs and providing a Hungarian alternative to local and other foreign restaurants, the company positioning should focus on the fact that competition lacks easy accessibility, in order to differentiate the business.

A successful restaurant design would require the Hungarian restaurant to provide a high quality service and establishment, with big customer space for meetings and an international experience. The most attractive location for the restaurant is the center of Baku, specifically

the area around Isheri Sheher and Bulvar Street, where the target market can be easily reached and which site meets the customer preferences of accessibility and parking space availability.

Furthermore, the Hungarian concept should be the core of the potential restaurant as it represents a great alternative to the other establishments in the area and the Baku region, while at the same time relying on strong historical cultural ties to attract target customers. The perception and knowledge about the Hungarian culture is a strong factor representing good potential for success for the restaurant.

In conclusion, it can be said that a Hungarian restaurant could be successful in Azerbaijan, by targeting Baku, the 25-54 age group of high-income residents and foreign people, meeting the customer needs by positioning as high-quality, easily accessible experience and service concentrating on an all-around Hungarian cultural concept. The opportunities are present for a potential Hungarian restaurant to be successful in Azerbaijan.

Recommendations for a future study are to clearly identify the location, operations and financial parts of opening a foreign restaurant. Since this study has assessed the market and restaurant development processes, for a project to actually be implemented, further research and planning would have to be done. The identified site to recommend is still not narrow enough to actually identify the potential premises, and planning of stuff, operational activities, chefs and financial forecasts are the next step in future studies.

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LIST OF APPENDICES

1. THEME INTERVIEW QUESTIONS

THEME INTERVIEW QUESTIONS

1. Restaurant Business Market Characteristics

How would you characterize the restaurant business in Azerbaijan? What economic tendencies does it show?

2. New Opportunity and Potential Markets

What kind of new opportunities are there in the restaurant market of Azerbaijan and what could be the potentially attracted markets for a new Hungarian restaurant?

3. Segments and Segment Characteristics

How would you identify the different market segments and what are their characteristics?

4. Target Market

In your opinion what are the best potential customer market segments to target? Why is that?

5. Customer Needs & Preferences

What are the needs of the target customers in relation to restaurants?

6. Competition

Who are the main competitors for the target market? Who are the indirect competitors? What are the general characteristics of the competitors?

7. Positioning

What are the most important values the new restaurant should provide? In your opinion, how could the restaurant be differentiated from the competitors?

8. Restaurant Type

What type of a restaurant would you say is beneficial for the new restaurant to be? Which type is the most attractive to the target market?

9. Restaurant Concept

What kind of concept would you advise for the new restaurant? In your opinion, what are the key characteristics the restaurant should pursue?

10. <u>Location</u>

What would you say is the best location for the new restaurant? Why would you advise that location over other places?