

# Louie and Chit Restaurant and Event Center: A Strategic Management

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**Abstract:** *Louie and Chit Restaurant and Event Center is a sole proprietorship owned and operated by Dexter John Louie Vical. The entity is engaged in catering services, and operating restaurants. The place of business and registered office address of the entity is at San Roque, Rosario, Batangas. This examined how Louie and Chit conducted business and how they maintained the quality of their products. Each section of this strategic management paper is a useful tool that contributes to the paper's success. Additionally, this paper will elaborate, explain, and examine the history of Louie and Chit Restaurant and Event Center. This strategic management paper discussed Louie and Chit's internal assessment wherein it states the company's profile, mission and vision, and its internal factor evaluation matrix. Next, external assessment has Porter's Five Forces model analysis, external factor evaluation matrix, competitive profile matrix and the key external factors. Moreover, it also discussed the strategy formulation wherein it has IE matrix, the SWOT analysis, and Balanced Score card matrix. Additionally, this paper provides the strategy recommendation, action plan, as well as its financial projections. EFE Matrix showed that restaurant and catering industry is viable since foods are necessity. IFE Matrix of Louie and Chit showed that it can make use of its strengths to take advantage of the opportunities and to avoid threats in the industry to be successful. IE Matrix showed that the company should focus on strategies to grow and build the business. In SWOT Matrix, AGC's proposed strategies are producing customized feed products, getting new distributors, intensifying marketing and promotion, empowering sales force and implementing customer relations management. Successful implementation of the strategies will result increase in revenue of at least 13.50% each year during the five-year projection period from 2022 to 2026 for Louie and Chit Restaurant and Event Center.*

**Keywords—**Louie and Chit Restaurant and Event Center, strategic management, SWOT analysis

## 1. INTRODUCTION

Food businesses have recently become popular businesses and have shown a significant increase and growth rate in their industry. The restaurant industry refers to any establishment that produces and serves food or beverages on its premises or through catering, banquets, or curb services [1].

Following the COVID-19 virus outbreak, the foodservice industry was significantly affected by the Philippines' severe and intense lockdown measures to limit the virus's spread. In June 2020, however, restaurants and other food establishments that offer outdoor Dining that met government safety standards and requirements were allowed to return at 30% of their total capacity, with tight sanitation, restrictions, and physical distancing measures required. These steps are made to improve the economy, which had been unpleasant and on the verge of collapsing following harsh lockdown restrictions [2].

This paper will address the strategic management needs in the restaurant and catering industry. Strategic frameworks and matrixes were used to analyze internal and external factors and financial information to arrive at an appropriate management strategy. This paper aims to provide business management with relevant information about the industry.

This paper also seeks to help the business achieve its strategic and financial objectives through the proposed strategies.

## 2. RELATED WORKS

Businesses in the catering sector supply food, beverages, and other services to a wide range of clientele, usually for special events. Catering professions range from small intimate gatherings to huge events that require food and beverage service and tableware, linens, service employees, and other event-related services. Caterers can vary from a huge corporations with multiple sites to a single individual. Caterers may use independent contractors for some areas of their services [3][4].

Catering and Restaurant dining can be considered a family bonding activity or a time for celebration in the Philippines, which has a thriving food service business. The COVID-19 epidemic, on the other hand, dramatically affects the state of the once-thriving sector. The pandemic changed Filipino customers' eating patterns and reduced the foodservice industry's earnings. To stay afloat, restaurants had to develop new ways to serve their customers, keep their employees, and support their businesses and the industry [5].

During the pandemic, restaurants, cafes, bars, and street vendors had substantial obstacles, including protracted lockdowns and apprehensions about dining out among Filipino customers. This phenomenon resulted in the extraordinary closure of several food restaurants and a decline in on-premises sales for those that remained open. Meanwhile, some full-service restaurants began offering takeout alternatives and developed ready-to-cook or ready-to-eat meals that customers could enjoy at home to make up for lost revenue. Limited-service restaurants and fast-food franchises continued to

emphasize delivery, pick-up, and drive-thru services, allowing them to outperform the other segments in terms of revenue [6].

In 2020, the food service sector in the Philippines generated 8.55 billion US dollars in revenue. There is a significant decrease from the previous year's \$15.19 billion. The country's foodservice sector's revenue will fall to 7.4 billion US dollars in 2021. The restaurant and catering industry experienced a decline in revenue due to the Coronavirus pandemic [7].

According to Statista, 2022, street stalls and kiosks accounted for 43 percent of total food service establishments in the Philippines in 2019, or more than 41.2 thousand units. On the other hand, full-service and limited-service restaurants held 20% of the total market share [8][9].

The Philippines' economy grew exponentially at one of the quickest rates in the world during 2019 and before the pandemic. Towards the conclusion of the Ferdinand Marcos regime in the mid-1980s, it finally shed its "sick man of Asia" reputation gained during the economic collapse. The country's economic recovery began in the decade before the epidemic, after decades of arduous reform — not to mention repaying debts accrued during the dictatorship. The Philippines is called the next Asian tiger economy, with an average yearly growth rate of above 6% between 2010 and 2019 (based on the Philippine Statistics Authority) [10].

In 2020, the Philippines' economic growth slowed, hitting negative territory for the first time since 1999. The country endured one of the most severe contractions in the Association of Southeast Asian Nations (ASEAN) [11].

While the administration predicted a minor recovery in 2021, some analysts are concerned about a shaky recovery due to the country's prolonged lockdown and failure to adapt to a more efficient containment approach. When a COVID-19 outbreak threatens to overwhelm the country's health system, the Philippines has resorted to extreme mobility restrictions in significant sections of the country's major cities and economic centers [12].

**3. OBJECTIVES OF THE STUDY**

This strategic management paper discussed Louie and Chit's internal assessment wherein it states the company's profile, mission and vision, and its internal factor evaluation matrix.

Next, external assessment has Porter's Five Forces model analysis, external factor evaluation matrix, competitive profile matrix and the key external factors.

Moreover, it also discussed the strategy formulation wherein it has IE matrix, the SWOT analysis, and Balanced Score card matrix.

Additionally, this paper provides the strategy recommendation, action plan, as well as its financial projections.

**4. STRATEGIC FORMULATIONS**

**S-O Strategies**

- SO1-Develop a vegetarian/ healthy menu

As the number of customers switches to a vegetarian diet, this creates new demand and opportunity for businesses to serve vegetarian foods. The company should create a menu dedicated to vegetarian customers.

- SO2- Boost event planning/hosting operations by advertising the business on social media (Chosen Strategy)

The company aside from its income from restaurant operations also earns income from event planning and hosting. Diversifying its income stream and using its competitive advantage of having a spacious location and building will improve the brand name of the company and will create more earning opportunities for the business. Social media according to several studies is an effective medium for advertising as it is proven that it has a broad reach.

- SO3- Create more Food bundle promos to boost sales by selling more products (Chosen Strategy)

Food bundle or bundle deals are a mode of marketing wherein the restaurants offer two or more products as a package deal. Food bundling has several advantages and benefits; one is simplified preparations because the kitchen can anticipate what food the customers will order. Bundling also promotes the items on the menu that the company wants to highlight; lastly, this strategy will also increase the profitability of the company.

- SO4- Provide a medium for a customer feedback mechanism

Customer feedbacks and opinions are very important for a company. By knowing the feelings of the customers, the company will be able to know what aspect of the business needs improvement.

Table 1. SWOT matrix

|  | STRENGTHS  | WEAKNESSES   |
|--|--|--|
| <b>LOUIE &amp; CHIT RESTAURANT AND EVENT CENTER</b>  | S1: Successful past image and identity of Partner<br>S2: Good presentation and Service Quality<br>S3: Strategically Located on San Diego Business Strategic<br>S4: Customer Service<br>S5: Spacious Location and Ambiance of Place<br>S6: The location "Good Value Top"  | W1: Lack of Planning<br>W2: Collection of Investors' Expectations<br>W3: Small Social Followed base  |
| OPPORTUNITIES  | STRATEGIES   | WEAKNESSES   |
| O1: Vegetarian Menu<br>O2: Diversify Services on the Operations as a Result of improving COVID-19 situation (depending on event and industry)<br>O3: Large and Shareable Menu Options<br>O4: User-Friendly Options | Strategy 1: Develop a vegetarian healthy menu (SO1, SO2, SO3)<br>Strategy 2: Boost event planning/hosting operations by advertising the business on social media (SO2, SO3, SO4)<br>Strategy 3: Create Food bundle promos to boost sales by selling more products (SO3, SO4, SO5, SO6)<br>Strategy 4: Provide a medium for customer feedback mechanism (SO4, SO5, SO6) | W1: Lack of Planning<br>W2: Collection of Investors' Expectations<br>W3: Small Social Followed base<br>W4: Limited budget for marketing and developing new products (SO2, SO3, SO4)<br>W5: No credit or no self-reliance for company which could result in poor financial performance (SO, W1) |
| THREATS  | OPPORTUNITIES  | WEAKNESSES   |
| T1: Current Time Periods<br>T2: Goodwill from Investors and Suppliers<br>T3: Presence of Competitors in the Market<br>T4: Competitors offer Discounted and better service Delivery                                 | O1: Maximize the use of building space, ensure adherence to health protocols (O1, O2, O3)<br>O2: Review pricing strategies, consider the effect of inflation and on price responsibility (O2, O3, O4)  | W1: Limited experience and new strategies to correct the problems (O1, W1)   |

**S-T Strategies**

- ST1- Maximize the use of building space, ensure adherence to health protocols

Covid-19 has affected almost all the businesses in the Philippines and the whole world. To adapt to the changes the pandemic brought the company should fully use its facilities and make sure that all customers are safe from the viruses and other harms.

□ ST2-Review pricing strategies, consider the effect of inflation, and set prices competitively

In setting up the prices (selling price) of products it is very important to consider internal and external factors that can affect the business. Determining the appropriate prices of products is very important because it will directly affect the profitability of the company and its ability to pay its expenses and generate net income. The company should identify the best pricing strategy that will enable them to achieve its financial goals.

### W-O Strategy

□ WO1- Develop policies for credit and collection of receivables (Chosen Strategy)

An entity's performance is not measured by revenue or income alone, the company needs to generate cash from operations to sustain its daily activities and to stay in a competitive position. The company should be proactive in collecting dues from customers and develop strategies and policies that will enable them to effectively assess the customer's ability to pay their credits to avoid defaults and credit risks.

□ WO2- Carefully plan operations and develop risk management and control procedures (Chosen Strategy)

Planning is one of the most important business activities. By creating a detailed plan of action, the company is becoming more efficient in allocating its limited resources to the activities that will bring more benefit to the company. Errors, committing mistakes in operations and business risks can also be lessened with careful planning.

□ WO3- Allocate a budget for improving and developing new products

To stay on the trend, Louie and Chit should make sure that their products are according to the tastes of their customers. Research and improvement of the menu will benefit the company in the present and the long run as trends in food constantly changes over time.

□ WO4- Be creative in advertising the company on its social media pages to gain more potential customers (Chosen Strategy)

Using creative social media advertisements has several advantages and benefits proven. It improves brand awareness, helps the company reach target audiences, drives quality traffic to the company, reduces marketing costs, and increases the company's conversion rate.

### WT Strategy

□ WT1- Maintain optimism and stay adaptive to survive the pandemic

The company needs to be flexible to adapt to the new normal brought by the changes in the economy because of the pandemic. The management of Louie and Chit needs to be

strong and resilient amidst challenges. A positive business outlook will help the company find opportunities even in tough times.

## 5. IMPLEMENTATIONS

McKinsey's 7S Framework

Figure 1

McKinsey's Framework



The McKinsey 7S Model is a tool that evaluates a company's "organizational design." Its purpose is to portray how an organization's performance may be accomplished through the interactions of seven main elements: Structure, Strategy, Skill, System, Shared Values, Style, and Staff. As illustrated above, all elements are interconnected which means that a change in an area will affect other areas or elements. The framework is divided into two general classifications of elements namely Hard elements and Soft elements.

### Hard Elements

Hard elements are the areas of the organization that the management can easily influence. It is composed of the strategies, structure of the organization, and systems that the company uses.

#### Strategy

Louie and Chit's strategy focuses on their strategic pricing strategy, the company set its prices very competitively to encourage customers. The company also provides promos for regular and new customers to encourage patronizing the business.

#### Structure

The organization has a flat structure and it is designed in a way that there are fewer management layers and a wider span of management functions, duties, and responsibilities. The owner actively oversees the day-to-day operations of the company (the owner is also the manager). Employees of Louie

and Chit directly report to the owner as well as the information and tasks given by the owner are directly conveyed to the employees of the company.

#### System

The company's operations are directly supervised by the manager. There are no standard operating procedures set in place but in the absence of those procedures, the owner of the company applies several internal controls as an alternative procedure to safeguard its assets and avoid or mitigate business risks. Internal controls on financial information security and routine inventory counts are being made by the company.

#### Soft Elements

Soft elements are the areas of the organization that are influenced by the company's culture. Soft elements are the style of leadership, staff, and skills of the employees. Shared values are positioned in the center of the diagram which implies that the company's values are the core area of all the elements.

#### Shared Values

The company's operation is centered on maintaining good relationships with customers, the company values customers' opinions especially on their preferences on the quality and prices of the company's products. The company also promotes employee welfare by creating a safe and healthy working environment, especially in the current COVID 19 pandemic condition.

#### Style

The company's leadership style is participative, the owner/manager and staff participate actively in discussions, and the decision-making processes. Employees are also given access to certain company information and are encouraged to contribute solutions to company issues.

#### Staff

Valuing employees is equally as important as valuing the customers of Louie and Chit Restaurant. The company staffs are the most vital asset of any organization as they directly contribute to the growth and success of any business, especially in the case of Louie and Chit wherein employees influence the company's relationship with customers.

#### Skills

Skilled and competent employees are highly needed in the industry in which Louie and Chit belong because of the nature of specialization of the business operations and processes. Hiring competent employees proved to be difficult as fewer people specialized in the kind of job qualifications and skills the company needs. The company is being proactive in hiring skilled staff that will help achieve the company's goals and objectives.

#### Financial Perspective

The company's financial goal is to increase its revenue from event planning, hosting, and catering by 10% each year. To achieve this goal the company should focus on gaining more potential clients by broadening the company's reach using social media advertisements. According to a survey conducted by Event managers, catering businesses and event planners believes that social media is the most effective platform to advertise their business. The most common social media used for this purpose are Facebook and Instagram.

#### Customer Perspective

Customers are very important for companies to maintain their sustainability and grow; this is especially in the case of the restaurant industry where the profitability of the company relies on customers. Louie and Chit need to increase their follower base and develop strong customer relationships to promote patronizing the company. To achieve this goal the company should boost its social media posts on Facebook and Instagram. The company should also use its social media accounts as a medium of communication with customers.

#### Internal Process Perspective

One of the major strategic issues of the company is its lacking internal processes. Business risks are inherent to every company and to mitigate those risks several controls and strategies should be set in place. Louie and Chit, evidenced by its increasing outstanding receivables balance from customers and Receivable turnover ratio are said to be having difficulty with the collection process. To solve this problem and to realize the company's objectives the company should implement several measures and collection controls. The management should be proactive on invoicing and make sure that the terms and due date of payments are correctly indicated on invoices. Providing discounts for prompt payments is also a good strategy to avoid customers defaulting on their dues, lastly, the company should document long-term outstanding receivables from customers in writing for formality and evidence.

To standardize its processes, a detailed annual plan of operation needs to be developed by the company, this will help the company to be more efficient by avoiding too much waste on operations. Lastly, the company's goal of mitigating risks on operations and improving its responses to actual risks can be achieved by adopting best practices from the successful restaurant businesses in the industry and modifying such to fit the needs of Louie and Chit.

#### Learning and Growth Perspective

Food bundles and combos are becoming more popular in the Philippines. Customers are more attracted to great value menus and promos, the company should develop more food combos and bundles that will potentially increase the company's overall sales. Doing so requires the skills of the kitchen staff not just in cooking but also in creating a menu that the customers would want. Regular training is required to



make sure that the staffs have the appropriate competencies needed to achieve the company's goals and objectives.

## 6. FINANCIAL ASSUMPTIONS

### Economic Environment Assumptions

1. The restaurant industry's Compound Annual Growth Rate from 2022 to 2027 is expected to grow by 6.52%.

2. The average inflation rate during the projection period (2022-2025) will have an average rate of 3%.

### Statement of Financial Position

1. Accounts receivables for the last three years (2018-2020) were 20% to 22% of the total sales (48% during 2020), therefore, the accounts receivables during the projection period will range from 18%-23% of the total sales as an effect of the policies and strategies implemented on the collection of accounts receivables.

2. The inventory turnover ratio will improve as a result of the increase in sales

3. Plant, property, and equipment will be computed using the PPE lapsing, with no additional purchase of PPE during the projection period.

4. Payment of liabilities will be made during the projection period.

5. Capital will increase due to the projected increase in sales during the projection period.

### Statement of Income

1. Projected revenue is based on the average Compound Annual Growth Rate of 6.52% plus a 7% adjustment (mark-up) to reflect the effects of the implementation of strategies to increase the company's revenue. The previous year's data were not used to project the revenue because the company experienced a significant decrease in revenue during 2020.

2. Cost of Sales increases proportionally to the increase in Revenue of the company during the projection period.

3. There will be 40,000 per year of training expenses during the projection period for the training of kitchen staff and servers (waiters and waitresses).

4. The development cost of the new menu will be 30,000 in the first year of projection and will change according to the increase in Revenue. An additional 50,000 per year during the projection period is allotted for marketing activities on social media and traditional platforms.

5. Depreciation expense is computed based on the straight line method.

6. Tax expense is computed using the graduated tax rates provided by the Bureau of Internal Revenue (BIR).

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