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THE POTENTIAL MARKET OF RESTAURANTS FRANCHISE IN SAUDI ARABIA: A CASE OF OLIVE GARDEN

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ABSTRACT

The popularity of foreign cuisine in Saudi Arabia is growing rapidly. As a result, sales of international food corporations are boosted up like anything in the market. Thus, this work has explored the potential market of Olive Garden in Jeddah City, Saudi Arabia, and whether it will be a successful investment or not. The study used both the qualitative and quantitative research methods to investigate the objective of the study. The study used a survey method to collect the data. The data was analyzed using the pie charts. The study found that the Italian restaurants are popular among the residents of Jeddah. The study also found that the Italian restaurants good services to the customers in the food and service industry. The study also found that the majority of the participants were satisfied with Italian restaurants. The study concluded that Jeddah city provides a good opportunity of establishing a new Italian franchise for "Olive Garden".

1 INTRODUCTION

Today's business world has become very competitive and organizations are continually searching for creative ideas to keep up with the competition [1]. It's a jungle- survival of the fittest. This might be quite discouraging, especially if someone wants to enter a market that is dominated by big players, and so the penetration can be quite difficult [2]. Franchising is a business phenomenon that is now becoming common to alleviate the tassel of entrance into a market. Franchising gives small businesses and even bigger corporations a chance to catapult in a market that they previously did not dominate [3] While franchising has turned out to be progressively famous as a procedure in different ventures the world over, franchisors need to oversee openings and difficulties in their establishment frameworks [4].

Franchising gives chances to hopeful business people to set up organizations in an assortment of fields [5]. In the eatery segment, internationalization is getting to be critical for business visionaries as eateries develop quickly in number. Franchising drives development and internationalization for drive-through eateries [6]. Franchisees are not ensured achievement when they go into a concurrence with the franchisor; nor are franchisors ensured progressing achievement since they have built up an idea that has been acknowledged in the commercial center and has potential for development through the improvement of an establishment arrange [7].

One approach to beat contenders might be through the act of franchising. While the association among franchising and prevalent execution has not been demonstrated with conviction, obviously establishment organizations of various kinds assume an imperative job in the economy of most countries around the world [8].

Various works have been reported with regards to franchising. Lee et al. [9] analyzed the connections between top administration factors, franchisor showcase introduction and business execution inside the setting of Korean franchisor organizations and found that top administration factors, for example, the board accentuation and risk avoidance can prompt market introduction. Awoseila [10] investigated franchising in the creating economy with accentuation focused on the Nigerian food industry and found that franchising was commonly acknowledged in Nigeria and returned great benefits for the business operators. Morris et al. [11] investigated the plan of action and execution for Russian food industry and showcased the need to perceive interrelationships among parts of a franchise's plan of action. Lee et al. [12] evaluated the impact of various social holding procedures on franchisees' view of advantages and found that social and auxiliary bonds significantly affect franchisees' impression of advantages. Cao et al. [13] examined the client impression of administration nature of drive-thru eatery and franchising and found that their view of administration quality indicated inimitable disparities. Ji et al. [14] inspected how franchising influences consistence in laborers and found

that diversified outlets have far larger amounts of dissent than equivalent organization claimed foundations. Lee et al. [15] evaluated connection between social impact technique and required impact methodology in the Korean food franchise and found that social impact procedure is distinctly identified with closeness. Kalargyrou et al. [16] inspected the forerunners and outcomes of franchisee fulfillment in the U.S. nourishment administration and found that an abnormal state of franchisee salary and franchisor care and trust are related with an abnormal state of franchisee fulfillment. Jeon et al. [17] examined the role of sustainability of franchising industry in terms of green strategies and found that managers play an important role in ensuring sustainability.

Saudi Arabia is one largest retail market in the Gulf. The franchise business has been steadily growing, with European and American franchises penetrating in Saudi Arabia [18]. There is a visible attraction to Western and Italian cuisines in Jeddah such as Cheesecake Factory, Taxes Rode House, Pizza Express, IL-Gabbianno, Piatto and many others. Many factors lead the investor to invest their money and look for a Western, Indian, Korean and Italian restaurant to franchise it. One of the main important aspects that lead the investor to the franchise is the high demand in Saudi Arabia. More and more brands are having success in the market- the food and beverage, the restaurant and retail sectors [18]. This has also increased the per capita GDP of the Saudi Arabia.

The popularity of foreign cuisine in Saudi Arabia is growing rapidly. As a result, sales of international food corporations are boosted up like anything in the market. In the recent past, there has been an increase in millennial travelers in Saudi Arabia. This has resulted in the food industry to be more creative and innovative to give the new millennium and generation an appealing experience. Thus, this work has focused analyzing the development and expansion of franchising restaurants in Saudi Arabia. It has analyzed potential market of franchising Olive Garden restaurants in Saudi Arabia. In addition, this work was done to determine the potential strengths of American franchise Italian cuisine "Olive Garden" in Jeddah, Saudi Arabia and understand the perceptions and the trend of the customers in Jeddah. The scope of this work was limited to people and international restaurants in Jeddah city.

2 METHODOLOGY

This study was conducted in Jeddah, Saudi Arabia. The population of the study was Effat University students and employees, and potential customers within Saudi Arabia. For this work, Quantitative and qualitative methods were used. Quantitative method was used in this study through survey to answer the objectives. The research handles several questions about Saudi market, customer satisfaction, average income of the potential customer and the competitor statues. This instrument was chosen to get deep understanding of the Saudi market specially the potential customers. The

used sampling technique was random sampling to have an equal chance among students. In addition, qualitative method has been used to understand what the customers need and want. Moreover, conducting interviews gave an overview of the Saudi market and answered the research questions. Qualitative method was very beneficial because it gave people the freedom to express their satisfaction and opinion about franchise restaurants in Saudi Arabia.

Thus, for this work, 10 interviews were conducted, and 120 surveys were distributed to potential customers of males and females. Both methods were used to discuss and analyze the objectives of the study, and to know the difficulties and opportunities of franchising a restaurant in Saudi Arabia. Effat campus was chosen as a sample for the interview. Effat University has cultural diversity because of different nationalities in the university. Moreover, students have good travel experience, which leads to an openness to international cultures and exposure to international cuisines. In addition, Effat sample is largely representative of the target population because they can convince their families to dine in a casual dining restaurant if they are interested. Thus the overall flow of method used for this work is shown in Figure 1.

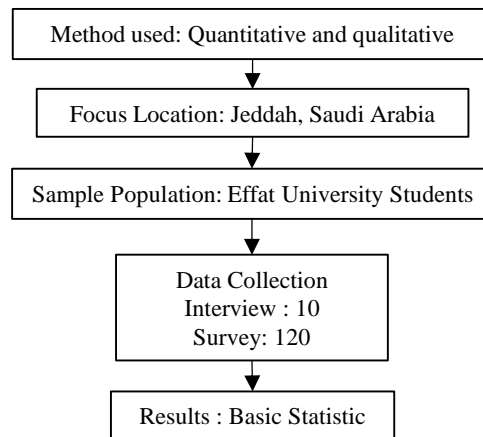


Figure 1: Flow of this work

3 RESULT AND DISCUSSION

3.1 Questionnaire Analysis

In term of demographic statistic, based on Figure 2, 90% of the sample population is female and 10% of the population is male. As for the age of the respondents the

maximum percentage of the respondents lie in the age group of 19 -29 years (90%), 5% of the respondents are between 30 to 40 years, 4% of the sample population are in between 41 to 51 years and 6% of the respondents lies in the age under 18 years. This shows sample population involves every age category, which will help in understanding the perception of employees of different ages. In terms of monthly income, 54.6% of the respondents stated that they have an average monthly income of 4000-6000; 12.8% of average monthly income of 8000 to 10000. 8.5% receives 6000 to 8000 of average monthly income; 7.8% receives 10000 to 30000 of average monthly income; and 3.5% of the sample population receives average monthly income above 30000. For analyzing the importance and popularity of the franchise in Jeddah city for creating brand value, it is important to know how much of the population likes the Italian food and restaurant, and according to the survey done to know this, more than 64.2% of the respondents are frequent and regular travellers and travelled outside of Saudi Arabia for tourism. As per the survey, 35.8% of the sample population never travelled outside of Saudi Arabia for tourism. So, it will be a suitable for Olive Garden Italian Restaurant and opening a franchise in Jeddah City can be beneficial in creating a profitable business among customers in Saudi Arabia.

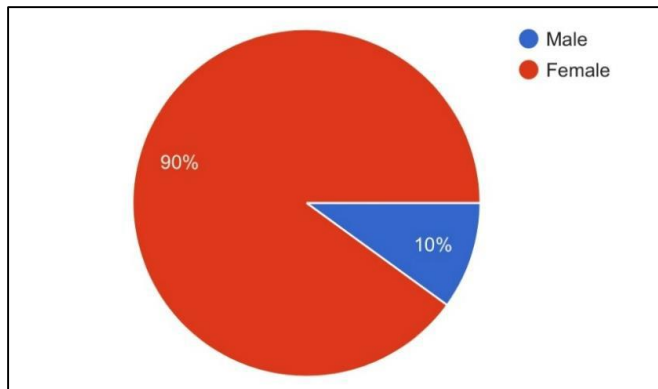


Figure 2: Gender of respondents

Based on Figure 3, in the survey a question was asked to the participants, that what is your favorite restaurant or cuisine in Saudi Arabia? 31.7% of the respondents stated that they like the Italian restaurant; 14.2% likes Indian Cuisine most; 20.8% likes American; 10.8% like Lebanese cuisine; and 10.8% likes Chinese cuisine. Apart from this, there are respondents who like Korean, Arabic and other. From the survey results, it can be stated that Italian cuisines are the most popular one.

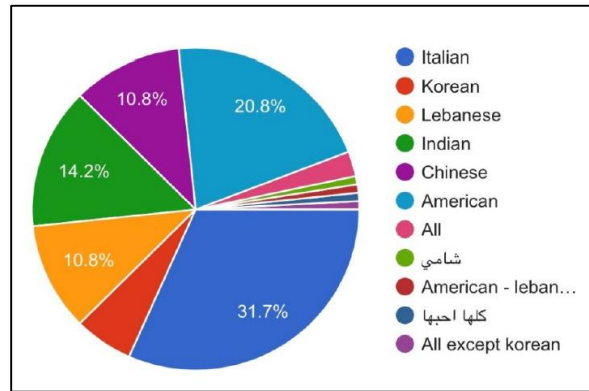


Figure 3: Favorite Restaurant

Based on Figure 4, regarding on how often the respondents visit restaurants, more than 30% of the sample population agreed that they visit restaurants once in a week. 30% agreed that they visit restaurants more than once in a week, 26.7% agreed that they visit once in a month, 11.7% agreed that they visit more than once in a month. This survey clarifies that the respondents visit restaurants regularly in Saudi Arabia, and it provides positive feedback for an Olive Garden Italian restaurant to start a franchise in Jeddah.

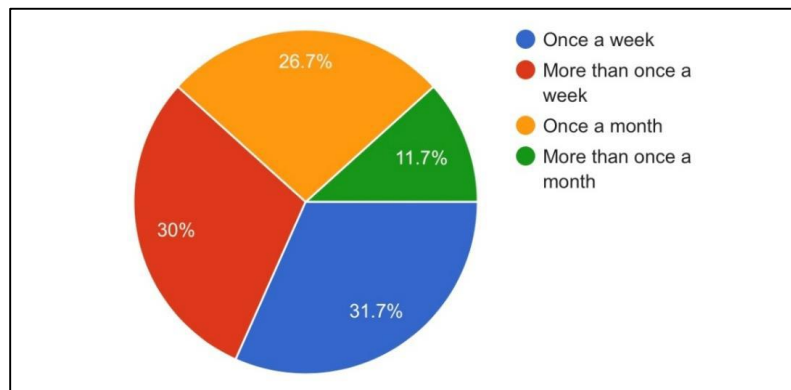


Figure 4: Restaurant visit

Based on Figure 5, regarding monthly average spending on restaurant, 58.3% of the respondents stated that their average spending on restaurant is 100 - 300 SR; 22.5% of the population stated that their average spending on restaurant is 300 – 600 SR. 17.5% spend 600 to 900 on restaurant; responds more than 900 SR on a restaurant.

Therefore, on average, higher spending on restaurant will effectively help Olive Garden Restaurant to develop sustainable in Jeddah, Saudi Arabia.

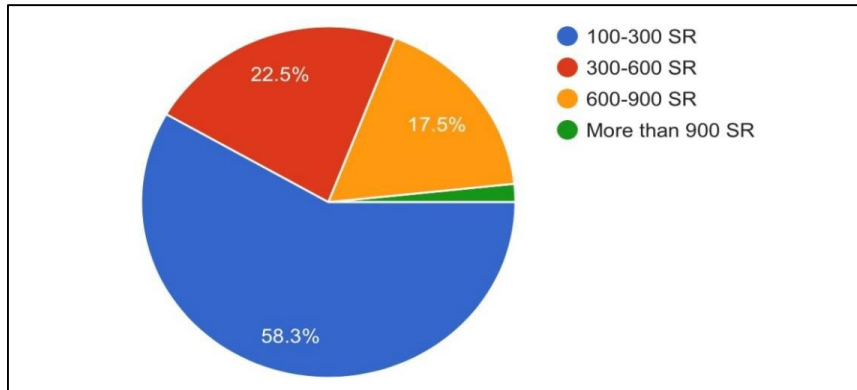


Figure 5: Average Monthly Spending on Restaurant

Based on Figure 6, regarding the criteria selecting a restaurant, 60.8% said that they focus on the quality of the food, and 15% of them said that they use criteria of pricing to select a restaurant. 10% of the sample population said they chose the atmosphere of the restaurant and 5% see the brand of the restaurant. Furthermore, there are people who chose criteria of reputation, location, service and other. Therefore, from the survey, it is clear that people mostly observe the quality of food, price ad atmosphere before visiting a restaurant.

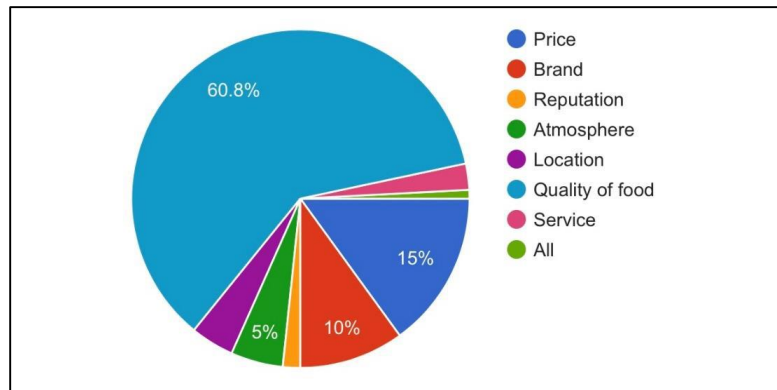


Figure 6: Average Monthly Spending on Restaurant

Based on Figure 7, regarding if the respondents are willing to try a new franchise Restaurant in Jeddah, more than 85% of the respondents replied that they are they

willing to try a new franchise Restaurant in Jeddah. 15% said they not willing to try a new franchise Restaurant in Jeddah. This makes clear that people are ready to try new franchise in Jeddah, which is an essential aspect of the Olive Garden restaurant to open new franchises in Jeddah.

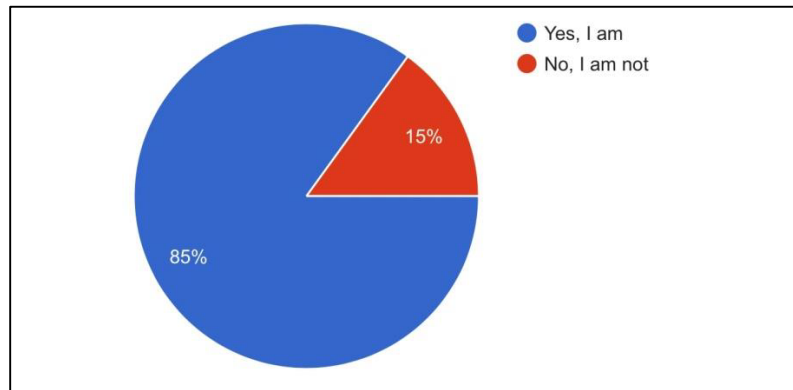


Figure 7: Willingness to try new Restaurant in Jeddah

Based on figure 8, regarding favorite Italian restaurant in Saudi Arabia, 58.3% of the sample population said their favorite Italian restaurant is Piatto and 10.8% of the population their favorite Italian restaurant is II-Gebbiano. 11.7% of the sample population said their favorite Italian restaurant is Eatly. 9% of the sample population said their favorite Italian restaurant is La Cucina. This clarifies that majority of the respondent's visits Italian restaurant and major competitor of Olive Garden restaurant will be Piatto, II-Gebbiano, Eatly and La Cucina.

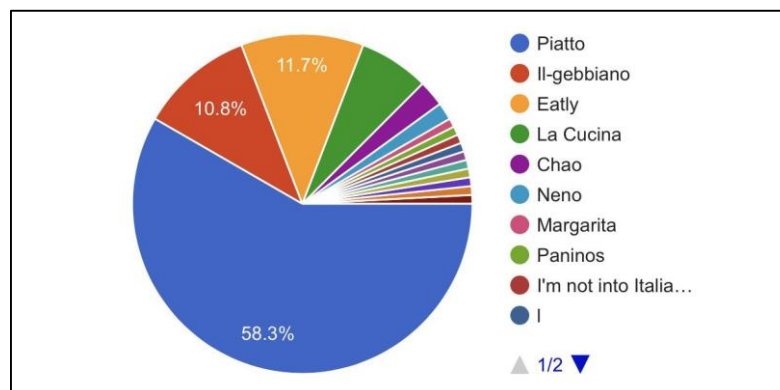


Figure 8: Favorite Italian restaurant in Saudi Arabia

Based on Figure 9, respondents were asked if they are satisfied with Italian restaurant Piatto in Jeddah, 10.8% of the sample population dislikes and 9.2% of the participants rarely likes with the statement. 53.3% of the sample population satisfied with Italian restaurant with the given questionnaire. On the other hand, 15% mostly satisfied and 11.7% strongly satisfied with the statement. This clarifies that most of the respondent are satisfied

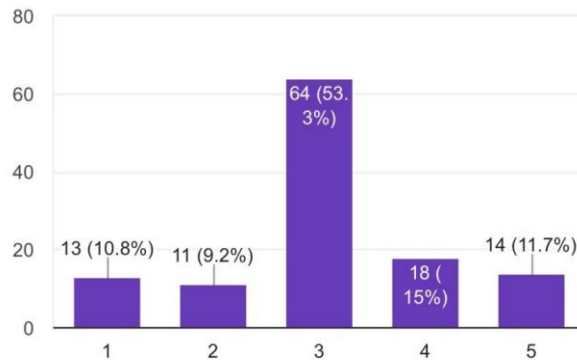


Figure 9: Satisfied with Italian restaurant Piatto in Jeddah

Based on Figure 10, respondents were asked if they are satisfied with Italian restaurant II-Gebiano in Jeddah, 10.8% of the sample population dislikes and 16.7% of the participants rarely like the statement. There are 48.3% of the sample population satisfied with Italian restaurant with the given questionnaire. On the other hand, 15% mostly satisfied and 9.2% strongly satisfied with the statement. This clarifies that most of the respondent are satisfied.

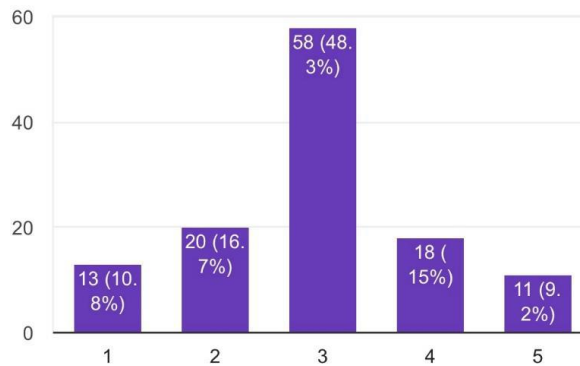


Figure 10: Satisfied with Italian restaurant II-Gebiano in Jeddah

Based on Figure 11, it was observed that the majority of the participant have heard about “Olive Garden” and when the respondents were asked if Olive Garden Open a branch in Jeddah, would they like to try it, 83.2% of the sample population said yes and rest 16.7% of the population said no. This is important from the point of view of the organization in opening a new franchise in Jeddah city.

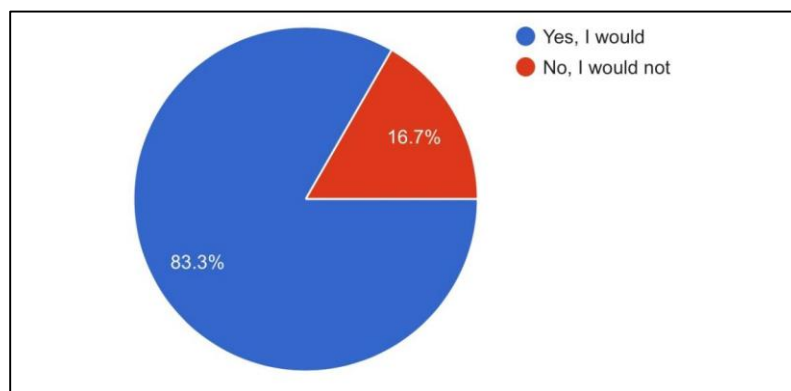


Figure 11: Whether respondents will try Olive Garden if it opens a branch in Jeddah

3.2 Interview Analysis

The findings from the interview are summarized as follow. Perceptions regarding Italian restaurants in Jeddah City in Saudi Arabia, most of the respondents showed a positive attitude towards Italian food or restaurants. However, the majority of the participants also stated that the quality of the food should be improved. Regarding monthly spending on restaurants, majority of the respondents said they have monthly spending in between SAR 500-700. However, only one of the respondents relied that his/her monthly spending is SAR 800 and one of them replied that he/she has a monthly spending of SAR 200 to SAR 300. This clarifies that most of the population spends an average of SAR 600 on a restaurant meal. As for favorite franchise restaurant, no similar responses were observed as respondents focused more on the quality of the food and services rather than branding and offers. For selecting a restaurant, the participants stated that the quality of food, location, brand, service and reputation are also determining factors for selecting a restaurant. In addition, most respondents were satisfied with Italian restaurant in Jeddah City.

3.3 Overall Discussion

Based on the key findings, the outcome of this work has shown that the majority of the residents of Jeddah city in Saudi Arabia love the Italian restaurants. Hence, this gives “Olive Garden” a good chance to establish a franchise in Jeddah city in Saudi Arabia. However, Saudi consumers tend to be concerned with the food quality of

fast-food restaurants. Saudi working people prefer to buy their meals from fast-food restaurants because of the restaurants' affordable prices, convenience, and rapid service. In outcome is in line with the work reported by Liu et al. [19] and Oni et al. [20] where it was stated that good service, price and accessibility has an interrelationship with customer choice in the food franchise industry. In addition, the outcome of this work has shown that the quality of a restaurant environment or atmosphere is a major attribute in predicting customers' intent to return to the restaurant. In addition, the survey shows based on the respondents visit to Italian restaurants in Saudi Arabia, respondents stated that positive relationship between the restaurant atmosphere and the customer loyalty. Work done by Shin et al. [21] has confirmed that loyalty of customer is significantly related to the surrounding and attributes of a restaurant, thus the outcome of this present study is in line with Shin et al. [21] findings.

4 CONCLUSION

This study has analyzed potential market of franchising Olive Garden restaurants in Saudi Arabia. Thus, the key outcome of this work has shown that the residents of Jeddah city in Saudi Arabia have great love for the Italian restaurants. This study therefore concluded that "Olive Garden" have a good opportunity of establishing the franchise in Jeddah city in Saudi Arabia. In addition, this study has found that Saudi consumers are concerned with the food quality of fast-food restaurants is a significant factor in choosing a restaurant. Customers' loyalty has a major impact on the profitability of a business, since it provides unique advantages. Based on this, the authors recommend that companies must implement a customer-centric vision that places the highest priority on customers' retention. As for future work, the authors recommended a study to be conducted about the impact of Italian restaurants in the restaurant industry in Jeddah city in Saudi Arabia.

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