

## **Case On**

# **Red Tomato Restaurant: Struggles of restaurants in the Covid-19 era**

By

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An internship report submitted to BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration

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## Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

*Saj Akter*

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Student Full Name

## **Letter of Transmittal**

Sumon Paul Chowdhury

BRAC Business School

BRAC University

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Subject: Submission of case on, Red Tomato Restaurant: Struggles of restaurants in the Covid-19 era

Dear Sir,

I am formally submitting case on “Red Tomato Restaurant”. With the best of my abilities, I have tried to incorporate the utmost relevant knowledge required to write the case. Due to certain restrictions there may be some errors, but for the most part, I have tried to incorporate the knowledge I gained throughout my major courses and incorporated them to write the case. With keen interest I am looking forward to the feedback you would be kind enough to provide me with on the case.

Thank you for giving me the opportunity to case and have it interpreted.

Yours Sincerely,

Saif Alam

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BRAC Business School

## **Acknowledgement**

This is an expression of my deepest appreciation and gratitude to all those who provided me with the opportunity to write the case.

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## Table of Contents

Abstract.....	5
Learning Outcomes.....	5
Introduction.....	5
Background.....	6
Food Industry of Bangladesh .....	6
Covid-19 and the Food Industry.....	7
Red Tomato reopening post lockdown.....	7
Discussion Questions .....	9
Further Reading .....	10
References.....	10
Case Summary .....	11
Teaching Objectives.....	11
Target Audience.....	12
Suggested answer to discussion questions.....	12

## Abstract

At the beginning of 2020 the world was devastated by the hit of Covid-19 virus. This had a major impact on the food industry around the world. Red Tomato Restaurant, a restaurant that has been operating in Dhanmondi for 12 years are facing new challenges in this trying times. With their relocation and pandemic hitting at the same time they are struggling quite a bit along with most other restaurants. They are looking to stay open after business started opening up post pandemic with new protocols to follow.

## Learning Outcomes

After studying the case, students should be able to

- Make an industrial analysis of the food industry of Bangladesh
- Know the trends of the food industry
- Effects of a global crisis on businesses
- Technological advancements impact on the food industry
- Marketing strategies as a restaurant
- Brand management strategies of a restaurant

## Introduction

On 27<sup>th</sup> March 2020 the country went into lockdown due to the outbreak of the Covid-19 virus, impacting the lives of millions of people and leaving a question mark on how the economy will look in the near future. This lockdown had major implications for businesses all over the country. When the nature of the virus had become popular in the public eye; as to how it spreads and how it is contacted it was very glaring that the food industry would be affected in a major way from it.

Red Tomato Restaurant was established in 2007 at Road 27, Dhanmondi Dhaka. It is a Chinese Restaurant whose menu was designed to serve families and a place to host parties of different nature. At that time the food industry was much different than what it is today. The competition was not as fierce and there weren't very many restaurants. Over the next 5-6 years the food industry of Bangladesh started to change drastically. Restaurants and fast food shops were rapidly established and the industry became saturated.

In an industry that has witnessed growth rapidly the key to survival is adaptability. Most of the newer restaurants offered food at low prices which attracted the younger customers and when social media become popular restaurants focused more and more on décor and prioritized

ambiance. However, over the years Red Tomato restaurant stayed more or less the same. Yet having been around for a long time they were able to build a loyal customer base with its food and service.

## Background

Red Tomato restaurant is a family owned business. It serves Chinese and Thai food which is popular among a lot of people in Bangladesh. The Restaurant initially served family sized portions of food and was a popular place to host parties as it could accommodate around 120 people at a time. For 12 years the restaurant stayed relevant through the changing food industry and was able to keep up with the fast food restaurants which became more preferable to people. When the restaurant first started social media was almost non-existent. Over the years with social media becoming popular the restaurant had to have a presence on social media. Its marketing campaigns on social media however left more to be desired and not well managed. In 2019 the restaurant had to change locations and start anew. Needless to say, changing locations came with new sets of challenges. The new location saw the restaurant going to a building where there are 10 other restaurants. This move ended up costing a lot as the general manager of the restaurant pointed out. The restaurant had to be set up from ground up with new décor and everything. To keep up with the competition it had to market aggressively on social media and change up its menu quite a lot. The challenge here was to find a balance where the restaurant could keep its long-time customer base and also attract new younger customers which was not the target market previously.

## Food Industry of Bangladesh

Over the past decade the food industry especially the restaurant business in Bangladesh started booming. Food carts became popular among the younger generation because of the low prices they had to offer. Along with low prices these carts had lots of different types of food to offer as well. Social media had a huge role in this too. With restaurants targeting younger people as their main target market they try to cater to them and their desire to post on social media. So, restaurants started focusing more and more on how presentable the place and the food looked. They banked on the fact that people post lots of pictures on social media which is free marketing for the restaurant.

The economy of Bangladesh is considered a tiger economy. With increase in disposable income people started eating out more. They don't mind paying more for premium food and service.

The restaurant business is considered highly profitable with high profit margins. However, setting up the business is quite costly requiring a big amount of lump sum. Yet there has been significant increase in the number of restaurants that are being opened. This led to fierce competition and certain areas begin over saturated with restaurants.

Furthermore, with online delivery services such as Pathao, Foodpanda, Shohoz restaurants can now reach more customers than ever before. They made it really convenient for people to order food from home. The customers are quite pleased with these services because they are able to deliver food in a short amount of time. These online platforms played a huge role in building up the industry even further more.

## Covid-19 and the Food Industry

The Covid-19 pandemic has had an impact on almost all businesses, some being more impacted than others. The nature of the virus is that it spreads in close contact through air. This meant when the outbreak occurred the country was forced into lockdown to stop it from spreading. The food industry took a particularly large hit. What the lockdown meant for restaurants was they saw their daily income go to zero overnight. While people were being urged to stay home in precautions being taken so that no one comes in close contact the delivery services were also stopped. Almost all the restaurants took a major hit to their revenues. While the restaurants with big investments backing them could survive in a climate like this the smaller restaurants had it really difficult. They had to pay off their employees but had virtually no income. There were a lot of downsizing and employees were being let go off. Many of the restaurants were closed off permanently for not being able to bear the costs. What was a booming industry certainly become a question mark about how to operate and start up again in these challenging conditions?

## Red Tomato reopening post lockdown

On November of 2019 the restaurant relocated to a new location. This relocation cost the restaurant a lot and they had to let some employees. Before the virus outbreak the restaurant had not seen the same success it previously had. But that was expected because it takes time for the message about



the relocation to be known. To help spread the message about the relocation the restaurant started to promote it on social media and had promotional discount pricing. In March of 2020 because of nationwide lockdown almost all business was forced to shut down. Within 5 months of starting in the new location the restaurant had to be shut down. The restaurant remained closed till September because of the passive stance the owners chose to take and having reservations about opening up too early. Plenty of restaurants at that point of time had started opening up again. Finally, on October the restaurant opened up with half of its initial staff to keep the cost of running business low. This decision was also due to the expectation of less customers at a time.

For the post pandemic opening the restaurant had to follow strict hygiene guidelines. The staff members wearing masks, disinfecting hands at regular intervals, wiping tables and chairs after guests left and keep the restaurant clean.

The pandemic saw a reduction of walk in customers. However, takeaway orders still came in. A major reason for this is the online platforms that deliver food to customers. Previously, the restaurant had only contract with Food Panda and that was the only platform that delivered food from the restaurant. Recently the restaurant had contacted Pathao; another really popular food delivery site and was enlisted in their app as well.

In times that are challenging from a health point of view running a business poses a whole other set of challenges. The future seems unsure and it remains to be seen if we can return to normalcy any time soon. But the owner of the restaurant remains optimistic and even though incomes are lower than before they believe they can remain open for their customers to enjoy dining there.

## Discussion Questions

1. Do an industrial or a PESTEL analysis of the food industry of Bangladesh.
2. Do a SWOT analysis for Red Tomato Restaurant.
3. Analyze the six criteria for brand elements for Red Tomato Restaurant (name of the restaurant)
4. What is an effective strategy for the restaurant to promote itself post pandemic?
5. For a restaurant that has been around for such a long time, should they reposition themselves in the market or stay the same?

## Further Reading

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# **Red Tomato Restaurant: Struggles of restaurants in the Covid-19 era**

## Teaching notes

### Case Summary

Red Tomato Restaurant is a family owned restaurant operating in the Dhanmondi area of Dhaka city. They have had success over the years after starting their venture in 2007. Serving traditional Chinese and Thai food; very popular in Bangladesh, they managed to build up a loyal customer base. However, at the end of 2019 they had to relocate. After just operating 5 months in their new location the corona virus spread as a global pandemic and business started to shut down due to nationwide lockdown. After 6 months of staying closed the restaurant again opened up on October 2020 but now with a whole new challenge that came with the pandemic and they must operate under regulations that is the result of an air borne virus.

### Teaching Objectives

Instructional objectives of this case are to:

- Analyzing one of the more prominent and industries in Bangladesh
- Managing a brand over time
- Managing a brand in crisis
- Identifying strengths and weaknesses of a brand

## Target Audience

The audience for this case is undergraduate and graduate students enrolled in marketing and marketing management studies. Specifically, this course fits well in courses such as Brand Management or secondary Marketing management courses. Within these courses, or similar courses, this case can help illustrate:

- Industrial analysis of a developing industry
- SWOT analysis of an organization
- Analyzing the brand elements of a brand that has been around for a long time
- Technological development impact on the food industry
- Analyzing marketing strategies of a brand in the food industry

## Suggested answer to discussion questions

### **1. Do an industrial or a PESTEL analysis of the food industry of Bangladesh.**

The PESTEL analysis of the food industry of Bangladesh is as follows;

The political scene in Bangladesh for doing any business is not good. At every level of government there is corruption. Bangladesh is one of the most difficult countries to do business in and that stems from corruption. However, over the years political unrest has reduced which is good for businesses. The taxes on restaurant is 15%, yet due to bribery restaurants must pay more than what they owe which again is a product of corruption. There are labor laws in place to stop labor abuse but the laws are not implemented properly.

One of the major reasons why the food industry started to boom is the economic growth of the country. The disposable income of the people went up and they could afford to eat out more. The inflation rate in country was not that high over the past decade which led to steady growth in the economy and more and more restaurants started opening up. The cost of doing business remained steady as well.

With the increase of disposable income and the social media becoming as popular as it is social image became important to people. Eating at restaurants and posting on social media is a social norm now. As income goes up lifestyle changes. This worked in the favor of the food industry.

The technological advancements have played a vital role in the development of the food industry. Promoting business on the internet is much cheaper than main stream media. almost all restaurants have some presence on social media. Not only this it became easier for people to look up restaurants and choose form a lot of different options. Development of apps that deliver food from restaurant meant people did not have to leave their houses in order to eat food from different restaurants.

The food industry is not that affected by environmental policies.

There are agencies in place to regulate consumer protection laws and hygiene. Their primary job is to see that restaurants cannot sell sub-par product to the people and maintain hygiene protocols.

## **2. Do a SWOT analysis for Red Tomato Restaurant.**

### **Strengths:**

- The most important thing a restaurant focuses on is serving good food. Over the years the restaurant has been serving good food which kept them relevant for 12 years.
- The location is a really good one. Dhanmondi area is considered a very popular place for eating out.
- A loyal customer base that is a result of the food they serve
- The type of food they serve i.e. Chinese and Thai food are popular among Bangladeshi people.

### **Weaknesses:**

- The marketing of the restaurant is not as prominent as some of the other restaurants.
- The service sometimes leaves more to be desired from; might come from inexperienced waiters
- Lack of social media presence

### **Opportunities:**

- The restaurant currently has only one outlet. They can look to expand and open up new outlets to increase customer outreach
- Proper utilization of the apps that deliver food to customers at their homes

### **Threats:**

- The younger generation prefer fast food over the traditional Chinese or Thai food
- The competitors in close proximity

### **3. Analyze the six criteria for brand elements for Red Tomato Restaurant (name of the restaurant).**

**Memorability:** The restaurant has a memorable name. Its name after an everyday item. Since it has been around for a while in a very popular area of Dhaka the name is quite memorable.

**Meaningfulness:** Since the restaurant is named after a fruit it can be considered a good name for a restaurant as it is relatable.

**Likable:** Tomato is fruit that is eaten all over the world and liked by many.

**Transferable:** The name is not really transferable. It is the name of a fruit and it cannot be used to brand variety of items.

**Adaptable:** The name is not very flexible in terms of being used as brand for any other thing.

**Protectable:** Intellectual property or copyright laws are not strictly enforced in Bangladesh so the name is not that protectable.

### **4. What is an effective strategy for the restaurant to promote itself post pandemic?**

The pandemic has created a whole new dynamic as to how restaurants operate. People are scared of contracting the virus so they are extra cautious when they go out. The restaurant must portray an image of safety and proper protocol in order to instill confidence in customers' minds. Since

the virus is an airborne one normal protocol dictates that all restaurant staff wear masks at all time. Furthermore, the dishes and cutleries are properly washed. The tables and chair are wiped down with disinfectant after guests leave. These preventive steps must be followed strictly so that the customers feel safe when they go to eat.

They should promote themselves via the food delivery apps and websites. People are reluctant to leave their homes during these times. The pandemic has seen a massive surge in usage of these apps to order food. So, it's important to capitalize on this opportunity.

Lastly, the message of safety and precaution should be given out to the public so that they are well aware of them and come back or order from them again.

### **5. For a restaurant that has been around for such a long time, should they reposition themselves in the market or stay the same?**

The restaurant has been open for 12 years and has built up a loyal customer base. Making significant changes has some risks to it. What has made them successful and kept them afloat over the years is the type of food they sell and delivering good food over a consistent period of time.

To capture a new customer base the restaurant can look to venture into and start making food from newer cuisines. The younger generation likes to try out different cuisines and they prefer fast food over Chinese and Thai cuisine. But venturing into different options costs time and money. Without the pandemic maybe that would have been a good option for the restaurant. But with the pandemic there was a significant reduction in income. So, any sort of new venture would be ill advised.

They should focus on what they do best and focus on delivering good food and service to their customers and not change their positioning in the near future.