

Entrepreneur at Crossroads: Choosing a Growth Path

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19th Friday, July 2014: Ms. Aruna Taneja and her daughter Ms. Divya were thoughtful about the future. Joint owners of Super Stores, which had become a franchise for Subway® in Jamshedpur, they had visited their restaurant and conducted their customary weekend review of the business. It had been nearly 5 years since they had become a Subway franchise. True to their entrepreneurial spirit, Aruna and Divya were discussing business growth opportunities and possible ventures.

The start of the journey

Initially, Ms. Aruna was running a franchise of a premium brand apparel retailer. After spending couple of years in that, she decided that the local Jamshedpur market did not have sufficient customer base to fully occupy her and engage her talents. This was also accompanied by return of her daughter, Divya to Jamshedpur. Divya had completed her graduation and post-graduation education in Mumbai and had worked for couple of years in Hyderabad. So, after her marriage, when Divya returned to Jamshedpur, it offered the mother-daughter duo an opportunity to think of undertaking something different, together. The family already owned a road-facing property which could be utilised for a new venture.

At the time, Jamshedpur lacked any fast food restaurants. Sensing an opportunity, Aruna and Divya, approached Subway®, a leading US based specialty sandwich and salad brand in the quick service and health food space, with a letter of intent to become a franchise of the company. It was reciprocated by a visit from a representative from Subway who inspected the property and found it appropriate for a Subway restaurant. Subway® was also looking for to explore the eastern-India market and this seemed to be a viable opportunity. For this venture, Aruna and Divya formed Super Stores, a 50:50 partnership.

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In 2009, Super Stores entered into an agreement with Subway®, giving Super Stores franchising rights to bring this brand's specialty health food offerings to Jharkhand. In 2010, Super Stores signed a similar agreement for the city of Ranchi. Both were 5-year contracts, with sales royalty of 8% of weekly sales. In addition, each store had to contribute to a national fund which was used for brand development activities. The renewal fee depended on rate of new store openings.

About Subway®

Subway is a USA based healthy fast food restaurant franchise that sells specialty sandwiches and salads. The core product is the made-to-order sandwiches where customers get to choose the type of bread and the stuffing. In addition to these, the chain also sells wraps, salads, and baked goods. Subway is one of the fastest growing franchises in the world, with 42,070 restaurants in 107 countries and territories as of June 28, 2014.¹ The operations in each franchisee have to be as per Subway's Operations Manual which is a detailed and step-by-step guide pertaining to all aspects of store operations. The billing system was interfaced to systems at the hub in each country so that revenues, stock requirements etc., could be analysed and proactive initiatives could be taken.

Expansion Strategy

Around the same time, the company was aggressively expanding globally into Tier II and Tier III territories with an aim to hike the store count to 50,000 over the next four years.²

The company opened its first restaurant in India in 2001 in New Delhi. As of 2013, the company has set up 395 restaurants in 68 cities (refer Exhibit 1 for potential of fast food in Indian market) Moreover, the willingness-to-pay was high in some of these regions like

¹ "[Explore Our World](#)". Subway.com. Retrieved 2014-05-05.

² The global dominance of Subway is of course underwritten by huge expansion in the developing world, primarily China. Julie Jargon writes in the Wall-Street Journal that Subway's global success is underpinned by a flexibility to open restaurants in unpredictable venues: Subway has achieved its rapid growth, in part, by opening outlets in non-traditional locations such as an automobile showroom in California, an appliance store in Brazil, a ferry terminal in Seattle, a riverboat in Germany, a zoo in Taiwan, a Goodwill store in South Carolina, a high school in Detroit and a church in Buffalo, New York.

Jamshedpur, Ranchi, Dhanbad, and Bokaro which presented attractive business opportunities for Subway in the region in line with their overall plan of expansion in the Indian market.

Subway® Requirements

Training and Assistance: All individuals who sign the Franchise Agreement must attend and complete the Worldwide Training program at Subway headquarters to the franchisor's satisfaction. The franchisee has to pay for stay and 1 week of training. There was training on systems, hygiene, and safety protocols which were conducted offline.

Apart from the initial training session, regular training programs are also conducted on semi-annual/ annual basis based on the requirements of Subway. Conducted in Delhi, the training programs were required to be attended by franchisees.

Obligations and Restrictions: While the franchisee is not obliged to personally supervise the Subway restaurant, they must attend and complete the training program. The person designated to actively work in the restaurant as the Person-in-Charge (PIC) must become certified by completing the Person-in-Charge program. The franchisee must operate the restaurant with strict compliance to all required methods, procedures, policies, standards, and specifications of the Subway system as per the Operations Manual and in other writings issued by Subway.

The initial days of Subway® Jamshedpur

The restaurant in Jamshedpur was located in an area with an equal concentration of high rise apartment buildings, individual bungalows/row houses, and a cluster of medium - high commercial activity, en route to Adityapur, the city's industrial area. Jamshedpur is visited by a large number of expatriates from time to time. They come to work in different capacities in the TATA Steel plant as well as in other industrial units located in Jamshedpur. The expatriate customers had a dual impact on the business of the Subway® franchise. Not only would they frequent the restaurant for a quick take-away meal, but their presence signalled the existence of something different to the local customers.

The initial days brought a fair share of teething problems for the store. There were problems with the equipment, most of it which was imported and could be repaired only by a company representative. Customers who had walked into the restaurant for the first time did not like to go away with orders unfulfilled. There was an occasion where to promote the store, a free coffee offer was given out along with a minimum order size for a limited time. When the customers landed up the coffee machine stopped functioning.

The restaurant operated a spoke in the hub-and-spoke model adopted by Subway®. Kolkata was the hub which serviced the outlets in eastern India. Delivery of supplies happened via road from Kolkata. To avoid problems due to sudden stoppages like *bandhs*, stocks for 20 days of sales were maintained on an average. Then there was the computerised system which would crash every now and then and all operations would need to be done manually. Timely delivery was of paramount importance to quality as 80% of the items constituted cold storage items.

Since the Jamshedpur restaurant had done well in the first year, Super Stores opened a second restaurant in Ranchi. The Ranchi store was located on the ground floor of the city's first multiplex shopping mall, which is located in the primary commercial district of the city. While the restaurant in Jamshedpur was based out of self-owned property, the Ranchi store was established on leased property.

Since Super Stores had set up a second store within a year of starting their first store led to a discount in the Annual Franchise Fee from Rs. 5 lac to Rs. 3 lac. After that it was at the same rate since no other store had been opened.

Employees

Initially, people experienced in the hospitality industry were preferred. However, later non experienced freshers were selected. "The freshers do not have a rigid mindset and it is very easy to train them" Aruna informed. "Over time, the freshers would gain confidence and performed at par and, in certain cases, better than the experienced ones".

Even with average retention period of 6 months, it was reported by Aruna that recruitment of freshers paid off as compared to recruitment of experienced employees. Incentives to the employees were paid on a daily basis as it was found to be a better motivator than monthly payouts. It also helped in preventing absenteeism.

Open house sessions were held for store managers and the employees in both Jamshedpur and Ranchi to discuss issues of concern. Among the several that would be discussed, the issue of stock pilferage was one towards which the owners maintained a strict policy. Margins were maintained for different products, crossing of which they let the employee leave. As Aruna explained, "Most of the raw materials and finished goods are high priced. The cost of transport is an additional factor. Unless pilferage was monitored, it would wash away the margins" (see Exhibit 2 for comparison of two restaurants).

Customers

The customer base in Jamshedpur was composed of executives from the TATA Group of companies and other businesses located in Jamshedpur. The Jamshedpur restaurant was located strategically near one of the gates of TATA Steel plant and on the road connecting the immediate area to Adityapur, one of the main industrial parts of Jamshedpur. Apart from that, two premier hotels were within walking distance of the restaurant which allowed Subway® to be frequented by hotel-guests who preferred a simple and a quick lunch. The patronization of Subway's offerings by the executives was more often or not due to the concept of working lunch. The working lunch concept, often planned out in advance, implies that on the days such a meeting is happening, the executives will not be bringing their lunch-boxes. On such occasions, it is packed lunch from either from Subway or from other outlets. On most occasions, the executives would prefer to bring home-cooked food in lunch-boxes.

Jamshedpur based local business-persons, owning small and medium scale businesses, form another significant category of potential customers. For these customers, healthy food implies home-cooked food. The belief that nothing beats home-cooked meal is very strong.

The lunch-box is a visible reminder of their faith in home-cooked food, even for the well-to local businesspersons.

This reliance on hom-cooked meals is assisted by the fact Jamshedpur does not have many avenues for spouses to work. The spouses of most executives, as well as local business persons, are home-makers, or, as per the traditional parlance, housewives, are a significant decision-maker in the choice of lunch.

While some of these customers do walk in Subway to explore the offerings once in a while, they are in insignificant numbers. For this category of customers, eating out is an occasion, during which Subway is not an option. The traditional items like Indian Thali, or à la carte combinations of Naan, different varieties of tandoori items, rounded off with desserts forms the package. During such occasions, outlets like Biryani House, or Dastarkhan Restaurants, which offer the entire range of Mughlai menu items are the favourite destinations. The advantage of traditional restaurants offering the customers an opportunity to lounge and relax in comfortable sofas, as compared to bar-benches of Subway, as long as the order was being prepared, was an additional incentive.

, XLRI, a management institute with a student population of approximate 900 students in peak time, was located in Jamshedpur. Most of the students came from metro cities and were well aware of the Subway® brand and preferred to visit the restaurant once in a while. The placement season of XLRI also led to increased ordering in certain months. XLRI typically witnessed two occasions of recruitment related activities, one for the junior students oriented towards summer-internship which took place in August-September, and the second one for the senior students oriented toward during January - March - During the recruitment activities, students would arrange for lunch for executives and Subway'menu items were preferred as they allowed for work to continue while eating. Subway, Dominos, and KFC items were also preferred during such occasions. Since the offerings were priced on the low side, many students of local colleges also found it appealing (see Exhibit 3 for menu of Jamshedpur restaurant).

For the teenagers or college going customers, the incentive to patronize an outlet was the opportunity to spend time with friends chatting or discussing multiple topics, using smart-phones to catch up with others etc., away from the disciplining presence of their parents or elders. This they engage in any restaurant that allows them to. Most restaurants do not encourage revenue-less hanging out. Therefore this sub-category of customers prefer to go to the road-side *dhabas*/ tea stalls where they can linger for hours without anyone bothering them. All they needed to do was order once in a while. In such manner they got a chatting or a hang-out space at much lesser cost than outlets like Subway, or for that manner any other restaurant. Apart from the above customers, there were the usual cranks who would come in at odd times. One customer tried to walk away with the tip-box and the problem had to be resolved diplomatically. In Ranchi, a scuffle amongst customers led to the breaking of the food counter. Ranchi witnessed other kinds of problems as well. While generally positive, certain customers were not aware of the offerings. One fine day one family landed up and queried “Chaat ban raha hai, kya?” (Are you making *chaat*?), referring to *chaat*, a traditional spicy snack in most Indian cities. On certain days, both the stores witnessed customers sharing a single footlong sandwich.

Usually the customers preferred the Indian flavours. To ensure that the customers got to know about the process, a process flow was indicated on the board.

Competitors and customers

Subway® restaurants had to face a high level of competition from the other players in the fast food space. Details of the competition are indicated in the Exhibits. The other restaurants were

- a. Franchisees of multinational brands like Domino’s Pizza, KFC etc. KFC had launched its first store in 2014 in Jamshedpur. It was sold out on several days during the initial months and it had to close down due to lack of stocks.
- b. Traditional restaurants which offered a wide array of meals
- c. Theme based fast-food joints

The customers looked at restaurants not only as places to eat, but also as places to hang-out and socialise. This was reinforced by low cost of meals – average spend per customer was Rs. 250. Different segments, therefore, had different interests in coming to restaurants. The customer base of executives and students also witnessed seasonal fluctuations. In Jamshedpur, the summer months had low hotel occupancy and lack of student population.

Marketing was also a major challenge and which required that a constant feel of the market be maintained. Word of mouth publicity was a major influencer among the hotel-guests and the business executive customer segment. Apart from the efforts towards running the restaurant as professionally as possible, different campaigns like hoardings and displays, advertisements in newspapers, promotional offers were carried out to time the market-fluctuations. The benefits of these efforts often sustained for a period of 3-4 months.

Off late, online media had become important. Feedback from customers was emerging as a significant factor. Subway® was present on Facebook® and was represented on business directories like Justdial™.

Opportunities and Threats and What to do in general

Aruna and Divya pondered about the various growth opportunities that lie ahead. Further, they also considered the possibility of extending the business by setting up new stores in cities like Dhanbad and Bokaro. These towns share the cosmopolitan nature of Jamshedpur (see Exhibits 5 & 6) as they have a similar industrial base.

Another lucrative option could be to fan out further into the existing regions of Jamshedpur and Ranchi and set up additional stores and build breadth of operations in these two cities. A quick survey done by the duo in Jamshedpur showed potential areas where they could expand (See Exhibits 7, 8 and 9). Yet another way ahead for growth being considered is for Super Stores to partner with other food and beverage brands to either bring an entirely new set of offerings to tap into the yet untapped potential of the Jamshedpur and Ranchi markets or offer food and beverage items to complement the existing offerings of the specialty sandwich and salad brand, or even explore options that would entail taking on the

significantly riskier act of going solo and launch their own local brand of specialty food and beverage offerings.

Another option would be to use the existing store infrastructure but implement certain specific proactive marketing efforts to funnel additional customers into existing stores.

Exhibits

Exhibit 1: News regarding fast food market's dominance by Domino's Strategy

The Indian market was reported to be dominated by foreign brands (65%) of which Domino's dominated with 20%, KFC 9%, Pizza Hut 8%, McDonalds 11%, Subway 1% and others 40%. Local brands like Pizza Corner, Smokin' Joe's, and US Pizza were major players among local brands.

Domino's had been following an aggressive strategy "because Domino's typically needs less land and financing for a store".³

Source: www.ibtimes.com

³ Nat Rudarakanchana (2013) Indians Prefer Pizza, Specifically Domino's (DPZ), Over McDonald's (MCD), Subway And Everything Else, In Booming Fast Food Market. Accessed from <http://www.ibtimes.com/indians-prefer-pizza-specifically-dominos-dpz-over-mcdonalds-mcd-subway-everything-else-booming-fast> on July 19, 2014.

Exhibit 2: Comparison of Jamshedpur and Ranchi Outlets

	Jamshedpur Store	Ranchi Store
Launch	2009	2010
Store Size (Sq. Ft.)	1500	900
Franchise Fee (Rs.)	500000	500000
Franchise Tenure	5 Years	5 Years
Franchise Renewal Fee (Rs.)	300000	300000
Royalty (of weekly gross sales)	8%	8%
Advertising Contribution	4.5%	4.5%
COSTS:		
Store Setup (including equipment)	60000	30000
Salary	100000	100000
Raw Material (per 20 days)	100000	100000
Electricity	50000	30000
Loan	50%	50%
Loan Tenure	5 Years	5 Years
Average No. of bills (daily)	200	170
Average Bill Amount (per head)	200	140

**Exhibit 3: Subway® Menu in
Jamshedpur⁴**

Items	Price (in Rs.)
Subs & Salads Vegetarian	
Veggie Delite	90.00
Aloo Patty	25.00
Veggie Patty	125.00
Corn & Peas	125.00
Paneer Tikka	125.00
Veg Shammi	125.00
Subs & Salads Local Subs	
Chicken Tikka	140.00
Chicken Seekh	140.00
Chicken Tandoori	140.00
Chicken Achari	140.00
Subs & Salads Favourites	
Roasted Chicken	150.00
Tuna	150.00
Chicken Teriyaki	150.00
Chicken Ham	150.00
Subs & Salads Traditional	
Italian Bmt	160.00
Subway Club	160.00
Turkey	160.00
Subway Melt	160.00
Turkey & Chicken Ham	160.00
Chicken & Bacon Ranch	160.00
Breakfast Served All Day Till 11	
Egg & Cheese 6"Subs (15 cm)	80.00
Western Egg 6"Subs (15 cm)	95.00
Bacon & Egg 6"Subs (15 cm)	100.00
Extras	
Bacon	30.00
Double Chicken	50.00
Double Meat	50.00
Premium Veggie	30.00
Egg	20.00
Cheese	10.00

Dessert	
Rich Chocolate Truffle Cake <i>MRP N/A</i>	
Cookies	
Single Chocolate	30.00
Double Chocolate	30.00
Oatmeal Raisin	30.00
Chips	15.00
Choose Your Bread	
Hearty Italian	
Multi-grain	
Multi-grain Honey Oat	
Parmesan Oregano	
Drinks	
Soft Drinks <i>Coco Cola, Fanta, Thumps Up, Sprite</i>	40.00
Georgia Iced Tea	40.00
Georgia Cold Coffee	50.00
Minute Maid Pulpy Orange <i>MRP</i>	N/A
Bottled Beverages <i>MRP</i>	N/A
Bottled Water <i>MRP</i>	N/A
Snapple <i>MRP</i>	N/A
Burn <i>MRP</i>	N/A

⁴ Accessed from www.justdial.com on July 19, 2014

Exhibit 4: Urban Agglomerations of Jharkhand, Census 2011

Sr. No.	Urban Agglomeration (UA)	State	Population	Child (0-6)	Sexratio	Literacy
32	Jamshedpur	Jharkhand	1,337,131	153,872	919	85.94
37	Dhanbad	Jharkhand	1,195,298	151,010	887	80.64
41	Ranchi	Jharkhand	1,126,741	128,541	921	88.42
73	Bokaro Steel	Jharkhand	563,417	67,672	883	84.87
182	Phusro	Jharkhand	186,139	22,125	906	79.99
218	Hazaribag	Jharkhand	153,599	17,276	918	90.14
231	Giridih	Jharkhand	143,529	20,658	918	82.41
245	Ramgarh	Jharkhand	132,441	17,086	869	82.97
262	Medini Nagar	Jharkhand	119,972	13,752	897	88.84
264	Chirkunda	Jharkhand	118,822	14,742	904	77.03

Source: Urban Agglomerations Census 2011, from <http://www.census2011.co.in/urbanagglomeration.php> accessed July 16, 2014.

As per the data published by Census 2011 focusing on cities having population more than one lakh, the following cities of Jharkhand are ranked as given in table above (out of total of 298 urban agglomerations).

Exhibit 5: Districts of Jharkhand, Census 2011

Sr. No.	District	Population	Growth Rate	Sex Ratio	Literacy	Density
1	Ranchi	2,914,253	23.98%	949	76.06%	572
2	Dhanbad	2,684,487	11.99%	909	74.52%	1316
3	Giridih	2,445,474	28.41%	944	63.14%	493
4	Purbi Singhbhum	2,293,919	15.68%	949	75.49%	644
5	Bokaro	2,062,330	16.01%	922	72.01%	715
6	Palamu	1,939,869	26.17%	928	63.63%	442
7	Hazaribagh	1,734,495	20.65%	947	69.75%	488
8	Pashchimi Singhbhum	1,502,338	21.75%	1005	58.63%	208
9	Deoghar	1,492,073	28.03%	925	64.85%	602
10	Garhwa	1,322,784	27.75%	935	60.33%	323
11	Dumka	1,321,442	19.42%	977	61.02%	351
12	Godda	1,313,551	25.35%	938	56.40%	580
13	Sahibganj	1,150,567	24.01%	952	52.04%	558
14	Saraikela Kharsawan	1,065,056	25.47%	956	67.70%	401
15	Chatra	1,042,886	31.77%	953	60.18%	280
16	Gumla	1,025,213	23.16%	993	65.73%	191
17	Ramgarh	949,443	13.10%	921	73.17%	708
18	Pakur	900,422	28.33%	989	48.82%	497
19	Jamtara	791,042	21.12%	954	64.59%	437
20	Latehar	726,978	29.61%	967	59.51%	169
21	Kodarma	716,259	43.42%	950	66.84%	282
22	Simdega	599,578	16.58%	997	67.99%	159
23	Khunti	531,885	22.32%	997	63.86%	210
24	Lohardaga	461,790	26.68%	985	67.61%	307

Source: Districts of Jharkhand, accessed from <http://www.census2011.co.in/census/state/districtlist/jharkhand.html> on July 16, 2014.

Exhibit 6: Data regarding property prices⁵

City	Ranchi	Jamshedpur	Dhanbad
Price to Rent Ratio (City Centre)	31.32	34.32	NA
Price to Rent Ratio (Outside of centre)	17.62	33.22	NA
Representative Price 1	8500 (per sq.ft.)	Rs. 35,00,000	Rs.45,00,000
Details	2nd flr. in business tower, located in commercial locality	400 sq. ft, 2nd flr near city centre	400 sq. ft, GF,near city centre
Representative Price 2	15000 (per sq.ft.)	Rs. 18,00,000	-
Details	Ground flr. in business tower, located in commercial locality	200 sq.ft, GF, near railway station	-
Representative Price 3		Rs.40,00,000	-
Details		210 sq. ft, GF, road adjoining main road, near city centre	-
Rent Data 1	-	-	Rs. 50,000 pm for 6000 sqft
Rent Data 2	-	-	Rs. 12,000 pm for 2500 sqft
Rent Data 3	-	-	Rs. 21,000 pm for 7500 sqft

Note: Gaps in data exist due to collation of data from different websites, with each website offering different data. Also prices for large number of properties were indicated as “available on request”.

⁵ Data has been obtained from the websites: www.olx.in, www.locanto.in, www.99acres.com, and www.qikr.com on July 19, 2014.

Exhibit 7: Map of Jamshedpur

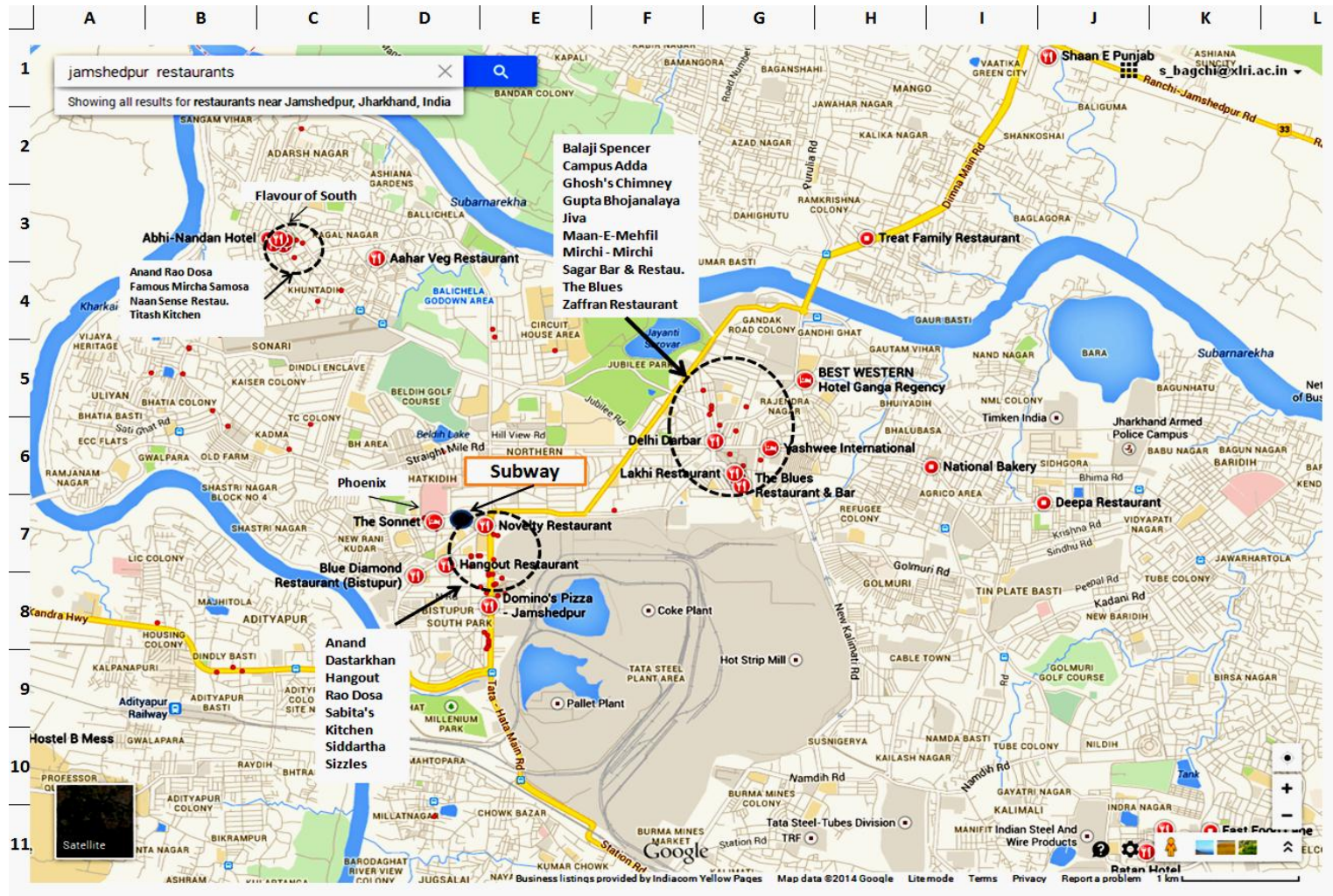


Exhibit 8: Survey conducted for Jamshedpur Market

Area	Residential (R) / Factory area (F) / Commercial (C)	Posh (P) / Middle Class(M) / Semi-rural (SR)	Residential type - single residential quarters/ houses (S), residential flats (F), or mixed (M)	Height of quarters/ flats in storeys)	HIG/ MIG/LIG
B2,B3,C2C3	R	P+M	Mixed	4 + 5	H + M
D2,E2E3	R	P+M	Mixed	1+2+3+8	H+M+L
D3	R	SR	Mixed	1+2+3	L
F2,F3	C	P+M			
G2G3	R	M+ SR	Mixed	1+2+3	M+L
H2,H3,I3	R	M	Mixed	1+2+3+4	M+L
I2	R	SR	Mixed	1+2+3	M+L
J2,J3,K2K3	R	SR	Mixed	4+2	M+L
B4	R	M	Mixed	1+2+4	H+M
C4	R	M	Mixed	1+2+4	
B5,C5	R	P	Mixed	3+4	H
D4	R	M	F	1+3	L
D5,E5	R	M	S+F	1+2+5	M
E4	R	P	S+F	1+5	H
F4,F5,G4G5	R + C	M	F	1+2	H+M
H4,H5,I5	R	M	Mixed	1+2	M+L
I4	R	SR	Mixed	1+2+3	M+L
J4,J5,K4K5	R	M+ SR	Mixed	1+2	M+L
B6,B7,C6C7	R	M	Mixed	1+2+3+4	H+M+L
D6,D7,E6E7	R + C	M	S+ F	1+2+3	H+M
F6,F7,G6G7	R + C	M	F	2+3+4+5	H+M
H6,H7,I6I7	R	M	S+ F	1+2+3+4	M
J6,J7,K6K7	R	M	S+ F	1+2	M+L
B8,B9,C8C9	R	M	S+ F	1+2	M+L
D8,D9,E8E9	R + C	M	Mixed	1+2+4	H+M
F8,F9,G8G9	F				
H8,H9,I8I9	R + F	M	S+ F	1+2	M+L
J8,J9,K8K9	R	M	Mixed	1+2	M+L
B10,B11,C10C11	R + C	M+SR	Mixed	1+2+4	M+L
D10,D11,E10E11	R	M	S	1	M+L
F10,F11,G10G11	R + F	M	S	1	M+L
H10,H11,I10I11	R + F	M	S	1	M
J10,J11,K10K11	R	M	S+ F	1+2+4	M+L

Note:

1. The references to the area are with respect to grid markers.
2. Posh residential area implied residential units of plot size of 100 – 1500 sq. meters;
middle class implied residential units of plot size of 100-350 sq. meters; semi rural
indicated residential units of size <100 sq. meters.

Exhibit 9: Online feedback for different restaurants

Restaurant	Location	Respondents	Overall Rating (Highest = 5)	Percent of respondents as per rating given					Month of last rating (2014)
				Excellent	Very Good	Good	Average	Poor	
17 Degree Restaurant	Bistupur	55	4.0	21.8	50.9	21.8	3.6	1.9	June
Ananad Restaurant	Bistupur	94	4.0	41.5	29.8	23.4	3.2	2.1	June
Biryani House	Bistupur	8	4.0	37.5	25.0	25.0	12.5	0.0	June
Bon Appetit Restaurant	Bistupur	21	4.0	33.3	47.6	19.1	0.0	0.0	June
Chinese Inn	Bistupur	49	4.0	42.9	38.8	18.3	0.0	0.0	June
Dastarkhan Restaurants	Bistupur	7	4.0	28.6	14.3	42.9	14.2	0.0	May
Deep Purpule	Sakchi	16	4.0	25.0	62.5	12.5	0.0	0.0	October
Franks Restaurant	Bistupur	150	4.0	44.7	35.3	14.0	4.7	1.3	June
Hangout Restaurant	Bistupur	5	4.0	40.0	40.0	0.0	20.0	0.0	June
Host Restaurant	Bistupur	40	4.0	25.0	42.5	32.5	0.0	0.0	March
Hotel Jiva	Sakchi	9	4.0	66.7	22.2	11.1	0.0	0.0	February
KFC Restaurant	Sakchi	81	4.0	49.4	29.6	14.8	2.5	3.7	June
Naan Sense Restaurant	Sonari	15	3.5	20.0	26.7	40.0	13.3	0.0	February
Novelty Restaurant	Bistupur	397	4.0	41.6	35.0	19.1	3.0	1.3	June
Quality Inn Family Restaurant	Bistupur	22	3.8	18.2	50.0	18.2	9.1	4.5	July
Subway	Bistupur	67	4.0	32.8	38.8	23.9	4.5	0.0	February
The Alcor Hotel	Bistupur	198	4.0	49.0	38.4	11.1	1.0	0.5	June
The Blues Restaurant & Bar	Sakchi	60	4.0	33.3	43.3	16.7	5.0	1.7	June
White Rose Restaurant	Sakchi	14	4.5	71.4	21.4	7.2	0.0	0.0	May
Yahoo Restaurant	Kadma	3	4.0	33.3	33.3	33.3	0.0	0.0	December

Note: The data taken from website of Justdial™ (accessed on 15 June, 2014). The restaurants taken above are representative of the different restaurants in Jamshedpur and are in the same price category of “moderate” Rs. 350- Rs.750.

Exhibit 10: Research highlighting the importance of online reviews

Based on the informal survey conducted by Ms. Aruna Taneja and her daughter Divya Taneja, they estimated that during the time period of feedback as put up on Justdial™, the restaurants having rating of 4 and above would have a occupancy rate of 90%+ during peak evening time during the week-ends, i.e., Friday, Saturday and Sunday, and a occupancy rate of 75%+ during week-days. For lunch time the occupancy rate would be roughly 80% and 60% approximately. For restaurants which had a rating of 3, the values for evenings were roughly 70% for week-ends and 50% for week-days, while for lunch the values were 50% and 30% respectively.

While this situation was favourable for Subway™, it also highlighted a need to be sensitive towards what customers were talking on different online forums and giving feedback on different sites like Justdial™. Such data was in alignment with studies carried on customer-feedback in restaurants point out the importance of positive feedback:⁶

“...moving from 3 stars to 3.5 stars increases a restaurant’s chance of selling out during prime dining times from 13 percent to 34 percent, and that moving from 3.5 stars to 4 stars increases the chance of selling out during prime dining times by another 19 percentage points.”

Even in the face of negative reviews, studies had pointed out that management response indicated that the management cared.⁷

⁶ Crowd-sourced online reviews help fill restaurant seats, study finds. By Sarah Yang, Media Relations | September 4, 2012. Accessed from <http://newscenter.berkeley.edu/2012/09/04/yelp-reviews-boost-restaurant-business/> on July 17, 2014.

⁷ Ratings Rise and Bookings Increase when Hotels Respond to Guest Reviews. September 6, 2012. <http://hmghotelsblog.com/2012/09/06/ratings-rise-and-bookings-increase-when-hotels-respond-to-guest-reviews/>