

INDICATORS OF STARTUP SUCCESS IN GASTRONOMY SERVICES

RICHARD BEDNÁR

Abstract: *The word startup has been resonating in recent years and has been becoming a synonym of innovation, creativity and success. Nowadays, there are formal and non-formal associations, investment groups, community centres being established which support potential startup ideas. Gastronomy as the theory of culinary art is not dependent on new technologies, but gastronomy services are. In our article we describe those startups which have brought new trends into gastronomy services in the past months.*

Keywords: *startup, success, business model, innovation, gastronomy services*

JEL Classification: *M13, O31, O32*

1. INTRODUCTION

Fast development of technology and so-called Internet fever in the years 1996-2002 brought a large increase in the number of young companies characterized by two basic elements – innovation and discovering new markets. These companies are often labelled as startups (or start-ups).

The startup guru Steve Blank defines a startup as “a temporary company form dedicated for repeatable and scalable business model.” [1] According to Paul Graham, a startup is “a company established with the aim for fast growth.” [2] However the fast growth itself does not define the complexity of a startup. Wikipedia states that startups are mostly connected to rapidly growing and technology-oriented companies. They are financed by investors who consider the risk level in relation to the expected economic return. In my opinion, a startup is any new company which already exists in the market and fulfil the following criteria: it creates a blue ocean in a given area, it has high business risk while establishing itself in the market and after a successful exit, its rapid growth is likely.

2. AIMS AND METHODS

The main aim of this paper is to provide a basic view of the possibilities and technology which have been resonating in gastronomy services in recent months. Some of the chosen startups have been successfully established in the market and the others are in the experimentation phase and their success is uncertain. The data was acquired directly from startup founders, private conversations, conferences, presentations for investors and also from various Internet sources. In the discussion, we evaluate the potential of startups.

3. STARTUPS IN GASTRONOMY SERVICES

As in all areas, in gastronomy services owners and managers look for ways how to increase the efficiency of production and sales. They want to provide their customer higher quality for less money. Alongside molecular gastronomy and 3D-printed fruit and vegetables, there are also startups with products for the mainstream market. They study problems of restaurants, cafés and pubs, their procedures, costs and weak points. At the same time they see their customers as a source of income and they adapt

their products to them as much as possible. New technology such as tablets, smartphones and applications has simplified the procedures used in restaurants, improved their quality and consequently it has brought new customers.

Staffino is the Slovak application [3] that solves the problem of dissatisfied customers and creates space for feedback. Customers can send their opinion directly to managers of pubs, hotels, restaurants, shops and many other facilities. It does not create a social network in which is repeated negative or positive information, but directly connects guests with the owner or manager. Staffino uses a foursquare database to obtain geolocation of pubs. After selecting a bar or a restaurant customer can see a list of people who are working in the pub. Customer can either thank to staff or press - dissatisfied. Staffino allows in addition to reporting also describing the problem and a manager can respond in real time and offer some discount.

“It was first designed like a social network and showed also negative comments of all users. This idea was rejected after collecting some feedback. Staffino team realized that the application is dedicated for managers and that is why customers should not see all the feedbacks. The application is also a strong motivational factor for employees who are evaluated on the basis by feedbacks.” [4] Pricing - the first month is free, then the pub must pay one of the programs that cost 20 or 50 euros per month. [5]

Date of establishment: 02/17/2014

Number of ratings: 7610

The number of paying clients: 156

Sales in 2014: 8 353 € [6]

Profit in 2014: -80 008 € [7]

In the past two years technology firms have created a number of innovative tools. One of them is IRT - Interactive Restaurant Technology. [8] It is a system of ordering displays embedded directly in the table. A customer should choose the language which suits him and also choose food and beverage. While waiting for food, he can even play games or see food preparation through the camera in the kitchen or show his meal on Facebook. After the dinner, he can pay or book a taxi. This technology is used in the two restaurants - Oshi Cyprus and Ebony in Dubai. A table costs about \$ 5,000. [9]

Smaller investment to innovations is myMeo, [10] which is used for quick ordering and reservations at restaurants. A customer can also send feedback directly to a manager or director. Another advantage is collecting loyalty points. The name myMeo is created from the words - my + meal + order. After launching, the application displays a simple screen through which the customer can record a QR code or ID table, behind which sits. This will identify where he is and open the menu of the restaurant. MyMenu is used only in Bratislava.

A similar application is the App@Eat [11] created by technology team at the Slovak University of Technology. It has also online menu and an overview of the meals evaluation. According to the system CEO, the app speeds up the whole process by seeing your order immediately in the kitchen. This eliminates mistakes in orders.

Another startups that creates an electronic menu is iMenu [12]. This is installed in tables and substitute a classic menu and an ordinary order process. Startup decided to eliminate the basic problem of 80% of restaurants – bad staff. One of the first restaurants that use the system, are Výtopna, Mr.SUSHI and Rebellion. According to the first experience, the revenue is still increasing (10-15%), because the menus are interactive and are full of meal photos. Starting-fee for pub is EUR 4,900 per one device. In early 2014 the startup got CZK 300,000 from an Slovak investor living in London in exchange for a 15% stake.

The most complex service providing company Storyous[13], which offers restaurants and cafes simple order management, payment, statistics and accounts. At the same time customer acts as a social network and restaurant geolocator. The user can easily and quickly find the nearest pub, credentials, or photos of dishes from other customers. Upon arrival to the restaurant, the customer can order food through the application, pay and print account. The restaurant investment is CZK 5990 and gets tablets and the software system. Next fee is charged of amount CZK 590 for the first tablet and CZK 290 for every next. Everything works on Android system. Startup prepares several innovations - the launch of warehouse management, bonus program and various benefit for customers.

Date of establishment: 07/23/2012

Number of served guests: 1,253,847 [14]

The number of paying clients: 253

App downloads: 12,388

Sales in 2014: more than 200,000 euros [15]

4. DISCUSSION

Electronic menu and related cash and order system can due to its flexibility and low investment intensity acquire their new place in the market. Overpressure of old systems that are often complicated for user, calls for change. Only in the Czech Republic there are about 150 companies that provide and distribute cash register systems. [16]

The latest trends are applications for tablets and smartphones used as an electronic menu as well as an

ordering system for restaurants, cafes and pubs. Their advantages are: simple and quick installation, user friendly and relatively low investment costs. Very similar systems offers MyMenu, App@Eat a iMenu. These systems are easily replicated and therefore have no potential to expand into global market. The exception is an exclusive IRT technology but for the high investment costs intended merely to exclusive restaurants. The question is, who comes with complex application that covers the whole market.

Application, which also solves only one part of a complex system is Staffino. It connects customers directly with the owner or manager and thus provides direct feedback. Since the establishment, the application was tried by 433 companies, of which only 156 eventually opted for this service. We think, that this service does not provide a complex solution to link customers with the company, but only one part - the evaluation and pubs should pay for something, what is for free by email or Facebook. That is why this application will now have global success. However, it could change its position and become a tool for example, to co-create the product, capture feedback and ultimately to adapt to final consumer (co-creation), particularly in sectors where the manufacturer has no personal contact with the customer.

One of those that have the potential to become a leader in the global market is Storyous. It creates social networking and is also restaurant geolocator. Customers can easily find restaurants, view ratings, credentials, book a table or order a meal. According to the founders the restaurant sales have increased more than 10-20%. Storyous is a complex system, which connect manager needs (cash, order, warehouse and marketing system) with all the customer needs. The access for managers is through the cloud system anywhere and anytime. The complexity of their services and system flexibility is ideal for global growth. From those pubs and restaurants that have tried the system for free, 98% have become paying. [17]

5. CONCLUSION

New technologies can bring efficiency to gastronomy processes, which will reduce costs. The bigger profit should not stay in the owner hands, but should be invested in higher quality of raw materials and in employees. The low salary causes leave of talented youth abroad. This trend can only stop restaurant owners, who should understand that the purchasing power is located nearby the restaurant and if they offer quality, people are willing to pay an amount which will cover the cost, as well as high quality staff. Startups and new technologies should serve all restaurant owners to increase efficiency and reduce costs, so that ultimately the customer is satisfied and therefore willing to pay more.

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Ing. Richard BEDNÁR, PhD.

Ekonomická univerzita v Bratislave, Fakulta podnikového manažmentu
Dolnozemska cesta 2410/1, 851 04 Bratislava, Slovakia
e-mail: richard.bednar@euba.sk