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Factors Influencing Sales in Small Restaurants at Tourism Spots in the Country

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Abstract

When it comes to creating new jobs, it's often the smaller and medium-sized firms (also known as SMEs) that show the most promise (Asquith and Weston, 1994). In the United States, most new employment were created in the late 1980s by small enterprises with fewer than twenty employees (Philips, 1993). Small and medium-sized enterprises (SMEs) had the greatest economic growth in Canada (De-Laurentiis, 1994). Almost half of Australia's workforce is employed by small and medium-sized enterprises (SMEs), and SMEs are more responsible for creating new jobs than major corporations (DFAT, 1995). Small and medium-sized enterprises (SMEs) encourage creativity and invention by using labor-intensive technology that is applicable in developing nations (McCormick, 1996).

Key Words: Growth, Small-scale restaurants, enterprises, potential, businesses, economies

Introduction

High population growth, massive unemployment, low investments, and low industrialisation all contribute to slow economic development, as is the case in most emerging nations. This means that annual employment creation must be increased by a factor of 2.

There are four distinct types of lodging establishments, designated as classes A, B, C, and D. In Class A, you will find establishments that are both legal and official in their service of food and drink. Class C includes lodging establishments that provide guests with dining and entertainment options. Hotels that provide guests with dining, drinking, lodging, and entertainment amenities are included in Class D. Only restaurants that qualified as "class A" were included in this analysis. The restaurants in Class A were further categorized as small, medium, and big. There are fewer than 15

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people working in a small restaurant, between 6 and 15 at a medium one, and more than 15 at a big one.

In 2003, the contemporary wage industry accounted for 20 million jobs, growing at a modest pace. Small and medium-sized enterprises (SMEs) are predicted to have their share of the labor market skyrocket in the next decades. The tourism and hospitality sector is the private sector's biggest employer. According to studies, in tourist-heavy areas like Kenya, 59% of private sector jobs are held by businesses with ten or less people (Yide, 1990). Most individuals are drawn to small and medium-sized enterprises (SMEs) due to their high labor intensity, cheap beginning capital requirements, and high accessibility (Wickham, 2000).

Kebiri (1993) performed a research, and found that hotel restaurants may play a role in growing the tourist business. Kenya's tourism-related eateries bring in 18% of the country's GDP and 11% of its foreign currency (Kenya Utalii collage, 2002). Thirty percent of all tourism-related employment are directly or indirectly supported by the hotel and restaurant sector (Kenya Utalii collage, 1999). Yet, the agricultural industry that sustains the district's 80 percent population is promoted by hotels and restaurants there (Kenya Utalii collage 1988). Hotels and dining establishments help capitalize on tourists. The government has made efforts to improve the situation, therefore a lack of resources or a hostile atmosphere probably aren't to blame for the poor development (World Bank, 1989). This means that other causes must be the primary cause of the sluggish growth and widespread failures experienced by SMEs.

Defining the Concept of Small Restaurant and their Growth

A licensed restaurant with a permanent location that serves solely food and non-alcoholic beverages is considered to be a restaurant. Class A restaurants are those that are licensed, have a permanent location, and serve solely food and drinks (not including alcoholic beverages) like soda.

Economies of scale: These are the benefits reaped by a company as it grows, such as easier access to capital.

Flexible specialization: When a company outsources tasks that aren't important to its operations, it allows such tasks to be performed off-site.

Inter-firm relationship: It's when big companies provide their tech to the little guys.

Customers: People who are seeking for service in restaurant.

Working class: Whoa are earning medium-income.

Infrastructure: Services such as water, roads, power, security, telephone, and sewage are all part of the "restaurant package" that businesses may subscribe to.

(i) The Process of Growth : The expansion of small and medium-sized enterprises (SMEs) can only be understood on a fundamental level if one is familiar with the concept of expansion. So, it is essential that the meaning of the phrase be established right away. This research will define expansion in terms of the changes in personnel levels, turnover rates, and company structures inherent in scaling from

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a small to medium-sized enterprise. Several studies have used metrics including total revenue, total number of clients, total profit, total number of new products, and total headcount to assess progress (Davies, 1987). There is no clear winner among these potential responses. The relative importance of each factor will vary from company to business.

(ii) Significance of Measuring Growth : As a company expands, it may explore new opportunities and take on more formidable rivals. The expansion of a company requires both internal growth and modifications to the company's external interactions in order to succeed (Wickham, 2000). Small and medium-sized enterprises (SMEs) that thrive create new jobs and drive innovation (Mugo, 1991). According to Davies (1987), expansion promotes economic development, promotes managerial innovation, helps firms establish market dominance, and encourages product diversity. According to Holt's (2001) analysis, a growing company may increase its sales volume and asset base.

Growth, according to Riethmuller (2000), allows for the adoption of foreign manufacturing practices and the expansion of transport and communication. The expansion of small and medium-sized enterprises (SMEs) improves living standards because it generates new jobs (Stanlake, 1985). Growth raises an economy's productivity. The advantages of economic growth are passed down from one generation to the next (Shapiro, 1988). Since it requires novel combinations that might result in the birth of whole new sectors, entrepreneurship is crucial to business development and change. Entrepreneurial development and transformation may be seen as either a process or a result of a business owner's actions (Neshamba, 2000). Notwithstanding the fact that, in Schumpeter's view, a unified theory of development and owner-managership is lacking (1934). There are number of paradigms include:

- Economic health requires growth.
- To advance, innovation is essential.
- Certain places are more suited for expansion and new business ventures than others.

The mismanagement of both biological and human capital, trade barriers, and rapid population increase are only some of the challenges that developing-world SMEs have had to overcome (McCormick, 1996).

(iii)The Growth of SMEs Defined : Stagnant job growth inside the formal economy, parastatal downsizing, and private company cost cutting in a liberalisation environment have all contributed to the rise of the small and medium enterprise (SME) sector (Mazzarol, 1998). These unplanned developments, along with the highest population growth rate in the world, mean that the economy must absorb around 500,000 new entrants into the labor market each year. Around 90% of all enterprises in the nation are classified as SMEs; this sector is responsible for 30% of overall employment and 3% of GDP, and it hires up to 50% of the country's yearly non-farm workforce expansion (Riley, 2002).

In order for small and medium-sized enterprises (SMEs) to expand, it is essential that its employees acquire the requisite vocational, technical, and business skills. Since the Small and Medium-Sized Enterprises (SMEs) sector emerged in 1986 as one of the core strategies in Economic

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management and Renewed Growth, a strategy of offering technical and vocational training just at primary and secondary school levels has been in existence (ICEG, 1999). The government has repeatedly focused its resources on the small business sector in an effort to help it mature into the larger formal economy. Its proposals for governmental action sparked the launch of several initiatives aimed at fostering the development of small businesses and entrepreneurialism.

The Growth Cycle of SMEs in Most Economies

Most economies are driven mostly by SMEs, which are defined as "very small to medium sized businesses" (Asquith and Weston, 1994). Start-up, Survival, Growth, Take-off, and Maturity are the five stages of growth outlined by Churchill and Lewis (1983) for small and medium-sized enterprises. Elaborating upon them:

(i) **Start-up Stage :** At the beginning, you should focus on getting your company off the ground and attracting consumers while making sure you have enough money coming in to stay afloat. The owner's management expertise, vision, and financial backing are the company's most valuable resources.

(ii) **Survival Stage:** A company makes it through the startup phase and enters the survival phase if it makes it through the first phase. At this time, the company can afford to expand its workforce. In most cases, the owner keeps running things and does very little in the way of formal management (Churchill and Lewis 1983). Many Businesses stay at this stage for a long time, selling just one or a few products, with any expansion being the result of the inevitably expanding market (Scott and Bruce, 1987).

(iii) **Growth Stage:** It's the most important period of development. It is also called the "success phase" by Churchill and Lewis (1983). In this market, the company's economic health, size, and product penetration are all adequate for it to maintain its existing position. Due of its complexity and magnitude, expert management is essential. The owner management now choose whether or not to expand. The company is often successful and may be run as is or sold for a profit (Scott and Bruce, 1987). The first two years of a company's existence—the survival stage—are the most formative. While transitioning from the survival stage to the growth stage, a company often encounters problems like:

- Competition
- Not enough primary resources
- Failure to advertise effectively
- The inaccessibility of credit
- Supply levels are low.
- Limited square footage
- Human resource issues
- Inadequate facilities

(iv) **Take-off Stage:** The fourth stage, "Take Off" or "Expansion," is reached when a growth plan is implemented successfully. It is the make-or-break time for the company's future success and growth. The company's accounting, administration, and other processes will become more codified as it expands.

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(v) **Maturity stage:** At the fifth and final stage of "Maturity," also known as "Resource Maturity," a company has amassed enough assets to engage in serious strategic planning. It's likely to have a decentralized management structure, and there'll be more distance between both the owner and the firm in terms of money and operations (Scott and Bruce, 1987). Further equity funding may be possible at this point if a substantial amount is invested in advertising and production infrastructure. SMBs often struggle to respond to shareholder demands for new strategies (Churchill & Lewis, 1983).

Factors Affecting Growth of SMEs

As their businesses mature, entrepreneurs must take into account a number of internal and external elements that affect their development. Human capital, organizational structure, management talent, and ownership resources are all examples of internal variables. Financial markets, technological advancements, and government subsidies are all examples of external causes (Vernon, 1980).

What Riley (2002) discovered was:

a. Availability of Opportunities for Professional Development
b. Funding Availability
c. Participation in cutting-edge research and development
d. Facilitating a conducive setting
e. Problems with money
f. Instruction and study
g. Small and medium-sized enterprises (SMEs) benefit from the availability of incentives (Carter, Ennis, Lower, Tagg, Webb and Tzokas, 2000).

Human capital is the sum of a population's knowledge, experience, and skills; it is the resource most directly responsible for the generation of economic growth and innovation (Rae, 2000). It was determined by Stanlake (1985):

a. Acquiring New Abilities
b. Putting Money Into Education
c. Scale economies
d. Innovative tools
e. The reallocation of resources is one of the most important variables in a company's development.

According to Hyman's (1996) study, a company's productivity may be increased with the right mix of talent, technology, and other resources. Capital investment, labor input, increased knowledge, better resource allocation, and scale savings are the five main drivers of growth, according to Vernon (1980). Wickham (2000) argues that a company's expansion is contingent on three factors: money, structure, and strategy. All these things play a role in determining whether or not a modest restaurant in a popular tourist area will remain in business.

Significant Inputs for Ensuring Growth

Capital, education, and training are all examples of inputs that Khan (1999) claims contribute to a flourishing business. According to Holt's (2001) study, a business's success is greatly influenced by the owner's degree of education. Growth, according to GEMINI (1991), is a result of both increased capitalization and technical sophistication. Startups and new businesses

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owe a great deal to venture funding (Mazzarol, 1998). The ancillary services that are a part of business development services supplied to SMEs help those company owners boost their operations and increase profits (Ngugi, 2000). According to McCormick's (1996) study, small businesses struggle to expand because of poor and erratic demand.

Demand from customers, especially students and young people, who spend a large portion of their money on dining out, is a major driver of expansion in the hospitality sector (Pissarides, et al 2001). On-the-job instruction has been linked to the expansion of the catering business (anonymous, 2001). The proliferation of locally owned restaurants may be attributed to a number of factors, including improved access to education, marketing, resources, and the Internet (khan, 1999). Restaurant success depends on two factors: the quality of the cuisine and whether or not it was cooked the manner consumers want (De-Laurentiis, 1994). Kenya's hotel business has expanded to its current scale because to competent administration and a commitment to maintaining high standards of service and cuisine. The success of the hospitality sector depends on"

a. Excellence
b. Moistness
c. Smell
d. Cost
e. Ease
f. Packaging designs
g. Information about the product's nutritional value and its amount (Riethmuller, 2000)

According to Carter et al. (2000), the hospitality business will be shaped by variables such as ease of obtaining capital, availability of appropriate training, and the frequency with which establishments undergo renovations.

It has also been stated that the location of a small business is crucial to its success, particularly for eateries that are conveniently placed near popular tourist attractions. By working together in tight clusters, businesses increase their productivity and adaptability via the division of labor. Growing small and medium-sized enterprises (SMEs) benefit from flexible specialization or inter-firm relationships (McCormick, 1996). Neshamba (2000) has studied the effect of owner/manager characteristics on company expansion, including the drive for success, willingness to take risks, sense of control, sense of independence, and capacity for innovation and creativity. According to Rae (1997), business data is crucial to the development of every company, no matter how little. The founder/manager of a rapidly expanding company plays a crucial role in the company's success during its entire life cycle (Neshamba, 2000).

Conceptual Framework for the Growth and Upscaling of Small Restaurants

Below is a diagram depicting the conceptual conceptual framework that will be used to explain the many contributors to the development of small businesses.

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Table 1: Factors Influencing Growth of Small-Scale Restaurants

Sr. No.	Internal Factors	External Factors
1	Managerial Skills	Finance
2	Owners Business	Incentives
3	Capabilities	Geographical Location
4	Technology	Location of Premises
5	Networking	Infrastructure
6	Marketing Strategies	Competition
7	Design of Packaging	Competition
8	Quality of Food	Legislation
9	Innovation	

There are two main types of variables that affect the expansion of small businesses: internal and external. Managerial expertise, owner aptitude, accepted technology, business counsel, and Internet services are all examples of internal characteristics that a company may control. Finance, government incentives, economies of scale, placement of premises, and geographic location are all examples of external influences. Table 1 displays these results.

Growth Influences and Variant Customers Demands

The following variables were identified via conversations with restaurant owners as driving the expansion of locally owned eateries catering to specialized visitor demographics.

(i) **Incentives offered by the government:** Most owners and managers do not get subsidies from the government. Infrastructural support and minor incentives, such as loans and grants, may sometimes be made available to businesses by the government. Water, roads, power, security, telephone services, and sewage and water treatment systems are all examples of infrastructure.

(ii) **Factors contributing to the success of restaurants :** The following are some of the variables that are believed to have had a significant role in the restaurants' success:

- Neatness
- Raw materials
- Place
- Dedication
- Standard fare

There was a nice selection of food, and the restrooms were clean, and the staff was attentive.

(iii) **Preferred Dishes :** Most diners would rather try new variations on classic foods than dishes from other cultures.

(iv) **Reasons for frequenting particular restaurants:** Most customers said they return to a certain restaurant because of the manager's or owner's demeanor.

Conclusions

There are both internal and outside variables that contribute to a restaurant's expansion. Some of the things that make a restaurant great on the inside include the cuisine, the service, the atmosphere, the menu options, and the freshness of the ingredients.

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Financial resources, rivalry, infrastructure, laws, and physical location are all examples of external variables. Fresh cuisine, helpful staff, a wide menu, and a spotless dining area all play a role in a restaurant's ability to attract and keep diners coming back.

This research also identifies the most pressing problems confronting Nakuru municipality's small eateries. Street vendors selling food are one example, as are a liberalized economy, high inflation, high input costs, high taxes, and widespread corruption. Street vendors have an impact on restaurant traffic because they may provide their wares at cheaper rates than restaurants while maintaining the same level of quality. Water shortages, expensive power, subpar sewage treatment, roads that are only open at certain times of the year, and costly phone service all contribute to the high overhead costs that restaurants must bear. As businesses are forced to cut down or shut down as a result of economic liberalization, the working class, who are the restaurants' primary clientele, dwindles. Restaurant operations are affected by inflation, high input costs, high taxes, and instances of corruption. The tiny eateries (mostly those serving tourists in more remote areas) are in a continual struggle to stay afloat in the face of intense competition. They would benefit tremendously from government oversight and assistance.

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