Review of Competitive Advantage within Restaurants

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Abstract
This study reviews the concept of competitive advantage, with a specific focus on the competitive advantage within the restaurant industry. While definitions of competitive advantage vary across different industries and its constituents differ based on contexts, there exists a fundamental consensus within the same industry. By employing four strategic theories for analysis, this study examines different forms of competitive advantage and categorizes them according to industry-specific characteristics. Finally, a comprehensive review of competitive advantage in the restaurant sector is conducted, followed by a discussion of the study’s limitations and potential directions for future research.

Keywords: Competitive Advantage, Restaurant, Review

Introduction
Modern restaurant operations are challenged primarily by competition from peers and the living environment (Roy, 2022; Walker, 2021). These challenges include constantly growing operation costs, not enough new clients, difficulty getting loyal customers, retaining and attracting productive employees, and rising food costs (Morosan & Bowen, 2022; Torres, 2023). Addressing these challenges mandates the formulation of strategies that leverage unique advantages in the restaurant domain, harnessing these competitive differentiators to foster growth (Zardini et al., 2023).

Existing literature suggests that restaurants face a range of challenges: competition, cost management, staffing recruitment and retention, food quality and consistency, changing consumer preferences, health and safety regulations, marketing and brand building, online ordering and takeout, technology integration, supply chain stability, sustainability and social responsibility, economic factors and regulatory changes (Colmekcioglu et al., 2022; Jessica et al., 2006; Padillo Jr et al., 2022).

However, while restaurants face their own unique set of challenges, they should face and solve these problems, restaurants require a competitive advantage to differentiate themselves in a fiercely competitive food industry and ensure their sustained growth. This advantage enables restaurants to attract a larger customer base by offering unique menus,
innovative services, and exceptional dining experiences. It also helps maintain market share and boosts revenue through high-quality offerings that justify premium pricing. Building a strong brand reputation becomes achievable, fostering customer trust and loyalty. With a competitive edge, restaurants stay agile in responding to shifting market trends and enjoy enhanced appeal to top talent. Ultimately, this advantage bolsters long-term sustainability by providing stability amid economic changes and market challenges (Alonso-Almeida et al., 2015; Bernal et al., 2021; Bertan, 2020; Bressler, 2012; Davis et al., 2000; Keyt et al., 1994; Rhou & Koh, 2014; Wang, 2022; Wu et al., 2023).

The subsequent sections of this paper are organized as follows: Section 2 elaborates on our classification schema employed to review prior research. Section 3 outlines the methodology used to select our study samples and gather relevant research studies. Section 4 provides insights into studies related to competitive advantage within the context of restaurant operations. The implications of our study for restaurant management and the broader industry are discussed in Section 5, while Section 6 presents a summarized overview of our review along with discussions about limitations and prospects for future research endeavors.

Classification Scheme

To attain a competitive advantage, restaurants can adopt a range of strategies. These encompass developing a distinctive menu and embracing food innovations to pique customer interest. Exceptional service quality, characterized by courteous staff and efficient service, can foster a positive reputation. Crafting a unique brand image through logos, decor, and interior design can leave a lasting impact on patrons. Leveraging technological innovations like online ordering and mobile payments can elevate convenience. Tailored marketing approaches, including social media promotions and special events, can attract and retain a diverse clientele. Investing in staff training ensures a skilled and professional workforce for consistent service. A stable supply chain secures ingredient quality and minimizes disruptions. Incorporating environmentally sustainable practices aligns with eco-conscious customer demands. By heeding customer feedback and adapting to changing market trends, restaurants can create a competitive edge, drawing more patrons, boosting performance, and emerging as standout contenders in a fierce market.

Eloranta and Turunen (2015) did a study that the sources of competitive advantage can be categorised into four types based on four different theories like market forces, resource-based perspective, dynamic capabilities, and relational view, as presented in Table 1.

Table 1  
Competitive Advantage Categorization Based on Four Theories

<table>
<thead>
<tr>
<th>Theory</th>
<th>Sources for Competitive Advantage</th>
<th>Level of Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Forces</td>
<td>The industry structure determines and limits strategic choices and any available competitive advantage</td>
<td>Industry</td>
</tr>
<tr>
<td></td>
<td>Competitive interaction and entrepreneurial actions can be used to manipulate the market environment.</td>
<td>Organization</td>
</tr>
<tr>
<td>Resource-based Perspective</td>
<td>The competitive advantage lies in the upstream and is based on the</td>
<td></td>
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</tbody>
</table>
Competitive advantage depends on a firm’s capabilities to adapt, integrate, and reconfigure skills, resources, and functional competences in a dynamic environment. Competitive advantage can be only gained through the joint idiosyncratic contributions of specific alliance partners and the service ecosystem.

**Methodology**

This study conducted a literature review to examine the connection between restaurants and competitive advantage. This study is based on the four different theories mentioned above to review and summarise the competitive advantage of restaurants (Sutton et al., 2019; Templier & Paré, 2015). Restaurant don’t focus only on cost, differentiation, and focus. However, other elements of competitive advantages have been developed for different industries and research contexts by them like operationally excellent, regulatory and legal advantage, network effects, geographic advantage, resource acquisition, strategic alliances, brand reputation, entry barriers, and time and experience (Algarni et al., 2023; Ding et al., 2023; Elgarhy & Abou-Shouk, 2023; Posen et al., 2023; Pu et al., 2023; Wongsansukcharoen & Thaweepaiboonwong, 2023).

To find previously published research, this study used databases from different publishers. Only peer-reviewed English-language articles were included in our search. Our method is consistent with reviews that have been conducted similarly in the past (Kontostoli et al., 2021), as well as the idea of matching the strength of the evidence to the question at hand (Boaz & Ashby, 2003). According to this idea, the review’s primary goal should come before evaluating quality. As a result, the focus should be on how the evidence is integrated and understood (Cooper, 1988; Randolph, 2009).

The word "restaurant" was chosen as the main keyword in the titles and abstracts of each journal article. This study also looked up the words "competitive advantage," within each article’s text. Our selection of keywords is consistent with previous studies of the literature in the subject (Ali et al., 2015; Harrington & Ottenbacher, 2011; Nusair, 2020; Sánchez-Camacho et al., 2022).

As with earlier review approaches (Denyer & Tranfield, 2009; Ozdemir & Caliskan, 2014; Rodríguez-López et al., 2020), this study found during this review, organised the literature review, and created the bibliography. 100 articles were ultimately chosen for our review; these articles are included in Table 1. The references section contains a complete list of bibliographical references. The following sections include the findings of our review after we thoroughly examined the articles in our sample.
### Competitive Advantage in Restaurant

#### Table 2

<table>
<thead>
<tr>
<th>Authors</th>
<th>Summary</th>
<th>Theory</th>
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<tbody>
<tr>
<td>(Kim, Leong, &amp; Lee, 2005)</td>
<td>Positive service orientation encourages job satisfaction, but customer focus doesn’t impact satisfaction or commitment under pressure. Expanding casual dining franchises internationally involves standardization, commitment, competitive strategies, and learning from successful chains.</td>
<td>Market Forces</td>
</tr>
<tr>
<td>(Lee, 2008)</td>
<td>Diners, particularly well-educated and higher-income individuals, care about nutritional information on menus in full-service restaurants. Competitive advantage is a restaurant’s ability to create rare, valuable, and sustainable value that outperforms competitors.</td>
<td>Market Forces</td>
</tr>
<tr>
<td>(Josiam &amp; Foster, 2009)</td>
<td></td>
<td></td>
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<tr>
<td>(Murphy &amp; Olsen, 2009)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Ballesteros-Rodríguez, De Saá-Pérez, &amp; Domínguez-Falcón, 2012)</td>
<td>Organizational culture, Human resource management (HRM), and training success are linked in the Canarian restaurant industry. Managers’ training and consistent service provision are crucial.</td>
<td>Resource-based Perspective / Dynamic Capabilities</td>
</tr>
<tr>
<td>(Ballesteros-Rodríguez et al., 2012)</td>
<td>The competitive advantage is a restaurant’s ability to achieve superior financial performance in the industry. Identifying key capabilities and benchmarking are important. Competitive advantage factors include proactive/reactive strategies, cost-cutting, dynamic capabilities, client loyalty, exclusive services, and trust image.</td>
<td>Resource-based Perspective</td>
</tr>
<tr>
<td>(Alonso-Almeida et al., 2015)</td>
<td>Corporate social responsibility (CSR) initiatives impact restaurant companies’ long-term financial performance and corporate reputation, leading to competitive advantage.</td>
<td>Resource-based Perspective/Relational View</td>
</tr>
<tr>
<td>(Rhou, Singal, &amp; Koh, 2016)</td>
<td>Brand equity estimation model highlights brand management’s role in restaurant industry competitive advantage and investment evaluation.</td>
<td>Relational View</td>
</tr>
<tr>
<td>(Cho, Bonn, &amp; Jung, 2021)</td>
<td>Offering organic food enhances a restaurant’s competitive advantage.</td>
<td>Resource-based Perspective</td>
</tr>
<tr>
<td>(Lu &amp; Gursoy, 2017)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Erkmen &amp; Hancer, 2019)</td>
<td>Employee behaviors related to brand image and trust contribute to competitive advantage.</td>
<td>Resource-based Perspective</td>
</tr>
<tr>
<td>(Bertan, 2020)</td>
<td>Traditional foods/beverages and cultural significance play a role in a restaurant’s competitive advantage.</td>
<td>Resource-based Perspective</td>
</tr>
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</table>
Increased social media marketing traffic can lead to a competitive advantage. (Kim, Yoo, & Yang, 2020)

Efficiency and innovation contribute to a restaurant chain’s competitive advantage. (Chien & Tsai, 2021)

Unique resources, brands, and values create a restaurant’s competitive edge in profitability and sustainability. (Cho et al., 2021)

Retailers and supply-chain partners need unique qualities to stand out in mobile food-ordering applications, amid blurred online/physical lines. (Dirsehan & Cankat, 2021)

Competitive advantage is outperforming competitors in franchising actions within the hyper-competitive restaurant industry. (Sun & Lee, 2021)

Improved brand positioning and effective innovation management lead to competitive advantage. (Lee, Pung, & Del Chiappa, 2022)

Lee (2008) discussed the challenges and opportunities that come with expanding a casual dining restaurant franchise into international markets. It highlights several key issues that arise when franchising a restaurant internationally, including the degree of standardization versus customization of franchise operations, the level of commitment and mutual dependence between franchisors and franchisees, and the development of competitive strategies to compete in foreign markets. The study also provides examples of successful restaurant chains in foreign markets and suggests potential strategies for U.S. restaurant chains to successfully expand into international markets. Overall, the study provides valuable insights for both practitioners and academics regarding international restaurant franchise development.

Investigated by Rhou et al (2016), this study delves into the ramifications of corporate social responsibility (CSR) endeavors on the financial performance of publicly-traded restaurant enterprises within the United States. Notably, this research centers on the restaurant’s competitive advantage, which derives from non-price determinants, specifically CSR initiatives, that emerge as pivotal drivers facilitating companies in outshining their rivals over an extended temporal scope. Effectively executed CSR initiatives can effectively shape a restaurant’s corporate reputation, thereby furnishing a distinctive avenue of differentiation for firms, ultimately crystallizing into a competitive edge of paramount significance.

Explored by Choi et al (2017), this study introduces a model founded on financial principles to gauge brand equity within the restaurant sector. This model seamlessly integrates restaurant-specific attributes alongside secondary market data to compute a restaurant’s brand equity—an element of immense financial significance. The research underscores the pivotal role played by brand management strategies in attaining a competitive edge within the industry, concurrently offering insights that empower restaurant investors to assess their investment portfolios more astutely.

In the domain of restaurant competition, researchers have revealed a variety of avenues to ensure and enhance competitive advantage. Lu and Gursoy (2017) emphasize that
incorporating organic food options into restaurant menus can strengthen their competitive edge. Erkmen and Hancer (2019) underscore the pivotal role of employees in cultivating competitive advantage through brand-related behaviors, including elements such as brand image and brand trust. Bertan (2020) highlights the importance of traditional foods and beverages in shaping a unique competitive advantage, as these elements not only showcase cultural heritage but also influence a restaurant's competitive positioning. Kim et al (2020) advocate for an expanded presence in social media marketing as a means to effectively guide restaurants towards gaining a competitive edge. Culture emerges as a defining factor, with Chien and Tsai (2021) emphasizing that competitive advantage in restaurant chains is rooted in their ability to outperform competitors through operational efficiency and innovative practices. Further insights come from Cho et al (2021), who define competitive advantage as a fusion of unique resources, brand equity, and values, affording restaurants a rare advantage in terms of sustained profitability and viability.

Theoretical and Managerial implications
This research holds significant theoretical and managerial implications for understanding and harnessing competitive advantage within the restaurant industry. The findings contribute to the advancement of strategic management theories by shedding light on the intricacies of competitive advantage in a specific context.

Theoretical Implications
a) Refinement of Strategic Frameworks: The study's analysis of various strategic theories in the context of restaurant competitive advantage provides a nuanced understanding of how these theories apply and interact in a real-world setting. This can refine existing strategic frameworks and encourage the development of more context-sensitive models.

b) Generalizability Across Industries: While the focus is on the restaurant industry, the categorized competitive advantage types can potentially offer insights into other service-based sectors, allowing for the adaptation of these findings to diverse industries.

c) Triple A Framework Validation: By linking 'adaptation,' 'alignment,' and 'agility' (triple A's) to restaurant competitive advantage, the study validates the applicability of this framework in a tangible industry setting.

Managerial Implications
a) Tailored Competitive Strategies: Restaurant managers can leverage the categorized competitive advantage types as a guide to tailor strategies that align with their specific market positioning, operational strengths, and customer demands.

b) Decision-Making Support: The insights gained from this research can aid decision-making processes, helping restaurant managers allocate resources effectively and prioritize actions that enhance their competitive position.

c) Adaptive Management Approaches: The study underscores the importance of adaptability, alignment, and agility in gaining a competitive edge. Restaurant managers can adopt these principles to ensure continuous relevance in a dynamic industry landscape.

d) Future-Proofing Strategies: As the restaurant industry evolves, the identified competitive advantage types can serve as a foundation for proactive strategic planning, ensuring that restaurants remain resilient amid changing trends and challenges.
Concluding remarks, Limitations and Future Directions

Limitation
The paper reviewed the literature on competitive advantage in the restaurant industry. This research has the following limitation:

a) Lack of Industry Segmentation: The review might not adequately consider different segments of the restaurant industry, such as fast food, fine dining, themed restaurants, etc. This omission could neglect specific competitive advantages within these segments.

b) Lack of In-Depth Analysis: Mere listing of different restaurants' competitive advantage factors without delving into their impact mechanisms and interrelationships may limit the depth of insights.

c) Sample Selection Bias: Analyzing data from a specific sample or dataset could result in an incomplete understanding of the entire restaurant market.

Future Directions
Given the constraints highlighted above, we put forth prospective trajectories for future research in the context of leveraging performance indicators within restaurants to gain a competitive advantage. These trajectories are informed by our comprehensive examination of the literature and our extensive two-decade engagement in this field:

a) Sustainability and Environmental Friendliness: As environmental awareness grows, restaurants will seek competitive advantages through eco-friendly practices. Adopting sustainable sourcing of ingredients, reducing food waste, promoting eco-friendly packaging, and more can attract environmentally conscious consumers.

b) Technological Innovation: Embracing digital technologies such as mobile ordering, online reservations, smart payments, and virtual reality/augmented reality experiences can enhance customer experiences and save time, creating a competitive edge for restaurants.

c) Personalized Service: Leveraging data analytics and artificial intelligence, restaurants can better understand customer preferences and needs, offering personalized services that lead to increased customer loyalty and positive word-of-mouth.

d) Health and Well-being: Providing healthy, nutritionally balanced menu options to meet the growing demand for wholesome eating can establish a competitive advantage for future restaurants.

e) Cultural Experiences: Restaurants can offer rich dining experiences by creating unique cultural atmospheres, hosting themed events, or collaborating with local cultural elements to enhance the customer experience.

Overall, the future competitive advantages for restaurants will cover a range of areas, including environmental sustainability, technological innovation, personalized service, healthy dining options, cultural experiences, and more, all aimed at meeting evolving consumer demands and market trends.

References


