



**CAUSES OF BUSINESS FAILURE IN TOURISM INDUSTRY: A CASE STUDY OF
EATERIES IN ERIN-EJESHA IN ORIADE L.G.A IN OSUN STATE OF NIGERIA.**

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Abstract

Thus, this study was conducted to assess the causes of business failure in tourism industry: a case study of eateries in Erin-Ijesha in Oriade LGA in Osun state of Nigeria. The research method used for this study was descriptive survey method. Structural and closed ended questionnaire, interview as well as observation studies were conducted purposely to gathered information for the study. Fourteen (14) items were developed and was critically validated by experts. Questionnaire was designed on four Likert – Scale of Strongly agree, Agree, disagree and strongly disagree. A total of 250 respondents were randomly selected to represent the Erin-Ijesha as a whole. Out of 250 respondents 225 questionnaire were correctly filled. Data gathered collected were analyzed using Average weighed response statistical technique. The results showed that Choice of inappropriate and costly Location, poor visibility, Insufficient fund , lack of customers, People Problems, Ineffective staff hiring, Lack of focus on staff proper training, unclear workplace culture, poor customer experience, unclean or disorganized restaurant or small details overlooked, poor food quality – dishes take too long to prepare or delivery to table is slow, overcomplicated menu – too many food items, staff unable to keep up with the new ever-changing menu, Lack of uniqueness, overspending, lack of Systems, not watching cash Flow, keeping Payroll too high, not Advertising, not understanding , food Cost affected the restaurant business negatively.



Key Words: Restaurant, Menu, Tourism, Food

Introduction

A restaurant is a business which prepares and serves food and drinks to customers in exchange for money, either paid before the meal, after the meal, or with an open account. Meals are generally served and eaten on the premises, but many restaurants also offer take-out and food delivery services, and some only offer take-out and delivery. Restaurants vary greatly in appearance and offerings, including a wide variety of cuisines and service models ranging from inexpensive fast food restaurants and cafeterias to mid-priced family restaurants, to high-priced luxury establishments. In Western countries, most mid- to high-range restaurants serve alcoholic beverages such as beer and wine. Some restaurants serve all the major meals, such as breakfast, lunch, and dinner (e.g., major fast food chains, diners, hotel restaurants, and airport restaurants). Other restaurants may only serve a single meal (e.g., a pancake house may only serve breakfast) or they may serve two meals (e.g., lunch and dinner) Rebecca(2001), While Tourism is a collection of activities, services and industries that delivers a travel experience, including transportation, accommodations, eating and drinking establishments, retail shops, entertainment businesses, activity facilities and other hospitality services provided for individuals or groups traveling away from home which success highly depends on community participation and planning.

Reasons Why Restaurants Fail

1. Location, Location, Location



Just like when homeowners are searching for the perfect home and location, you need to follow suit when selecting your retail space. I'd even say you can't be too picky when it comes to this make-or-break decision.

Because if you don't look at a prospective location from all angles, especially a patron's viewpoint, you're liable to wind up with one or more of the following problems:

- Poor visibility
- Insufficient parking
- Limited foot traffic

2. People Problems

Your team – your *people* – represent you on the front lines. If you're having "people problems," it could be due to a whole slew of reasons:

- Ineffective hiring – Hourly vs salary ratio.
- Being consistently understaffed.
- Lack of focus on proper training – i.e. operations, customer service, leadership.
- Unclear workplace culture.

3. Poor Customer Experience

Customers come to your restaurant for more than the food. They come for an experience. And if their experience offers more negatives than positives, you could be headed for trouble.

Your customers may have a poor or average experience due to the following:



- Disengaged staffed – not smiling, no energy, or visible lack of comradely with coworkers.
- Unclean or disorganized restaurant or small details overlooked – bathrooms not stocked, dirty windows, or soiled menus.
- Poor food quality – dishes take too long to prepare or delivery to table is slow.

4. Trying to be everything to everyone

It's not just a popular pop song from the 90's! Trying to be everything to everyone is a recipe for disaster. The most successful restaurant concepts know their niche...and nail it.

If you can't, or won't, hone in on your specialty, you'll encounter these issues:

- Overcomplicated menu – too many food items, changes too often, staff unable to keep up with the new, ever-changing menu.
- Lack of uniqueness.
- Jack of all, but master of none.

5. Overspending

It's easy to think if you just spend more money on advertising or remodeling the dining room, that business will boom.

Before you make that jump, consider how else overspending can creep up on you:

- Spending too much before opening – excessive remodels, updates, and other possible non-necessities.
- Failing to closely watch – and reign in – cash flow.
- Not understanding food costs.



- Payroll growing too high.
- Understand all of your numbers, including your cash flow situation. If you don't understand something, make sure your accountant – or somebody – explains it until you do.

6. Lack of Systems

Developing systems that are customized to your operation is vital for success in those early years and beyond. Your time is limited, so establishing systems – along with checks and balances – allows you to auto-pilot select tasks.

For example, are you spending too much time on payroll, compliance, training, and HR tasks? If so, this takes time away from running a bustling restaurant. Divided attention will hinder your development.

Other reasons might a restaurant fail

Not Watching Your Cash Flow.

Cash is king, no matter what credit card companies would like you to believe. It is vital that restaurants (well, any business for that matter), keep a close eye on their cash flow. Make sure you have enough cash to cover big expenses, like food orders and payroll, every week, along with all the other bills that come with a restaurant. If your checking account starts running into the red, it is time to look for ways to save money at your restaurant.

Keeping Payroll Too High.

I cringe when I go to a local restaurant (one I used to own, actually) and see the number of staff working on a Sunday evening. The owners (who don't work there



often- and are never in the front of the house) have several servers, three or four cooks in the kitchen, and a bartender- all sitting around. They could easily cut a third of the staff and still give good customer service. Another common problem with a high payroll is paying any one employee more than they are worth. Everyone has their price, and I've seen countless unsuspecting restaurant owners pay chefs or general managers way too much money, because they think they have to. Salaries depend largely on where you are located.

Not Advertising.

As more and more chain restaurants open across the country, advertising and marketing are both key in establishing a new restaurants reputation.

Not Understanding Food Cost.

Knowing how to properly price your restaurant menu is the first step toward making a profit. Most people know that seafood is more expensive than chicken and beef is more expensive than pork, but beyond that, what do you charge for pasta dishes? Salads? Desserts? The golden rule of 30% food cost will help you keep menu items in line.

Spending too much money before opening day.

Remember that the loan has to last you until opening day. Don't go crazy buying new equipment and furniture. Buy what you need and consider the benefits of used equipment. Avoid putting anyone on payroll until as close to opening day as possible. Be frugal with your opening loan; don't treat it like you just won the lottery[[linkurl=http://restaurants.about.com/od/glossaryofterms/a/Concepts.htm](http://restaurants.about.com/od/glossaryofterms/a/Concepts.htm)]

This study seeks to provide answers to the following questions.



1. What are the Scio-economic characteristics of eateries operators in Erin- Ijesha in Oriade Local Government in Osun State
2. What can be done to rescue eateries in tourism from total collapse?

Methodology

The research method applicable to this study was descriptive survey method. Structural and closed ended questionnaire, interview as well as observation studies were conducted purposely to gather information for the study. The title of the questionnaire was Causes of business failure in tourism industry: A case study of Eateries in Erin-Ijesha in Oriade L.G.A in Osun State of Nigeria. Fourteen (14) items were developed and was critically validated by experts. Questionnaire was designed on four likert – scale of strongly agree, Agree, disagree and strongly disagree. A total of 250 respondents were randomly selected to represent the Erin-Ijesha as a whole. Out of 250 respondents 225 questionnaire were correctly filled. Data gathered collected were analyzed using Average weighed response statistical technique, the rating scale for responses include the following:

Strongly Agree (SA).....4
Agree (A).....3
Disagree (D).....2
Strongly disagree (SD).....1



Results and discussion

Table 1: Socio-Economic Characteristics of the Erin-Ijesha eateries operators

Variables	Frequency	Percentages%
Gender		
Male	64	28.40
Female	161	71.60
Age(years)		
20	14	16
20-29	24	14.80
30-39	56	24.80
40-49	45	20.40
50-59	61	27.20
60 and above	25	11.20
Marital status		
Married	181	80.40
Single	35	15.60
Separated	1	0.04
Widow/widower	8	3.60
Educational attachment		
Non formal education	30	13.20
Completed primary school	45	20.00
Uncompleted primary school	7	3.20
Completed secondary school	65	28.80
OND/NCE	33	14.80
First degree	36	15.20



Post graduate	5	2.40
Others	4	1.6
Monthly income(#)		
<10000	9	4.00
10000-20000	95	42.40
21000-30000	26	11.60
31000-40000	13	5.60
41000-50000	37	16.40
51000-60000	27	12.00
61000 and above	18	8.00
Household size		
1-2	5	2.80
3-4	29	12.40
5-6	60	26.80
6-9	69	30.80
9 and above	61	27.20

The result of the analysis on sex as shown in table 1 indicated that 71.60% of the respondents were females while 28.40% were males. Modal age group of respondents was between 50-59. Result implied that most of the respondents were still in their active working age and can participate actively in eateries activities. This support Okwoene *et al*, (2010) findings that people within the age range of 31-60 years are within their middle age range and are work force of the economy, hence they will be able to support eateries. The fact that more than eighty percent of the respondents are married confers some amount of stability on the individual and household and puts them in a better position of



practice their business according to Ibeagwa (2011). This therefore means that workforce is stable to support eateries business in Erin-Ijesha.

Education attainment of the respondents

Educational attainment of the people is very important because it helps the community to position her felt-needs and propensity to participate in their occupation and in community development. Proportion of the respondents (65.28%) attained education below OND/NCE. (Table I). The implication of this is that level of literacy is high and can affect business negatively.

Monthly income of the respondents

The income of the respondents as shown in Table 1 indicated that majority of the respondents (42.40%) are within income range of #10,000-#20,000.00 per month, 16.40% earned #31,000-#40,000, 12% earned between #51,000-#60,000 while the rest earned below #100.000 per month. The mean monthly income was #51,000 which is below poverty line. According to Orubuloye (1995), the respondents are vulnerable to crime because income earned is not able to support a meaningful investment.

Household size

The highest proportion (30.80%) of the household size is between 6-9 (Table 1). One of the reason behind high household size in the study area maybe due to polygamous system of marriage that is prevalent in the study area. The implication of high household size is that proceeds of the business is not reinvested but rather used in family expenses.

Question 2

Table 2: Analysis of the Causes of Eateries Failure.



S/N	What causes eateries failure	SA	A	D	SD	Total	Mean	Remarks
1	Lack of finance	800	60	10	-	870	3.87	Agree
2	Paucity of professional	320	360	20	15	715	3.18	Agree
3	Location of eateries	460	165	60	20	705	3.13	Agree
4	Seasonal tourism festivities	480	105	100	20	705	3.13	Agree
5	Selective demand of food by tourists	320	120	120	45	605	2.69	Agree
6	Unfavourable competition	240	225	120	30	615	2.73	Agree
7	Cost of hiring catering professionals	400	150	100	25	675	3.00	Agree

Having administered questionnaire on causes of failure of business eateries in tourism industry: a case study of eateries in Erin in Oriade LGA in Osun State findings showed that responses were more than the line sets down for rejection (2.50) of the research questions, these research questions were accepted (Table 2).

Table 3: Analysis of what can be done to rescue Eateries in Erin in Oriade LGA in Osun State from Total Collapse

S/N	Do you agree that	SA	A	D	SD	Total	Mean	Remarks
8	If fund is provided your business can function well?	688	120	20	3	831	3.69	Agree
9	Employment of trained personnel	644	99	42	10	795	3.52	Agree



	will help?							
10	Creation of access road will help?	380	150	110	25	665	2.96	Agree
11	Provision of more tourism supporting facilities will help?	329	216	70	20	635	3.10	Agree
12	Expansion of eateries to cater for tourists will help?	200	150	100	50	500	2.22	Disagreed
13	Relocation of your eateries to a more lucrative location will help?	600	180	20	5	805	2.67	Agree
14	Diversification tourism activities will help/	200	135	200	25	560	2.49	Disagreed

Table 2 indicated the positive responses on item 10, 11, 13, and 14 opinions are accepted despite the positive responses, items 12 and 14 are rejected.

Summary and conclusion

There are many reasons why restaurant fail. The following are identified to be some of the reason: Choice of inappropriate and costly Location, , poor visibility, insufficient fund, Limited foot traffic, people problems, ineffective staff hiring, lack of focus on staff proper training, unclear workplace culture, poor customer experience, unclean or disorganized restaurant or small details overlooked, poor food quality – dishes take too long to prepare or delivery to table is slow, overcomplicated menu – too many food items, changes too often, staff unable to keep up with the new, ever-



changing menu, lack of uniqueness, jack of all, but master of none, overspending, lack of systems, not watching cash flow, keeping payroll too high, not advertising, not understanding, food cost.

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