

## **THE PROCESS OF INNOVATION OF THE MENUES OF THE RESTAURANTS IN STRUGA<sup>1</sup>**

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### **ABSTRACT**

There is no question restaurants are innovating - but are they moving fast enough to stay relevant in the face of evolving consumers' tastes and preferences? This is a particular challenge for established companies where risks are magnified - there are enormous profits, thousands of jobs, and publicly traded share prices on the line. Like many industries, the restaurant industry faces a variety of challenges keeping up with the rapid pace of change driven by the consumer trends and changing demographics.

Growing preferences for healthier food options, concerns over environmental sustainability, increased competition from grocery stores, heightened consumer expectations, and rapidly advancing technology are reinventing the traditional dining experience and forcing change on how the industry operates. In addition, the rising spending power of the millennial generation of consumers is accelerating the industry's response to such trends.

**KEY WORDS:** restaurants, process, innovation, menu, destination.

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<sup>1</sup> professional paper

## INTRODUCTION

The food service and hospitality industry has always been characterized by advances that keep in step with - and are often ahead of - customer demands and the over - arching needs of a changing world. With environmental issues looming and the global population rising, it is more critical than ever for the food world to bring new ideas and innovations to the table. What food professionals will do about it in the next decade and beyond has become vitally important<sup>2</sup>.

The restaurant industry is commonly characterized as a highly competitive industry due to the large number of businesses, low barriers to entry and price sensitivity of customers. The industry is also very sensitive to economic and social trends, such as increasing inflation of food prices, changes in consumer spending due to lower household incomes, and healthy eating campaigns. To cope with these challenges, innovation represents a mechanism by which small firms can create a competitive advantage<sup>3</sup>.

As restaurants juggle a variety of challenges, they must seek to innovate and adapt nimble business strategies that enable them to cost-effectively compete in an ever-changing tech environment. Yet, as they rethink business approaches, they must also factor in new regulation as well as economic and competitive market forces.

No industry is immune to these forces. However, to remain competitive and succeed, restaurants must be able to adjust and figure out how to meet and exceed consumer expectations. That does not necessarily mean being the first to innovate in your market. There are benefits in being a fast follower. In fact, many restaurateurs may have better results as a fast follower<sup>4</sup>.

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<sup>2</sup> The Culinary Institute of America, *The Future of Food: Exploring Food Innovations of Tomorrow*, Internet Edition, New York, p.1, 2018

<sup>3</sup> Craig Lee, Rob Hallak, Shruti R. Sardeshmukh, *Innovation as a Driver of Performance in Small Tourism Businesses*, University of South Australia, p.3, 2014

<sup>4</sup> Mark Larson, Paul Fultz, Joel Rampoldt, *An Appetite for Change: Key Trends Driving in the Restaurant Industry*, KPMG LLP Innovation Lab, Delaware, USA, p.2, 2015

## LITERATURE REVIEW

An innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations<sup>5</sup>.

This broad definition of an innovation encompasses a wide range of possible innovations. An innovation can be more narrowly categorized as the implementation of one or more types of innovations, for instance product and process innovations. This narrower definition of product and process innovations can be related to the definition of technological product and process innovation used in the second edition of the Oslo Manual.

The minimum requirement for an innovation is that the product, process, marketing method or organizational method must be new (or significantly improved) to the firm. This includes products, processes and methods that firms are the first to develop and those that have been adopted from other firms or organizations. Thus, there are four types of innovation<sup>6</sup>:

- A product innovation is the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses. This includes significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics.
- A process innovation is the implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software.
- A marketing innovation is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing.
- An organizational innovation is the implementation of a new organizational method in the firm's business practices, workplace organization or external relations.

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<sup>5</sup> OECD/EUROSTAT, Oslo Manual: Guidelines for collecting and interpreting innovation data, Third Edition, A joint publication of OECD and Eurostat, p.46, 2005

<sup>6</sup> OECD/EUROSTAT, Oslo Manual: Guidelines for collecting and interpreting innovation data, Third Edition, A joint publication of OECD and Eurostat, p.48-51, 2005

## INNOVATION AT THE RESTAURANTS

In the restaurant context, innovation is defined as an idea, practice, process, or product that transforms a new problem-solving idea into an application and is perceived as new by an individual. Innovation is further defined as anything new that a restaurant does, irrespective of whether it is brand new to the industry, reproduced from competitors or adapted from existing products or services<sup>7</sup>.

Is innovation in the restaurant industry a bare necessity or just a popular social topic? Is it something you talk about at work? If it is, have you already done something to amaze customers and to increase competitiveness? Many entrepreneurs start their business following a traditional retail approach; usually this turns to be a beginning of the end for that particular business idea. Restaurants must develop a modern approach with customers as the focus<sup>8</sup>.

Nowadays, innovating, i.e. introduction and implementation of new ideas in the restaurant business, represents the basis for creating and sustaining the competitive. Innovations appear as the main success factor as they improve the quality of products, increase the overall efficiency, reduce costs, meet the needs of customers, increase sales and profit, and contribute to increasing the market share and differentiating from competition<sup>9</sup>.

Human resources are very important to the hospitality industry, since competency of manager and employees can affect innovations and future of the company in general. This is of a high importance because perceived service quality positively influences customer continuance and loyalty.

Culinary professionals are responding. However, giving people what they want is not always easy either. Some diners believe that foods advertised as “farm to table” or certified with sustainability labels are also healthier. While customers do not always purchase what they say they want, these trends are profoundly changing the landscape of the food service business.

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<sup>7</sup> Russel Cox, Exploring innovation strategies that affect business performance in restaurants, Griffith University, Department of Tourism, Leisure, Hotel and Sport Management, Queensland, Australia, p.1, 2011

<sup>8</sup>Milan Ivkov, Ivana Blešić, Karolina Simat, VidojeStefanovic, DunjaDemirovic, Innovations in the Restaurant Industry – AnExploratory Study, Original scientific paper, Economics of Agriculture, Year 63, No. 4 (1113-1484) Belgrade, p.1-3, 2016

<sup>9</sup>SnježanaGagic, Restaurant Innovativeness: A Case Study of Vojvodina, The European Journal of Applied Economics, Original Paper, EJAE 2016, 13 (2), p.57-69, 2016

Therefore, with all the myriad challenges facing the industry, changing demographics, advancing technology risks and opportunities, increasing regulations, restaurant companies need to keep a primary focus on innovation. Whether that means being a “first mover” or a “fast follower” in the marketplace is less important than being agile and ready to move fast.

## RESEARCH METHODOLOGY

The main purpose of this paper is to analyze the causal relationship between the innovation process and the development of the restaurants in tourist destinations, with particular reference to the innovation of the menu of the restaurants in Struga, Republic of Macedonia.

The purpose of research has its own spatial and time frame. The spatial framework determines the boundary of research, and in this case, we limit to the territory of Municipality of Struga. The period refers to the length of the survey, and the research of the phenomena in this paper refers to the period from March 12 to March 26, 2018.

The purpose set in the concept of this research is based on confirming and/or rejecting the given hypotheses:

- H<sub>1</sub>: The development of a restaurant in Struga depends on the level of implementing innovation, especially in the menu.
- H<sub>2</sub>: Innovative menu of a restaurant in Struga gives better comparative advantages in the local/regional tourism/hospitality market.
- H<sub>3</sub>: Innovated menu of a restaurant in Struga contributes to increasing profits and new employments.

The quantitative method is used in this research, because the data collected is more structured, the survey involves more respondents compared to the qualitative method, as well as due to the fact that data can be replicated more easily and compared directly with other data. For the purpose of this research, the sample included 80 casual dining restaurants in Struga (both traditional and modern cuisine restaurants). The survey was conducted by submitting an online questionnaire (consisted of 45 questions divided into 5 categories) to the managers of the restaurants operating in Struga, 80 questionnaires were submitted and in total 53 questionnaires were answered. The restaurant managers were asked to rank the answers from one (least important) to 10 (most important).

## RESULTS OF THE RESEARCH

In the beginning of the survey, we made a socio-demographic analysis of the respondents (Table 2).

Table 2. Socio-demographic profile of the respondents

Gender	Male	86.8%
	Female	13.2%
Age	18 – 25	11.3%
	26 – 35	39.6%
	36 – 45	5.7%
	46 – 55	35.8%
	56 – 65	7.6%
Education	High school	7.5%
	Bachelor degree	77.4%
	Master of science	15.1%
	Doctor of science	0.0%
Professional education in hospitality	Yes	13.2%
	No	86.8%
Working experience in the hospitality	1-5 years	5.7%
	6-10 years	26.4%
	11-20 years	47.2%
	21-30 years	17.0%
	31-40 years	3.7%

The results of socio-demographic analysis reveal the following important facts: almost 87% are male managers; most of them (39.6%) are at age from 26-35 years old, more than 77% have a bachelor degree (diploma), they have no professional education in hospitality (86.8%), and most of them (47.2%) have 20 years of working experience in the hospitality sector.

Table 3.A product innovation in the restaurants in Struga

Product/service innovation	Answers in %	Rank
Serving local and national dishes in the menu	18.9%	1
Offer of vegetarian dishes	2.0%	10
Free wireless network	13.2%	4
Creative new and modern menu	16.9%	2
Menu for children	7.6%	6
Serving organically grown food	5.6%	7
Pointing food alergens	5.6%	8
Energy value of menu items	3.8%	9
Menu translation	11.3%	5
Credit/debit card payment	15.1%	3

The results above show that serving local and national dishes ranks as number 1 in the product innovation of the menu. As expected, creating a new and modern menu is ranked as number 2. The survey shows that every restaurant tries to follow up and serve a modern menu of dishes. Surprisingly, model of payment stands 3<sup>rd</sup> in the rank, while wireless network are in 4<sup>th</sup> place and menu translation is ranked fifth.

Sadly, the menu for children, serving organically grown food, pointing food allergens, showing energy value of menu items and offering vegetarian dishes are in the bottom of the ranking.

Table 4. A process innovation in the restaurants in Struga

Process innovation	Answers in %	Rank
Online ordering	18.9%	2
Food delivery system	7.5%	6
Online reservation	18.9%	1
Automated equipment	11.3%	5
Reduction of cooking time	13.2%	3
Implementing Quick Response Code	3.8%	9
Purchasing and accounting software	5.7%	8
Franchise agreements	1.8%	10
Smart phone applications	5.7%	7
ISO and HACCP standards	13.2%	4

The results in table 4 show that online ordering and online reservation are first and second ranked as a process in the restaurants in Struga, while surprisingly reducing cooking time take 3<sup>rd</sup> place. All of the restaurants in Struga agree that ISO and HACCP standards must be respected in order to advance and be more competitive.

Managers give a respectful 5th place to automated equipment, but food delivery system, implementing Quick Responsive Code, purchasing and accounting software, franchise agreements and smart phone applications are not priorities for none of the restaurants in Struga, although some efforts are made that are not sufficient.

Table 5. A marketing innovation in the restaurants in Struga

Marketing innovation	Answers in %	Rank
Social media	16.9%	1
Design a new website	13.2%	4
Product placement	3.8%	9
Price promotion	11.3%	5
New products	16.9%	2
Branding	5.7%	8
New menu design	15.1%	3
Marketing plan	9.4%	6
Database systems	2.0%	10
Loyalty and membership cards	5.7%	7

Social media and new products take first and second place in the marketing innovation of the restaurants in Struga. New menu design and new website are also highly ranked by managers of those restaurants. The price of the food and beverages is ranked fifth; the rest of the 4P is not well accepted.

The restaurants are trying to create a marketing plan and to promote loyalty and membership cards and branding of their products, but on the other hand, product placement and database system don't have place among this ranking.

Table 6. An organizational innovation in the restaurants in Struga

Organizational innovation	Answers in %	Rank
Employees motivation	7.5%	8
Simulation of creativity activities	13.2%	4
Training for the staff	15.1%	1
Customer orientation and care	13.2%	3
Responsibility at work	15.1%	2
Bottom-up approach	3.9%	9
Financing cultural or sport events	11.3%	5
Leadership	9.4%	7
Advancing and career possibilities	1.9%	10
New business practices	9.4%	6

The managers of the restaurants in Struga rank best the training of the staff, responsibility at work, as well as customer orientation and care. Opposite of this, none of the managers skills and decision-making elements are ranked in good position (leadership in 7<sup>th</sup> place, motivation of employees in 8<sup>th</sup> place, bottom-up approach in 9<sup>th</sup> place), while advancing and career opportunities or possibilities are the last things “to be innovated”.

## CONCLUSIONS

Catering managers should make their menus more innovative to be able to respond properly to modern gastronomic trends and create the offer that is in accordance with the guests’ current demands. Restaurateurs should broaden the offer of dishes made with ingredients perceived by guests as healthy, such as whole grain cereals, organically grown food, low-energy and low-fat and gluten-free food.

The healthy diet trend and consumers’ knowledge about the connections between nutrition and health have led to an increase in consumption of reduced-fat content products, the so-called light products. Consumers say they want food that is healthier, sustainable, and ethically sourced, but figuring out which foods to eat is often not easy. The dining public is looking to chefs to help them make the “right” choices.

The results of socio-demographic analysis reveal that 9 out of 10 managers are male, they are young, most of them with a faculty degree, with no professional education in the hospitality sector, but the most of them have 20 years of working experience in the field.

Serving local and national dishes represents “the main job” of the restaurants in Struga, supposedly in the whole region, every restaurant tries to follow up and serve a modern menu of dishes. The restaurants in Struga do not pay attention to the menu for children, organically grown food, pointing food allergens, showing energy value of the menu and offering vegetarian dishes.

The restaurants in Struga, according to the results of the survey, are more prepared in processing the online ordering and online reservation, while they all agree that ISO and HACCP standards must be respected in order to advance and be more competitive. There is a lack of food delivery systems, implementing Quick Responsive Code, purchasing and accounting software, franchise agreements and smart phone applications.

Social media and promoting new products in the restaurants in Struga are widely used as tools of marketing; better prices make some of the restaurants more competitive, they are all trying to create and implement marketing plan, while the rest of the 4P is not well accepted.

Training for the staff, responsibility at work and customer orientation and care are the best job the managers do in the restaurants in Struga. On the other hand, managers skills and decision-making do not fit well (lack of leadership, no real motivation of employees, bottom-up approach between managers and employees almost does not exist, and no one wants to talk about advancing and career opportunities or possibilities).

In fact, implementing the innovation in the menu of the restaurants, in general, should help in the process of their development ( $H_1$  hypothesis in this research IS NOT ACCEPTED, because the level of innovation is not enough and there is much more to be done). Innovation in the menu of the restaurants could give better comparative advantages in the local hospitality market ( $H_2$  hypothesis IS ACCEPTED, because the restaurants that implemented and still implement innovation in their menu are more competitive in the local/regional hospitality market). The innovation in the restaurant menu can also contribute in increasing profits and new employment, but according to the research, there is a lack of motivation at work, no career opportunities, employees are not involved in decision-making, there is no investing in trainings and creativity. Thus, the  $H_3$  hypothesis IS NOT ACCEPTED

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