

ASSESSMENT OF THE DEMAND FOR THE RENOVATION OF A PUB AND CALCULATIONS OF THE RENTABILITY OF THE INVESTMENT

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***Abstract:** We conducted a need and satisfaction assessment before the renovation of a pub. The questionnaire survey confirmed the need for this investment. However, the guests are very sensitive to prices, so only a small increase in the price of drinks can be carried out. We requested a price quotation for the renovation ('A' and 'B'). In the case of an investment, we recommend that the company accept the "B" proposal. In this case the discounted return time is 153 days. At the expected return of 5%, the net present value (NPV) is HUF 6,183,642, the internal rate of return (IRR) is close to 100%. In case of proposal 'B', each invested HUF 1 brings in HUF 13,94 at a 5% expected return. It is expected that the renovation, modernization would increase the share of the enterprise in the market.*

***Keywords:** questionnaire survey, assessment of the guests' demands, renovation of a pub, investment recommendations, calculations on rentability, price sensitive guests*

1. INTRODUCTION

We set it as a goal to assess the present customers satisfaction with a questionnaire survey on Tormási Söröző of Nagykörös (Tormási Pub). We involved people into our research who had never been to the pub, too, but after a renovation would like to go there. We had the following hypotheses:

1st hypothesis: customers who visit Tormási Söröző are price-sensitive.

2nd hypothesis: less than 50% of customers are not satisfied with the present furniture of the enterprise.

3rd hypothesis: more than 60% of the present or potential costumers would need a private room.

4th hypothesis: after the planned renovation most of the customers would be willing to pay maximum 20% more.

We conducted a questionnaire to prove the correctness of the hypotheses, or to reject them. Thus, in this assessment trade is linked to

marketing (Benkő-Kiss Á., 2006), to public catering (Voleszták Z., 2012), in addition, even logistics cannot be avoided here (Gál J., Dumitrescu D. C., 2014), ie service logistics (Gál J. ; Rafael B., 2018), and the issue of food safety (Fabulya Z. et al., 2015) either.

2. MATERIAL AND METHOD

Primary research included compilation of a questionnaire of 22 questions, as we considered important to assess habits and demands, needs of the present and potential costumers. The questionnaire was completed exclusively by costumers who had been to a pub. We found these people so that we frequented two other pubs, besides Tormási Söröző. Data collection started in May, 2016. The questionnaire was modified after the test questioning (Horváth Gy., 2004), during which the questions were corrected and the inclusion of additional questions was considered necessary. So, we followed the methodology of the usual customer habit assessment (Gál J. et al., 2014). There were some answerers who visit all the three places. We could reach a relatively high proportion because the survey was conducted in summer when the turnover and attendance of pubs are the highest. Questionnaires were filled in three times a week, on different days every week, between 7 and 23 o'clock.

To assess the data (Majoros P., 2010) we used the IBM SPSS(Statistical Package for Social Science) Statistics 24 version. This program is appropriate to execute operations, like database management, descriptive statistics, or editing mathematical-statistical procedures (Hampel Gy., 2018).

Altogether 325 people filled in the questionnaire in 3 and a half months.

In addition to assessment, we carried out rentability calculations on building an game room (table football, billiards and darts room). An entrepreneur gave us two price quotations on the basis of which we calculated rentability. The two quotations differed from each other in the costs of decorations, as the basic work was the same. According to the draft, the bridging of two rooms adjacent to each other in the pub should be carried out by dismantling a partition, forming an arch. On the basis of the two quotations, the return value of the investment, i.e. the starting cash flow, is HUF 267.000 if we bridge the two rooms with an arch without decoration. We can calculate with a return value of HUF 297.000 if we want an arch decorated with rustic bricks.

Before starting the calculations, it was necessary to outline the structure of the operational cash flow. Then, based on these basic data, we

calculated the usual dynamic indicators and compared the two quotes. Of course, the money-time-value principle was taken into account during our discounting (Nagy S., 2014).

3. RESULTS OF MY OWN RESEARCH

The first hypothesis, i.e. customers at Tormási Söröző are price-sensitive, proved to be true. In the questionnaire we asked customers what aspects they prefer in a pub. It was price to be ranked for the first place. Consequently, in case of any investment, the management has to allow for that guests do not feel the increase in price so drastic. As it has been mentioned earlier, their competitive advantage against other pubs in Nagykörös is the stable low price. However, it has to be reconsidered what profit the permanently low prices would bring in the future. Other valuable results were: 58% of people in the research go to the pub more times a week, so they are regular customers. Most of them, about 40%, spend in this given place 1-2 hours, 28% half an hour or an hour, 17% more than two hours, and only 15% less than half an hour. A significant part of the repliers, 150 people, said that they spend 2000 and 4000 HUF at one occasion. Only 23 of them spend between 500 and 1000 HUF, while 31 people spend a bigger amount of money, over 8000 HUF.

The second hypothesis is that less than 50% of customers is satisfied with the present furniture of the enterprise. This hypothesis has been rejected because it can be concluded from the evaluation of the questionnaire that out of the 264 people, 159 fillers would recommend the modernization of the place. We can mention 264 people because out of the 325 repliers, only 264 had ever been to the place. Based on this, the owner of the pub should size up the situation, since 60% of customers recommends modernization. In our opinion, it is not a surprise, since the enterprise has been working for almost 20 years, and the furniture has not been changed during these 20 years. We recommend the modernization because the enterprise would open for new customers who prefer a more modern place.

Our following hypothesis is that more than 60% of the present and potential customers would require a separate game room (table football, billiards, darts room). This hypothesis has been proved, as 83% of the repliers would need this service. This result shows that people in Nagykörös do not have the chance for the entertainment of this kind. Most of them go to Kecskemét (15 kms from Nagykörös), though there is an extra cost because of the travelling. We think that building a separate game room is a good idea because people would spend the sum reserved for travelling locally, in Tormási Söröző.

Our last hypothesis, i.e. after the planned renovation most of the customers would be willing to pay maximum 20% more, has been partly proved. Unfortunately, we could experience again how much the customers are price-sensitive. Most of them, 117 fillers, consider an increase of 5% realistic. This means less than 15 forints increase for a mug of beer. 98 customers chose the option that they would see an increase between 5% and 10% optimal. It can be stated that more than half of the customers (215 people) would not be willing to pay for the drinks more than 10%. Only 39 answerers would accept a price increase of over 20% in the given place.

Consequently, the pub cannot afford to become a much more expensive place after the modernization. Costs of investment can be built in the price of drinks only reasonably. Considering this minimum price increase, we made economic calculations. It is very important that quality management should not be forgotten (Tisca I. et al., 2015).

Table 1 shows the calculation of the operating cash flows for the quotations for renovation of the pub ("A" and "B").

Table 1: Calculation of the cash flow on the basis of the quotations for the renovation

Operating cash flow		
Name	Sum in case of recommendation 'A' (HUF)	Sum in case of recommendation 'B' (HUF)
+ Revenue	6.935.000	6.935.000
- Current operating costs	-5.663.323	-5.663.323
- Depreciation	-15.706	-17.471
Result before tax	1.255.971	1.254.206
- Corporate Tax (10%)	-125.597	-125.421
Result after tax	1.130.374	1.128.785
+ Depreciation	+15.706	+17.471
Operating cash flow	1.146.080	1.146.256

Source: my own calculations based on my own data

Table 2: Values of the net present value depending on the expected yield.

Name	Recommendation 'A'			Recommendation 'B'		
	r=5%	r=10%	r=20%	r=5%	r=10%	r=20%
Net present value (HUF)	12.653.906	8.826.854	5.205.532	12.625.890	8.898.266	5.176.372

Source: my own calculations based on my own data

For the investment, we recommend for the enterprise to accept the quotation 'B'. In this case the discounted return time in 153 days. At the expected return of 5%, the net present value (NPV) is HUF 6,183,642 (*Table 2*) and the internal rate of return (IRR) is close to 100%. In case of proposal 'B', each invested HUF 1 brings in HUF 13,94 at a 5% expected return.

4. SUMMARY

In the light of the results, our proposal is that the Tormási Söröző in Nagykőrös should implement the above-mentioned investments. They can gain greater customer satisfaction among their current guests and attract a new customer base. In our opinion, it is impossible to ignore the fact that the residents of Nagykőrös would demand the existence of a game room (darts, table soccer, billiard room) in the city. It would be worthwhile to place leaflets in the surrounding tourist information centers (Sava C., 2016) on the pub and its new offer (Sava C., Pinteala G., 2016). With the modernization, the market share of the company would increase significantly. From the point of view of sustainable development (Irimie S.I., et. al., 2014) and the local economic development (Kis K.; Förgeteg L., 2017), the development are not negligible regarding that the economy may have come out of the crisis (Scalera F., et. al. 2012). As well as the aspect of the movement of the population (migration) (Illés S., 2005), therefore from the point of view those migrating in or out (Illés S., 2001), the population retention effect can be felt somewhat in the long term in the region (Nagy G. D., 2005).

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