Trade journal editorials' discourses on external challenges faced by the restaurant business

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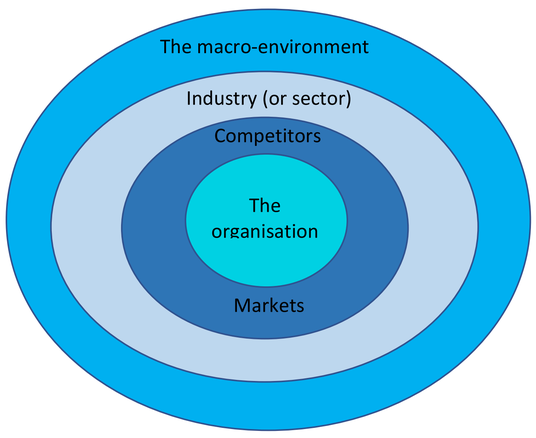
Introduction

Restaurant business is fascinating industry because it covers the whole world and nearly everyone has used restaurant services. COVID-19 showed how external factors can have severe impacts to an industry and restaurant business witnessed it harsh. However, even without pandemic issues restaurant business can be quite regulated by external factors, especially in some countries like the Nordic countries. Government and local authorities set laws, limits and permissions for selling food and alcohol not to mention taxation.

Our purpose was to find out how does the Finnish restaurant industry perceive external factors of business environment restricting. We conducted a discourse analysis of a trade journal editorials over 40 years period and used PESTEL analysis as framework. The results show that external factors are regarded as a significant element in operating a restaurant business and main discourses are alcohol and taxation.

Conceptual framework

The business environment consists of four layers, where the macro-environment is the broadest and covers widely the factors which have some impacts to nearly all organisations. Inside the macro-environment are the layers of the industry, competitors and markets and the organisation itself. Except the inner level (the organisation), all other levels represent external factors which the company cannot control but must adjust their operations in external limits.



Layers of the business environment (modified from Johnson et al. 2014, 33)

In this study we focused on the external business environment by searching external factors which are out of companies control (in this case restaurants control). The basic framework for categorising these factors is called **the PESTEL analysis** which consists of:

- *Political factors* (the role of the state or other political forces)
- *Economic factors* (macro-economic factors like exchange rates, economic upturns, downturns, inflation etc.)
- *Social factors* (changing cultures and demographics, consumer tastes)
- *Technological factors* (Internet, new technologies or materials)
- *Ecological factors* (environmental sustainability: pollution control, waste reduction)
- *Legal factors* (legislative and regulatory limitations or changes, taxation).

(Johnson et al., 2014; Sammut-Bonnici & Galea, 2015).

Data and method

As data, we had trade journal *Vitriini* which is published by the association of the hospitality and tourism industry in Finland (MaRa). **We chose a trade journal for data because its editorials are viewed as the mouthpieces of its target industry.** They deal with current and important topics aiming to help the industry and wish to influence policymakers. The editorials can be considered as statements of the industry and links to broader discussions in society.

The data consisted of 357 editorials from years 1979 to 2021. We chose discourse analysis as method because **the nature of the data is discursive** and our interests were in temporal changes and power issues (see more about discourse analysis e.g., Taylor, 2013; van Dijk, 1993; Wodak & Meyer, 2001). **Each editorial was seen as a sample of discourse** going on in the industry at the time of its publication and representing more or less official viewpoint of the Finnish association of the hospitality and tourism industry.

As we wanted to find out how the discussions of external factors affecting the industry have changed over the period under study and ***which* factors have been dominant**, we first organised the data under thematic categories based on PESTEL analysis. After this, we searched of ***what* was dealt in the discourses** under the themes and was something left unsaid. Then we added subthemes of the emerged topics and finally analysed also the tones of the discourses – ***how* the themes were dealt with**.

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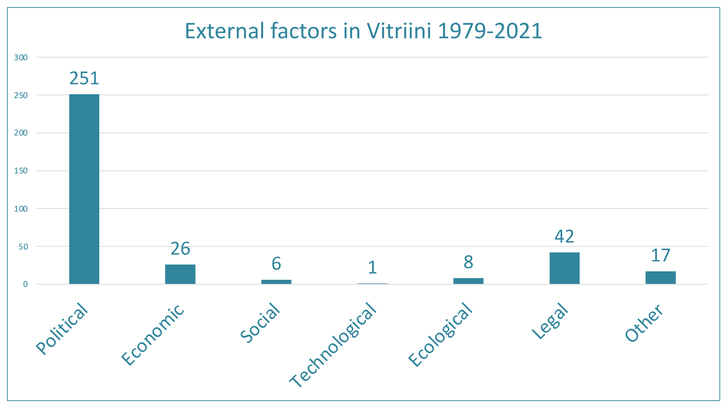
Findings

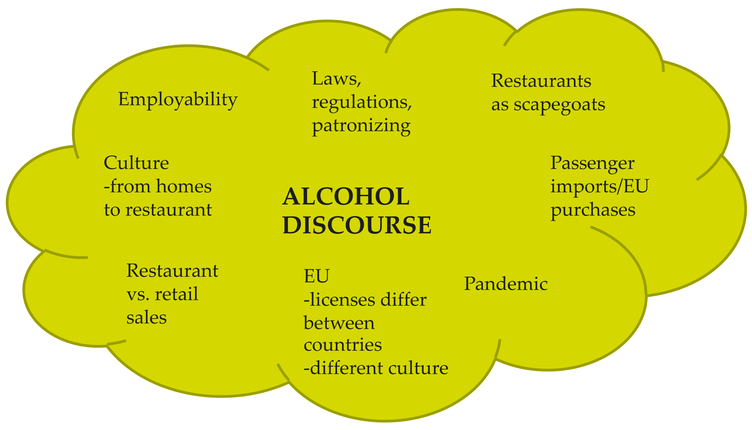
From the dataset, 75% of editorials dealt with external factors. Some themes appeared in several discourses like alcohol policy, which was dealt in political, legal and social discourses. Quite surprisingly **the political theme was clearly dominating the discourses** as the ecological theme could have been expected to appear more in discourses because of the climate change, for instance. Also, the fact, that the technological theme arose only once, was unexpected. Technology has developed significantly in 40 years and Internet, social media and different applications have reached restaurant industry also, so it was interesting that they did not arise in data. Only the change of currency from mark to euro was in discourses and was seen challenging from technological point of view. From data also emerged **other external themes**, which did not fit into PESTEL: weather conditions, Covid-19, nuclear accidents and terrorism.



Themes	Subthemes
Political	Alcohol policy Labour policy Taxation policy Competition policy EU policy
Economic	Interest rates, exchange changes, loan difficulties Depression, recession, economic crisis Unemployment Demand, cost rises, inflation
Social	Restaurant culture Alcohol culture Support of social holidays
Technological	New currency
Ecological	Finnish tourism dependency of nature Mining threats Climate change Travelling by car vs. airplane – fuel taxation Finland vs. world
Legal	Alcohol law Laws related to foodstuff supervision Laws related to labour Tobacco law Covid-19 restriction laws
Other: Sudden/ surprising	Covid-19 challenge issues Weather Chernobyl nuclear accident Terrorism

From data arose two dominating discourses which are partly intertwined and related to political and legal factors in the PESTEL analysis:

- *Alcohol discourse*
- *Taxation discourse*.



Major issues in alcohol discourse related to the high price of alcohol and that it is more expensive in restaurants than in retail shops. This leads people to buy cheaper alcohol either from stores or abroad (mainly from Baltic countries) and consuming it at home instead of restaurants. **Home turned out to be the worst competitor to restaurants.** Surprisingly, the issue of shifting customers from home to restaurants arose from time to time in discourses the whole data set, over 40 years!

In taxation discourse were two dominant issues: the alcohol tax and value added tax (VAT). The high alcohol tax and the increases of tax leads to more expensive alcohol in restaurants and people to buy cheaper alcohol abroad. The discourse of VAT started when Finland was about to join the European Union in the 1990s. The tax rate in restaurant services was adopted as the highest and the industry demanded it to be reduced. This discourse took 16 years until the rate was reduced in food service and five years later started discourse of reducing VAT in alcohol services, which continued to the end of the dataset.

Conclusion and implications

The findings of this study show that external factors of business environment are regarded by the industry as significant elements in operating a restaurant business and might arise big challenges. High taxes, especially alcohol tax and VAT but also other costs like employing, rent and raw materials lead for expensive restaurant service. **According to data, the only solution from the industry for improving restaurant business seems to be reducing VAT.** However, earlier studies of reducing VAT in restaurant industry both support and oppose these arguments but it rather seems not to be effective tool (see e.g., Benzarti & Carloni, 2019; Harju & Kosonen, 2014; Harju et al., 2018). The low salaries, for instance, are recognised in the data but no real intention for improving the situation is not dealt with. Search for different alternatives for improving the restaurant business is not mentioned in discourses. As for practical implication, this study offers insights from the industry for dialogue between the industry and policymakers.

This study is the first part of a doctoral thesis and investigated only the industry representative opinions, so it is limited in scope but large in volume. Second step is to find out the perspectives of restaurant managers and entrepreneurs, which might differ.

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