Red lobster case

Bill Daren, restaurant entrepreneur opened his first restaurant at age 18. After opening a few other restaurants, his passion for seafood drove him to open a restaurant with top quality seafood called Red Lobster. Red Lobster was founded in 1968 in Lake Land Florida. One month after its opening Red Lobster, Daren had to expand the restaurant due to its high demand. After two years he had opened four other locations. In 1970 the chain was sold to General Mills, Daren was still the president.

By 1975, apart from having a new president, Red Lobster was the first casual dining chain to achieve national scale, to advertise on network television and to have a national seafood distribution system, which was an important competitive asset. In 1982 general Mills Restaurants, Inc used Red Lobster operation platform to create Olive Garden. This corporation also opened other chains such as Longhorn Steakhouse and Capital Grille. Red lobster had an immense success and their goal was always to sustain the companies historical affordability positioning.

Red Lobster stated having some problems; this restaurant had always been top quality seafood with a really affordable price. Some customers were not attracted by the generous portions of affordablefoodas imagined but instead they were attracted to the desire to use a meal occasion as an opportunity to connect withfamilyand friends. Red Lobster never thought that " experientials" were their customers and they were not marketing for them. Restaurants were not physically adapted for " experientials. " Some other issues were that Red Lobster many competitors, also value focus chains such as Chili's, Applebee's and Olive Garden.

This chains also had seafood in their menus and their menus were much cheaper that one in Red Lobster. In a survey made in 2004, customers believed that Red Lobster was under a category of low-end seafood restaurants that served mass-produced frozen seafood, much of it fried. Red Lobster never thought that they could be categorized like a low-end seafood restaurant. The appearance of the restaurant and pictures of fried food in the menus were causing customers to question the quality of the food. After doing this investigation, Red Lobster realized that many changes needed to be made.

They had many issues that could be easily solved and that could help them in their image to the customers. 2. In 2004 a majorleadershipchange came when Lopdrup became the president of Red Lobster. Prior to the new leader there were indication that the restaurant Red Lobster had slowly begun a downward trend since its place as a forerunner in the industry. Sales in many of the stores had slowly increased but this was mostly due to the aggressive promotions executed in the recent years, but the numbers were nowhere near where the management team wanted them to be.

The ratings of Red Lobster’s guest experience had leveled off throughout the recent years and the percentage of “ excellent” ratings had not increase and were stuck at 64%, while the other restaurant owned by the same company was higher at 68%. Also in recent years due to a few factors the seafood category competition had strengthened and dampened the most current efforts of Red Lobster. The introduction of aquaculture has also had a massive effect on the seafood industry. This new movement allows seafood products to be produced in huge numbers with low cost.

Since then aquaculture has led to dramatic declines in the cost of seafood, and allowed many new competitors to enter the industry thus increasing competition. The aquaculture had converted salmon and shrimp from luxury items originally sold in Red Lobsters into a mainstream product that is now being sold in many other restaurants that formerly did not carry the pricey product. This also allowed many restaurants not in the seafood category to begin offering seafood, which presented a huge problem to Red Lobster who now has to compete with those outside their specific food restaurant category.

Even with the cost declines, seafood was still much more expensive than other proteins, which caused Red Lobster's menu to more expensive than other value restaurant chains like Chili's, Applebee's, and Olive Garden. This presented the problem that Red Lobsters current layout was narrow focused in comparison to many of the other restaurants it competes with. 3. Red lobster is faced with many critical decisions in its near future. After conducting massive amounts of market research it was revealed to Red Lobster the different psychographics regarding the patrons who often utilized their restaurants.

The customers were grouped into 5 main categories which included experiential, indulgent, traditionalist, eclectics, and frugal. The information received showed that experiential customers account for 23 percent, indulgent with 24 percent, traditionalists at 18 percent, eclectics the lowest with 7 percent and frugal with the highest at 28 percent of their total cliental. The fact that experientials accounted for nearly one-fourth of the total customer base was a surprise for Red Lobster's management and since currently the organization only semi-concentrated on the traditionalist, frugal, and indulgent.

This proposed a problem, should Red Lobster change its approach in respects to product, price, place, promotion, and positioning to better accommodate the needs of the experiential psychographic? Withrespectto Red Lobster's positioning was it beneficial for them to keep the " fresh and approachable seafood" position and if it was decided to not be the right move what would the right position be for the restaurant? This question concerning the positioning also brings up another question, whether the drastic positioning change undertaken would allow the company to keep the restaurant name as Red Lobster.

After deciding what position the company wanted to take were Red Lobster's advertisements appropriate for the positioning they wanted? The next option in regards to promotion is if it was beneficial to continue their traditional frequent price promotions? Also since each of the different customer bases has different attitudes towards prices, raising or lowering the price points of Red Lobster was another alternative course of action that could be commenced. This also feeds into the product aspect of Red Lobster. Should they be widening the menu further beyond seafood to gain market share from the other premium casual chains?

Red Lobster is also faced with the choice to open new locations in relation to the clienteles they plan to focus on, and whether or not to remodel the current restaurants around this concentration. 4. In regards to evaluating each specific course of action, I will begin by going assessing the situation of Red Lobster changing it focus and including the experientials. The main benefit from this would be the fact that the experiential groups is considered one of the best customers for a casual dining chain and were predominantly profitable because they are more likely to order desserts and appetizers and wine.

Also this group tends to order more items and are less price sensitive compared to the other groups of indulgent, frugal, and traditionalist. However if decided to focus on this group there would be many changes need towards the current position, price, place, and promotion. Since the experientials have very high culinary standards and high expectations for service and atmosphere, Red Lobster would need to reassess their current " place" situation. To account for the higher standards of atmospherics desired by this group it would be necessary for Red Lobster to remodel their current tores to a more upscale restaurant. This will attract more experientials, but would be very costly for the company. In regards to promotions alterations would also be required. With Red Lobster currently offering many price promotions to draw in the frugal and more price sensitive groups this would not be an issue with the experientials. Therefore the current promotions would need to be changed to align with the experiential groups. This would be a benefit in regards to less promotional expenses and higher margins.

With respect to Red Lobsters positioning they may need to adjust this in order to accommodate the experientials needs for high service, upscale atmosphere, diverse menus, and culinary expertise. Changing the Red Lobster position could be very costly and challenging due to the fact that the company will need to undue all of its prior positioning efforts and modify what the fact that customers see Red Lobster as a low end restaurant serving mass-produced frozen seafood into the thought of it being a high end establishment that offered top quality, fresh seafood prepared with culinary expertise.

If the Red Lobsters focus is shifted and all of these aspects modified the company may see their current customers become aggravated at the alterations and discontinue patronizing the establishment. However if Red Lobster chose to stay with its current configuration aimed at the frugal, traditionalist, and indulgent groups they would not need to massively alter its current price, place, promotion, and position situations.

This would be much less of a cost burden when compared to changing the focus towards experientials and would have a lower risk of loosing their current loyal customers. Nevertheless the lack of change could also result in a continued downward trend in the restaurants overall performance. Red lobster could also have the alternative to continue down the same path oriented towards the traditionalist, frugal, and indulgent but update their positioning in regards to their stance in product, price, promotion, and positioning.