Hottie hawgs bbq case study

Education

Hottie Hawg's Smokin' BBQCase StudyTeam 16 Strengths: * NASCAR Partnership * Excellentfood* Differentiated brand * Creativity of owners * Excellent marketing * Low infrastructure costs * Mobile restaurant * Little brand competition * Service flexibility * Proprietary recipes * Community support/interests * Professional marketing image Weaknesses: * Lack of cash flow *Leadershipworking for two companies * Loss of founder means all lies on Vaughn * High travel costs for events outside of Atlanta * Licensing decision reduces the opportunity of franchise income * Limited distribution capabilities Expansion is expensive * Non-centralized staff * Lack of business credit * Limited menu * Use of ACT funds tofinanceHHBBQ operations pierces the corporate veil. * Limited catering experience Opportunities: * Aramark/Pepsi Center opportunity * NASCAR as growth partner * Growth within Atlanta * Brand awareness through additional licensing and potential franchising * Merchandise sales * Brick-and-mortar Flagship locations * Popularity of Food Trucks Threats: * Hooters Restaurants * Other barbecue restaurants * Customer reluctance to patronize a polarizing brand * Loss of trade-secret information Legal costs * Economic downturn/slow economic growth * Rising fuel and transportation costs * Pitmasters BBQ uses similar logo and brand image: 1. If you were in Kyle Vaughn's position, which strategic option would you take? Explain your reasoning. Hottie Hawg's Smokin BBQ was presented with an opportunity for tremendous growth early on in the life of the company that would test the limits of HHBBQ's ability to raise capital, produce the quantity of food required and maintain the quality of the product while protecting the brand name and mark they had worked to cultivate.

The Aramark/Pepsi Center contract would guarantee HHBBQ at least 100 events, projected at 16, 000 people per event, and make HHBBQ the exclusive BBQ vendor for the arena. We believe of the two strategy alternatives HHBBQ had, the correct choice would be to pursue the Aramark contract. As a company that is looking to expand, passing up an opportunity of this magnitude might not occur again. Either of these two strategies are viable and possess pros and cons, but pursuing the Aramark contract would grant HHBBQ more potential rewards than passing.

HHBBQ has already worked with one professional sport in NASCAR and the opportunity to serve customers of the NBA and NHL are markets that are too valuable to pass on. Once the decision to accept the Pepsi Center deal is made, HHBBQ will face more decisions on how best to handle supplying the needed food for the events. HHBBQ would have to re-locate the " 18 Squeeler", an open-air smoker on wheels, to Denver to prepare the BBQ or rent a local kitchen until a permanent commissary was set up.

HHBBQ faced legitimate concerns regarding the ability of the Squeeler to meet the high food demand of the Pepsi Center and whether the legal costs, potential loss of food quality and possibility of compromising the brand image when dealing with a rented kitchen would make the deal not profitable. From the case study, the first 18 Squeeler was available one week after the initial conversation between Vaughn and Rybka. To meet the demand of the Pepsi Arena, HHBBQ should purchase an additional Squeeler so the food quantity and quality are not compromised.

Once cash flow has begun and enough capital is raised to open a Denver commissary, the two Squeelers would be freed up to once again to perform at local events within the community and allow one Squeeler to return to Atlanta to service the home market. These are challenges that service firms face when attempting to match their products to the needs of their target markets (Ferrell & Hartline, 197). HHBBQ will experience on the job training while learning how to best forecast the correct amount of food needed to serve the arena and the number of new employees to hire and train to accommodate the number of visitors to the arena.

Because most services are dependent upon people (employees, customers), HHBBQ must avoid past mistakes in variations in quality and inconsistency such as overstaffing, food waste, and less than ideal image promotion (Ferrell & Hartline, 198) to maintain high service quality and profitability. Although service quality is a subjective phenomenon (Ferrell & Hartline, 198), this particular marketplace would not allow for service customization but allow HHBBQ to focus on food quality and speed of service to meet their customers' needs. . Comment on the decision to license the Hottie Hawg's brand rather than enter into a franchise agreement with Seymour. In the company's situation, is it better to promote easier expansion through franchising or maintain tight control over brand image through licensing? Explain. At this early stage in Hottie Hawg's Smokin' BBQ's history, it is important to cultivate the brand image carefully and with almost obsessive attention to detail.

The offering of tasty barbecue served by attractive women in a fun and laid-backenvironmentis in its introductory stage (Ferrell & Hartline, 217), and will soon move into the growth stage if all goes well. Hottie's must work to grow and build brand equity and establish a differential advantage in the market.

This is done through careful management of the product and brand over this time. Public relations, advertising and incentives are critical at this stage in the brands life, as it sets the tone for the growth and maturity stage.

Will this be just another barbecue joint or will Hottie’s stand out among a sea of ribs and wings? Rybka initially envisioned a brand so “ extreme and offensive (as) to purposely alienate a large portion of the population” (Ferrell & Hartline, 519) Allowing a franchisee to potentially dilute this brand is a risk they should not be willing to take. The branding strategy employed by HHBBQ depends on the extreme offensiveness they are building, and a franchisee that doesn’t have the same “ tough guts” that Vaughn and Rybka have may not be capable of sticking to their vision.

Vaughn has done an excellent job thus far in developing a different style of BBQ restaurant in the southeast, and should protect the emerging brand image fiercely in order to maintain and develop according to the company’s vision. A license agreement, where complete control can be exercised over the quality of the food, the brand image, logos and marketing materials allows Vaughn to control the direction of the company, while realizing income from licensed sales.

The brand is the most valuable asset to this emerging company; in fact, the brands image was “ the cornerstone of the company’s success thus far” according to Lee, and therefore, should remain the top priority at this stage in the game (Ferrell & Hartlien, 526). It should also be noted that by licensing the product rather than franchising, HHBBQ has been able to avoid many unnecessary expenditures that go along with franchising. Had they sold Seymour a franchise, they may have had to invest more in him in terms of training, product knowledge, and other resources that HHBBQ cannot spare at the current time.

Licensing provided Seymour an avenue to invest without much overhead expense, and still provided HHBBQ with licensing revenue and fees. 3. Assume that Hottie Hawg’s is successful with the Aramark/Pepsi Center opportunity. What should Vaughn’s next move be to continue that growth and success? Vaughn’s efforts, with the success of the Aramark/Pepsi venture will have resulted in the beginning of the growth stage of HHBBQ BBQ. This continuing growth stage has happened because sales increases will have been occurring rapidly due to the appeal of the product (Ferrell & Hartline, 219).

Additionally, Hottie Hawg’s BBQ will want to 1. “ Establish a strong and defensible market position” and 2. Earn profit to repay debts as well as enough profit to justify moving forward with the business (Ferrell & Hartline, 219). In order to do this, Vaughn’s next moves should be to pursue one flagship brick & mortar location, more 18 squeelers to expand the reach of the product line, look for more venue arrangements that could be profitable, potentially pursue venture capital, and pursue more licensing agreements. Pursuing a flagship brick & mortar restaurant should be an important next step for Vaughn.

Up to this point, Vaughn has not built a brick & mortar location because traditional storefronts require heavy upfront investment costs (Ferrell & Hartline, 521). However, with the cash flow that a successful Aramark/Pepsi Center opportunity will bring, it will be the right time to invest in a flagship location. A major benefit to creating a flagship store front in Atlanta, GA will be that HHBBQ will be able to finally focus some resources on the opportunities in Atlanta for local catering parties and events in this major metropolitan area (Ferrell & Hartline522).

This will create more cash flow for the company, and the increased presence in the Atlanta metropolitan area should help to strengthen the position of the company by fulfilling the event catering need that has not been met there as of yet (Ferrell & Hartline, 213). Purchasing more 18 squeelers to increase the reach of the product line should be a next step for Vaughn. The 18 squeeler was one of the first pieces of equipment bought by Rybka and has proven to be invaluable (Ferrell & Hartline, 519).

This smoker allows HHBBQ to reach out to people over a wide geographic area, resulting in increased brand awareness which helps build more brand equity (Ferrell & Hartline, 205). Investing in more 18 squeelers will allow HHBBQ to continue expanding the awareness of its high quality product, which will help set up future associations and increased cash flow. In fact, the food truck industry, of which HHBBQ's squeeler would be considered part, is growing at a rate of 18. % in North Florida which shows that there are still incredible growth opportunities in this arena, although competition is increasing as well (Haughney, 2). Vaughn should also look for more venue arrangements. These arrangements are great opportunities because they offer tremendous upside potential through solid revenues, profits, and exposure (Ferrell & Hartline, 525). Partnering with major arenas such as the Pepsi Center is ideal because massive amounts of people will see and try the product and take that favorable opinion about the brand home with them.

HHBBQ is poised to increase cash flow considerably if they can establish similar arrangements with some of the NASCAR events that they are already affiliated with, other popular arenas such as the Amway Center in Orlando, FL, Turner Field in Atlanta, GA, or busy venues such as major zoos, amusement parks, or even in airports. Venture Capital is another way for HHBBQ may be able to help fund growth after the successful Pepsi Center opportunity. Selling a minority stake of the company for cash may be a very smart move in order to fund future growth.

HHBBQ will have enough viability now that there will certainly be interested parties. Venture Capital firms, such as Seed Capital, which provides investment in new start-ups, exist to make a return on their investment (Haughney, 3). HHBBQ could fund major expansion with a large influx of cash, as well as hire more support staff to handle the increased demand for product. Increasing the amount of licensing agreements for HHBBQ is also a smart move. Licensing agreements allow HHBBQ to receive substantial cash flow while allowing the company to maintain quality control over both brand and product (Ferrell & Hartline, 524).

These controls are still very important, because HHBBQ’s brand image and great tasting food help set the company apart from competitors. Additionally, HHBBQ currently only has a licensing agreement in the Denver, CO area which means that an incredible growth opportunity exists here. Adding a few other major markets would be a wise move to ensure viable cash flows for HHBBQ. 4. If the Aramark/Pepsi Center opportunity turns out to be unsuccessful, what should Vaughn do to ensure the ongoing viability of Hottie Hawgs?

If the Aramark/Pepsi decision proves unsuccessful, then Hottie Hawgs would have the opportunity to focus on other investment opportunities. As they do not have an excess of cash flow, it is our belief that Hottie Hawgs would initially benefit from raising capital. This time would also allow the fledgling company to build experience, maturity, and further develop within the growth stage, while having the additional financial flexibility that would come with more capital. Once Hottie Hawgs has raised ample capital, they would then be able to focus on licensing/franchising, and more " Squeelers".

This capital would also allow Hottie Hawgs to consider the possibility of a brick and mortar restaurant. Hottie Hawgs has already established that they can attain profitability with the " Squeelers" once they verify the proper amount of food necessary. So the investment or licensing in additional " Squeelers" units would allow them to effectively manage the company's growth. If the decision were to prove unsuccessful, Hottie Hawgs could also take that opportunity to move their operations back to closer to their home base. Atlanta, which has a population of over four million, would be a prime location for Hottie Hawgs to grow.

Atlanta, which is a major metropolitan market, hosts NASCAR, MLB, NFL, and NBA, all of which could be potential events or venues where Hottie Hawgs could find success. This would also allow Hottie Hawgs to continue to attend successfully proven events, in their proximity, like the Billfish Tournament in Panama City. As noted in the case, Eric Rybka's initial approach for Hottie Hawg's branding was to, " create enough negative publicity to make the brand infamous, and then slowly morph the brand enough to be mainstream”. To ensure viability, Hottie Hawgs can take this unsuccessful decision and turn it an opportunity.

They would now have the ability to change their brand to a more mainstream and socially acceptable brand. As we know from our text, a brand is a combination of the company’s name, symbol, and design. Taking an opportunity to refine these would fit well into Eric Rybka’s initial intent and direction of the company. This unsuccessful decision can also be turned into an opportunity for Hottie Hawgs to consider improvements or revisions of existing products. As noted in our text, these improvements or revisions can create a “ greater perceived value” for the customer.

In these challenging economic times, Hottie Hawgs could also consider cost reduction strategies. As noted in our text, cost reduction strategies would allow Hottie Hawgs to maintain a level of performance, but do so, “ at a lower price”. This would allow Hottie Hawgs to appeal to the most cost conscious customers, but maintain the level of performance that has brought them initial success. This strategy could be achieved by considering lower cost meat providers, lower priced ingredients, or reducing costs in other facets of the restaurant, such as plates, utensils, cups, or napkins.

Hottie Hawgs could also consider a co-branding strategy. Hottie Hawgs could contract and have Coke and Hottie Hawgs brand marks on their cups. They could also co-brand with locally prevalent companies to put their advertising on Hottie Hawgs to-go bags or boxes, along with Hottie Hawgs brand marks. Overall, it is our determination that if the Aramark/Pepsi decision proves to be unsuccessful, Hottie Hawgs still has a multitude of opportunities to maintain viability. Hottie Hawgs can consider licensing/franchising opportunities.

They can make a decision to raise capital to obtain more Squeelers. They can consider other venues, like Atlanta, with the reasons that we noted above. Lastly, they can consider reconfiguring some of their strategies, utilizing concepts from the text, that would allow them to refine some of their strategies in an effort to maximize the fulfillment of the customer's needs, while attracting a greater customer base. Even if the Aramark/Pepsi decision is unsuccessful, that does not mean that Hottie Hawgs is void of alternatives that can allow them to maintain viability and rofitability. O. C. Ferrell & Michael D. Hartline: " Marketing Strategy, Fifth Edition" 2011 Haughney, Kathleen. " Keep On (Food) Trucking. " 850businessmagazine. com. 850 Business Magazine. Web. 02 March 2013. http://www. 850businessmagazine. com/index. php? option= com_content&view= article&id= 601%3Akeep-on-food-trucking&catid= 64%3Aq-and-a&Itemid= 1 Couret, Jacques. ' ARC: Metro Atlanta Population Hits 4. 17 Million" bizjournals. com. Web. August 09, 2012 http://www. bizjournals. com/atlanta/news/2012/08/09/arc-metro-atlanta-population-hits. html? page= all