

# Case study: outback goes international

Business



As a conglomerate, Outback must be able to overcome the complexity of expanding into international markets. The company's commitment to continue its fast paced growth will require them to develop a strategy for expansion and operations in different global regions throughout the world. In developing a business strategy, Outback must create guidelines to ensure success in these new and diverse markets abroad.

It is my view that Outback should implement a "Value Creation" strategy that focus on lowering cost and differentiating the product to achieve a competitive advantage.

As a result, this will improve the profit making abilities of the company. This will allow the company to expand into many markets while creating value for its company. Outback's distinctive competencies and its unique strengths will allow the company to succeed internationally. By pursuing this strategy, Outback is building on its existing resources and capabilities. International expansion will also formulate and build additional resources and capabilities for the company.

Overview Chris Sullivan, Bob Bash, and Tim Cannon met in the early 1980s shortly after they graduated from college.

In the 1980s, Sullivan and Bash became successful franchisees with seventeen Chili's restaurants in Florida and Georgia, while Cannon played significant roles in several New Orleans restaurant chains. In 1987, Sullivan and Bash sold their franchises and Cannon quit his current position. The three entrepreneurs, each with more than twenty years experience in the restaurant industry used the proceeds from the sale of the franchises to start

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two Outback steakhouse restaurants in 1988. The opening of the two outback steakhouse restaurants was positioned with an Australian theme associated with the adventurous outdoors.

Early financing came from limited partnerships from family, friends and associates. They did not anticipate extensive expansions or franchising. However, in 1990, friends approached the three entrepreneurs and asked for a franchise of the Outback Australian theme. With the success of these franchises, they decided to expand and organized a joint venture with Carnaubas, leading them into the lucrative Italian dining segment of the restaurant industry. Additional opportunities with other individuals arose shortly.

In just six years, Outback was voted the best steakhouse in the country. On top of that, in 1994 Outback was awarded Inc's prestigious Entrepreneur of the Year award. By that time, Outback had 164 directly owned restaurants, 6 restaurants that operated through joint ventures and 44 franchise restaurants. At the rate the company was growing, Outback would soon be near the U. S.

Market's saturation within four to five years. In late 1994, the company acknowledged its ability to expand abroad by appointing Hugh Conner as president of Outback International.

As the company moves toward international expansion, they knew that a strategic plan is essential in order to assure Outback's continuing success as it takes on the new and diverse markets. Problem Definition Several critical problems arose as a result of the company's anticipation of expansion. This <https://assignbuster.com/case-study-outback-goes-international/>

event exposed the company to the complexity of moving into new and diverse markets abroad. Ability to Understand the Factors Affecting Companies' Entry into International Markets: Connector knew that it was impossible for Outback to expand around the world, buying property and understanding the laws and the culture in each and every country.

He has learned that people are very different than Americans.

U. S. Restaurant chains have to take into account numerous considerations when determining which non-U. S. Market to enter.

Issues regarding infrastructure, demographics, income and trade laws are a few factors that can determine a company's success or failure. The strategy created for a specific country cannot be used for another country. It is obvious that different countries have different beliefs, values and ways of life.

The product, promotional, positioning, and pricing strategies must be molded to adapt to the differences that exist in the new and diverse markets Cost of Expansion: The high cost of resources is a problem Outback will face with its international expansion. If Outback can establish a remedy to cut costs, they would be able to gain a substantial amount of profits.

Outback has the highest food costs in the industry. Employment cost is also a factor that can be minimized. Store managers annual salary is \$40, 000 more than the industry average. These costs can be reduced and the proceeds can be reinvested in the target markets.

Finding Partners to Expand Abroad: Connector stated that the biggest decision the company will have to make is to select franchise partners.

They will have to choose a person who has synergy with them, a person who thinks like them and who believes in the principles and beliefs of the company. The trust between Outback and the individual franchisees cannot be violated. The company must be able to franchise their international operations with company owned stores in the United States and franchises in the markets abroad, so that the strong support operations that exist in the U. S. Exist abroad. Y AT supplier to Expand AD AAA It Is Outcast's principle Ana Dealer, t strong relationship with suppliers is essential.

The company has never changed suppliers and has an undying commitment to them; they expect the same in return. Outback view their suppliers as partners in the company's success and is committed to work with suppliers to develop and maintain long term relationships. The company is dedicated to obtaining the highest quality ingredients and supplies. The company's chief chef will not tolerate less than the best. Suppliers must be able to prove that they can build plants abroad.

Understanding Competitors Strategies in The International Markets:

Competition affects the way companies govern and implement their decisions for their operations. Outback must examine casual dining chains with operations abroad such as Applause's and T. G. L. Friday's/Carlson Companies Inc.

By examining these competitors, Outback can differentiate how their competitors' domestic strategies differ from their international strategies.

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Other competitors include the top ten franchisers in the restaurant industry such as Burger King, McDonald's, Domino's, Harden's, International Dairy Queen, Inc. Little Career's, KEF, Taco Bell, Subway and Wend's. In order for Outback to compete effectively and maximize their long-term profitability, it must be able to understand their competitors in these new and averse markets abroad. Alternative Generation Decision Areas A business strategy that incorporates the tactics and policies for Outback's international expansion must be developed so that Outback can compete effectively and maximize their long-term profitability. It is essential for Outback to obtain a competitive advantage to outperform their rivals and achieve targeted growth.

The major decision areas that need to be addressed are: Research and Development, Market Research, Supply Management, Human Resource, and Partner Selection. Research and Development: In order to satisfy their customers, Outback must be able to address the multicultural food facts and dining customs that exist within each new territory. Outback should create a uniform Outback experience in every country, while at the same time learning the subtle differences inherent in each. Option 1: Maintain current focus in research and development. Option 2: Increase spending and focus on developing menus to fit each markets. Option 3: Outsource the multicultural study project to an outsider.

Option 4: Decrease spending and imitate competitors. Market Research: attack NAS realize ten Doctors affecting International expansion. It must prepare a market research analysis of the markets abroad. Option 1 : Do nothing; just follow the competitors' course. Expand into the markets that <https://assignbuster.com/case-study-outback-goes-international/>

your competitor has entered Option 2: Perform selective market research to determine safe markets to enter. Option 3: Perform intensive market research to determine the perfect markets to enter.

Supply Management: The company is dedicated to obtaining the highest quality ingredients and supplies. Outback wants their suppliers to expand with them. Otherwise, Outback must be able to develop supply channels abroad. Option 1: Do nothing; stay with current supplier and ship in supplies. Option 2: Find new suppliers in the new markets. Option 3: Own their own supplies through vertical integration.

Option 4: Form a tighter relationship with the supplier and have them build plants Human Resources: Human Resources must ensure that the company has the right mix of people to perform its activities effectively. The employees must be adequately trained, motivate and compensated to perform their task. Option 1 : Continue to use the same aptitude tests, psychological profiles and interviews as the employee selection process. Option 2: Simply hire employees who are willing to work. Option 3: Hire employees who are not fully qualified but are willing to learn and grow with the company.

Partner Selection: The biggest decision the company will have to make is in selecting partners.

Finding the right franchise and Joint venture partners to invest in is very crucial. Option 1: Sustain current partners. Have them expand abroad. Option 2: Conduct comprehensive research on potential alliance candidates. Option 3: Franchise international operations with company own stores in the <https://assignbuster.com/case-study-outback-goes-international/>

United states Walt Translates aurora. The decision areas, with their corresponding options, provide the basis for the alternatives that can be analyzed.

Steeplechaser and Developmentally Respectfully Management's  
 Recuperation's Selection Status Quotas Quotas Quotas Quo Increase  
 Superintendence's Market Researchers Superintendent Employees  
 Comprehensive Research Destructiveness Market architectural  
 Intercommunicated Implementations with Franchises Abroad Decrease and  
 imitate competitors Have Supplier Build Plant Abroad Alternatives Four  
 Strategic alternatives, or themes are defined in the following strategy table.

Apply Domestic Strategies Broadcasts Quotas Quotas Quotas Quo  
 Redirect Investment Plans Inconsiderateness's Quotas Quotas  
 Comprehensive Research Get In The Gamesters and imitate  
 competitiveness's Market Researchers Superabundant  
 Employeescomprehensive Research Value Creativeness's Spending Intensive  
 Market Research Have Supplier Build Plant Broadcasts Quo Partner with  
 Franchises Abroad 1 . Apply Domestic Strategies Abroad: Avoid modifications  
 of strategies that we already know is successful.

Alt 4: Shareholders will get value from their investment. Scenario 2: A  
 disease is linked to the consumption of beef: A disturbing reports that links  
 the consumption of beef to a disease provokes fears of consuming beef  
 worldwide.

The consumption of steak decreases and other meats are consumed as an  
 alternative. Probability: Medium Alt 1: Plans of expansion may be terminated  
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or prolonged. Alt 3: Redirecting investment plans will appear to be the best proposal. Alt 3: Immediate entry no longer appears to be practical. Alt 4: Would provide marketing advantages for Outback in the United States and globally.

Recommendation Even though it's the most difficult and time consuming, I recommend Outback to implement Alternative 4, Value Creation.

It is very important because the source of a competitive advantage is superior value creation. The shareholders will be pleased to know that as a result of creating value earnings will eventually increase. The shareholders will have more confidence in the company's financial positions and true operations. Alternative 4 is preferable to the other strategies for the following reasons: Alternative 1 : Domestic strategies may not be applicable to the requirements needed in the international markets.

The company will lose out on the possibility of formulating strategies that build additional resources and capabilities of the organization. Alternative 2: Shows that the company is afraid to take risk.

The company is trying to avoid risks but at the same time they are losing out on opportunities as well. Competitors will take advantage of this flaw and gain market shares from the many. Alternative 3: Even though this might be acceptable in the short term, many minor problems may arise in the long term.

Other problems will evolve in the future and may actually cost the company a lot more than they had anticipated. Implementation I en company NAS to

take ten Toweling octagons In order to a strategy. Erect ten value creation Intensive market research is necessary to determine the perfect markets to enter.

Increase spending on research and development to adapt the menus to the markets. Franchise international operations with company own stores in the United States tit franchises abroad so that the strong support operations that exist in the U.

S. Exist abroad. Find ways to cut cost while increasing value without affecting quality.

Form tighter relationship with suppliers and have them build plants abroad to ensure quality ingredients. There are many challenges a company must face when deciding to expand into international markets. The implementation of this strategy will require a great deal of commitment from all the individuals throughout the company. The business strategy must align with the strategies of the company, business units and functional levels.