

Cpk case – 1429  
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essay



**ASSIGN  
BUSTER**

California Pizza Kitchen, Inc. (CPK) is a United States based dining restaurants chain.

The company primarily offers a mixture of assortments of hearth-baked pizzas, a wide variety of unique appetizers, desserts, pastas, salads, soups and sandwiches. CPK operates across more than 253 locations in 32 states, the District of Columbia and 10 foreign countries. It owns 205 and 48 franchised restaurants across the world and is headquartered at Dover, Delaware.

An external analysis of the California Pizza Kitchen reveals several challenges facing the business: Political, economical, social and technological changes to be specific. CPK's communication strategy focuses on marketing the California Pizza Kitchen brand through many creative and non-traditional avenues. As one of the pioneers of premium pizza, they continue to benefit from national media attention featuring their co-founders and co-CEOs, Richard Rosenfeld and Larry Flax, this is believed to provide CPK with a noteworthy competitive advantage.

New restaurant openings, high-profile fundraisers and media events currently serve as the focal point of their public relations and media outreach efforts. As early as 2009 CPK landed a sponsorship agreement with the Los Angeles Angels of Anaheim and the Los Angeles Kings to promote California Pizza Kitchen at Angel Stadium and STAPLES Center, respectively. In the same year their public relations efforts led to coverage on a national level in various outlets including the Business Week Magazine, ESPN the Magazine,

Los Angeles Times, USA Today, Wall Street Journal, The View, FOX National News and CNBC Power Lunch.

CPK's objective is to expand its leadership position in the restaurant and premium pizza market by selling original, high quality pizzas in addition to creative salads, distinctive pastas and related products and by providing extraordinary customer service, thus building a high degree of customer loyalty, brand awareness and superior returns for stockholders.

To reach these objectives, CPK plan to increase the market share by expanding their restaurant base in new and existing markets, leveraging their partnerships in non-traditional and retail channels and offering inventive menu items.

CPK is pursuing a disciplined growth strategy that, to be successful, depends on the ability and the ability of franchisees and licensees to open new restaurants and to operate these new restaurants on a profitable basis.

Successful growth depends on numerous factors including: the hiring, training and retention of qualified working personnel, especially managers; competition for restaurant sites; negotiation of favorable lease terms; timely development of new restaurants, including the availability of construction materials and labor; management of construction and development costs of new restaurants; securing required governmental approvals and permits; competition in our markets; and general economic conditions. S. W. O.

T. ANALYSIS Strengths \* California Pizza Kitchen, Inc. is a recognizable brand name. \* California Pizza Kitchen, Inc.

has a strong balance sheet and a steady reduction in long term debt. \* There are a variety of different products and ways in which the CPK brand is being marketed. \* California Pizza Kitchen, Inc has been able to remain competitive in Weaknesses \* California Pizza Kitchen, Inc has a lack of geographic diversification; currently 40% of company operated stores are located within California.

As a result, CPK is particularly susceptible to adverse trends and economic conditions in California. Opportunities \* Franchised Restaurants and frozen pizzas (such as California Pizza Kitchen, Inc) ave the possibility of improving overall margins in the long run. \* Management has hinted there is a chance of marketing products other than Just frozen pizzas through Kraft.

\* California Pizza Kitchen, Inc. will be introducing quick serve restaurants, and catering services in addition to their traditional restaurants. New target markets such as college campuses can be accessed. Threats \* Restaurant sales are susceptible to timing of weather, holidays and other special events \* Nestl©'s opinion of CPK's frozen pizzas is the driving factor for continued marketing of the product; this is considered a threatened. PORTER'S 5 FORCES ANALYSIS Supplier Power \* There is a low amount of supplier power.

The industry has a large assortment of places to obtain the different ingredients used in making food. Barriers to Entry \* There are very low barriers to entry within the industry.

A large number of people can afford to lease buildings and equipment, so preliminary capital start up costs is very low. Buyer Power \* There is a high amount of buyer power within the industry.

While to a certain extent people are willing to pay higher prices for good meals at a restaurant they trust, it is not too long before sales are hurt by a high price elasticity of demand. Threat of Substitutes \* There is a high threat of substitutes within the restaurant industry. Over the recession people have substituted towards more home cooked meals as disposable income per capita decreased.

Degree of Rivalry \* There is a high degree of rivalry within the industry. Tens of thousands of restaurants within the industry all compete for the same customers. P.

E. S. T Analysis \* Political factors are how and to what degree a government intervenes in the economy. Specifically, political factors include areas such as tax policy, labor law, environmental law, trade restrictions, tariffs, and political stability. Legal factors include discrimination law, consumer law, antitrust law, employment law, and health and safety law.

These factors can affect how a company operates, its costs, and the demand for its products.

California Pizza Kitchen Restaurants are subject to certain private lawsuits (including purported class action suits), administrative proceedings and claims that arise in the normal course of business. Higher tax rates and other changes in tax laws or other economic factors that may affect consumer spending or buying habits could unfavorably affect the demand for the Company's products. An assortment of federal and state labor laws govern our relationship with employees and affect operating costs.

These laws include minimum wage requirements, eligibility requirements and sales taxes. \* Economic factors include economic growth, interest rates, exchange rates and the inflation rate.

Deteriorating economic conditions and financial markets are affecting consumer spending and may harm the business and operating results. Throughout 2010 and possibly beyond, the U. S. and global economies may continue to suffer the consequences of the downturn in economic activity. The restaurant industry is sensitive to changes in general economic conditions, both nationally and locally.

Recessionary economic cycles, higher interest rates, higher fuel and other energy costs, inflation, increases in commodity prices, higher levels of unemployment, higher consumer debt levels. , higher tax rates and other changes in tax laws or other economic factors that may affect consumer spending or buying habits could unfavorably affect the demand for the Companys products. In addition, the recent turmoil in the financial markets has had an adverse effect on consumer spending patterns. Operations are susceptible to changes in food and supply costs, which could adversely affect margins.

Profitability depends, in part, on the ability to anticipate and react to changes in food and supply costs. Various factors beyond the company's control, including adverse weather conditions and governmental regulations, could cause an increase in cost for food and supply. \* Social factors include the cultural aspects and include health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety. Trends in

social factors affect the demand for a company's products and how that company operates include recruiting and retention and customer satisfaction. CPK seeks experienced managers and staff.

Employees are supported by offering competitive wages and benefits, including a 401 (k) plan and salary deferral plan, medical insurance for all employees, including eligible part-time workers, and discounts on dining.

Customer satisfaction is critically important to CPK. To that end, solicitations of customers' opinions through web-based surveying of guests are a vital tool in quality control efforts from both a food quality and customer service perspective. New information or attitudes regarding diet and health could result in changes in regulations and consumer eating habits that could adversely affect revenue.

Given the geographic concentration, negative publicity regarding any of the restaurants in California could have a material adverse effect on the business and operations, as could other regional occurrences such as local strikes, earthquakes or other natural disasters.

\* Technological factors include technological aspects such as automation, technology incentives and the rate of technological change. They can determine barriers to entry, minimum efficient production level and influence outsourcing decisions.

Furthermore, technological shifts can affect costs, quality, and lead to innovation. All CPK restaurants use computerized information technology systems that are designed to improve operating efficiencies, provide field

and corporate management opportune access to financial and marketing data, reduce restaurant and corporate administrative time and expense, ensure compliance with federal and local legislation, and facilitate an enjoyable guest experience by allowing our guests to customize menu items, food preparation and payment options as desired.