

# Financial strategy for kudler fine foods

Business



Financial Strategy for Kudler Fine Foods Kudler Fine Foods is a privately held upscale specialty food store, located in the metropolitan area of San Diego. Currently the company has three locations in La Jolla, Del Mar, and Encinitas. Kudler stores have a fine selection of bakery and pastry products, fresh produce, fresh meat, seafood, condiments, packaged food, cheese, and specialty dairy products. Each of the stores has a domestic and imported fare.

The owners at Kudler are exploring ways to expand the organization and maximize profits. The three options for expansion are going public through an IPO, acquiring another organization in the same industry, and merging with another organization. This paper will list the three options and provide the strengths, weaknesses, opportunities, and threats of each approach.

Going Public Through IPO According to Financial Management page 413, the disadvantages of going public through the means of an initial public offering (IPO) have a variety of weaknesses. New IPO companies have the filing of periodic reports with the Securities and Exchange Commission (SEC). IPO involves time, and the revealing of company information that competitors use for advantages.

The private equity investors have to share new capital with the public investors. The private investors lose a degree of control when going public. The cost of going public is expensive to the extent of spending 15-25% of the money raised on the IPO. The company founders may want to sell his or her shares through the IPO, but this is not allowed a period. Everyone involved with the IPO faces legal liability for the actions of each owner.

The owners face lawsuits from the IPO prospectus should the public market valuation fall below the IPO offer price. According to Financial Management, acquiring another firm in the same industry has variables with multi-faucet advantages and disadvantages, depending on the execution of the plan. “ Businesses grow in one of two ways. They acquire assets, or they acquire operating firms. ” “ We consider four approaches to valuing an acquisition candidate.

These include (1) book value, (2) appraisal value, (3) “ chop-shop” or “ break-up” value, and (4) “ free cash flow” or “ going concern” value. The big deal to understand is the two main questions behind the acquisition; what price to sell the organization for and what price to buy the organization. The approaches to valuing the organization take a buyer so far, the rest is in the negotiations between the buyer and the seller. Acquiring Another Organization Kudler Fine Foods has expanded in the California area after it first opened up in the city of La Jolla. As mentioned earlier, Kudler has also added two current stores in Del Mar, and Encinitas.

However to expand the business, they either need to increase the sales in Del Mar, which has a median household income from 2000 of \$98, 257 with 4, 389 people, or move the store in Del Mar to Carlsbad, California in Carlsbad Village Drive between the Interstate 5 and the highway leading to the coast that is highly competitive with Vons, Ralphs, and Albertsons. Kudler Fine Foods can acquire one these companies, especially when Kudlers revenue is not growing fast, one of these companies can be better situated to increase rapid growth that Kudler Fine Foods needs. It can also assist in their sales in Del Mar without moving the store. Obtaining a large competitor <https://assignbuster.com/financial-strategy-for-kudler-fine-foods/>

like Vons, Ralphys, or Albertsons can help increase their market share. What is the important to note is the strengths, weaknesses, opportunities, and threats of Kudler Fine Foods before acquiring another organization. First, the strengths of Kudler Fine Foods, which in part is a small organization, no direct competition, the consumer has many choices from its luxurious bakery and produce department, and customer-friendly oriented.

To expand, the small organizations priorities will change meaning that the owner will not have that much time to go from store to store and check inventory, selecting and ordering products, and cashiering. These tasks must be delegated. With the Acquisition of Iwamoto Crew Coe in Chicago, Illinois, it will enhance Kudler Fine Foods in organizational development with resources on how to expand, increase professional growth, marketing, and public relations. Merging With Another Organization Merging with another organization has downfalls of destroying wealth from the merger.

Considering the buying price is important when merging, spending too much on the merger will impound the value after the merger.

Some mergers do not create wealth so capital is lost through the merger. There is no guarantee of financial gain and every formula considered with focus, just as with an acquisition. The final decision dictated by the variables. One company merging with another company takes the debt and losses of those companies in the new formed company. To evaluate the direction that Kudler Fine food wants to take the company has prepared a Strengths, Weaknesses, Opportunities and Treats (SWOT) analysis to assist the business leaders in making an intelligent decision regarding expansion. The company strengths, weaknesses opportunities and threats are listed below.

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The company strengths are the organization is small, no direct competition, lots of choices for the consumer, very customer oriented, good store locations, high level of repeat customers, and the owner has good personal relationships with staff. Kudler weaknesses are the company main product is perishable goods. Kudler is a specialty shop with a high pay-roll. The management team is small and could become overwhelmed with responsibilities. Currently, the Del Mar location is not performing well and the company also has geographic expansion limitations.

Kudler has the following opportunities. The company is in a position to expand throughout California. Kudler would benefit from delegating the purchasing process to a company with more experience. The catering services have room to grow. Adding more products to the product line would also assist in spreading the brand outside of California.

Competition is a threat to the company. There are other gourmet shops in the area. Another threat to the company is the decline in the economy. As the economy decreases people are spending less of their budget on gourmet specialty items. After careful review of expansion option the SWOT analysis the owners of Kudler have decided that acquiring another location is the best option for expansion.

The reason for this decision is obtaining a large competitor like Vons, Ralphs, or Albertsons can help increase their market share. The company is not currently in the position to face the expense of going public. A merger does not work for this small firm because Kudler is currently in the position of establishing the company and merging with another company would be too

expensive and could hinder the current reputation of the company. Kudler plans to focus on providing meeting the needs of customers and working to compete with competitors. References Keown, A. J.

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