The cheesecake factory (2)

The Cheesecake factory is among the largest growing menu categories in the United States industry of restaurants. The Cheesecake factory opens its restaurants in the attractive locations that are populated and also areas that have people above-average income earners especially the shopping malls. This Cheesecake factory does not advertise in any conventional sense because they rely very heavily on public relations and marketing efforts. The company creates experience, a very great location with quick and easy access and also by the word of mouth (Katherine, 2008). Michael Porter's five forces comprise of the sub-segments buyer's power, supplier power, threat of substitutes, threat of new entrants and the competitive rivalry. Further than an in-depth discussion of the prior subjects, a ranking and weight is assigned to every sub-segment in an attempt to signify and show the significance and importance to the entire industry attractiveness.

The ranking ranges between 0 and 1 with 0 meaning no influence and this means very attractive whereas 1 means having total control and this means very unattractive (Slawsky, 2009). In regard to the overall supplier power which is known to be the weakest among the five forces, there are so many suppliers of the different commodities that are needed in this restaurant industry. These are not all unique in nature. The supplier power is somehow relative depending on the overall geographic location of the company or restaurant and the proximity of the restaurant to the suppliers which affects the cost incurred. This Cheesecake factory is dependent mostly on the agricultural products and therefore the suppliers are quite common with the prices remaining relatively stable from one year to the other. The hedge contracts are used in the Cheesecake company and they guarantee business for one year and this provides a limited amount of power that is not common for the agricultural suppliers, but with increasing switching costs. The forces of the supply of labor are weak especially when given the economic situation, although this given force will gain strength as the rate of unemployment reduces (Hume, 2007). There is also the real estate supplying forces which in this restaurant industry are mostly dependent upon expansion and they usually hold more power.

These chain restaurants opt to build their facilities in order to conform to concept and design, but the land is either bought or leased. The purchase of the same kind of property is considered to be a greater upfront cost though it eliminates the lease from the holding of power by raising and/or charging the monthly rent. The large size of all the corporations within this industry is considered because the economies of scale are established and the larger firms could be able to potentially turn the tables and therefore dictate the terms to all their suppliers (David, Kim & MacKenzie, 2009). Considering all these supplying forces, the overall supplier's power is ranked 10 out of 1 (Katherine, 2008). The second factor is the buyer power in which the buyers do not have the enough collective power in order to have great impact on forcing the prices down. In the Cheesecake factory, the buyers are ordinary citizens, so there is no one buyer or even a group of buyers who purchase any significant amount of the cheesecake, and therefore they cannot dictate the terms or prices. Also, the buyers possess much power when compared to the suppliers. This is because the fixed costs are very high and when they are a significant in number which affects the profitability and sales (Karen & John, 2008).

The cheesecake factory depends on the macroeconomic factors and this puts extra power in the hands of the buyers. The competitive rivalry force is rated highly because the restaurant industry is highly competitive. This cheesecake factory is not only in the metropolitan and urban areas; the company needs a substantial flow of their customers, although these numbers of consumers could also be found in the current less populated areas. The density of the restaurants is high, the services and the products offered are very similar and they are always under scrutiny of the customers (Charles & Gareth, 2009). This leads them to look out and also frequent the factories that have the best value. The larger restaurants have a lightly higher advantage over all the others because they possess the economies of scale which allows them to be able to advertise much often, develop unique and new products, and also gain access to the competitive technology. This is rated 0. 25 out of 1 (Karen & John 2008).

There is also the threat of substitutes force and it is rated as the highest among the five forces. This is due to the frequency of substitutes. These substitutes for the products produced by the Cheesecake factory are not inclusive to the restaurant industry but also any form of the home prepared meals. The factory has to use differentiation strategy often and/or rely on the atmosphere so that they provide the products that are not duplicates. This is rated 0. 30 out of 1 (Hume 2007). There is also the threat of new entry force. The entry barriers into the restaurant industry are low with only 91% of the restaurants being operated by small operators as reported by National Restaurant Association.

There is high competition and also high fixed costs which are deterrents but also most of the entrepreneurs enter because a very high percentage of the total incremental sales above the breakeven point are known to be profit. It is also a franchised industry where the entrants are common phenomena. The big chain restaurants enjoy advertising, economies of scale, better technology and also much more in the real estate purchasing. This force is rated as 0. 22 out of 1 (Hume 2007).