Defining case issues case study sample

Business, Company

The current issues faced by 122164 Canada Ltd. can be divided into root causes and their symptoms.

Thus, the symptomatic issues are the recent difficulties in Australia and South Korea, as well as the limited commitment of some of the franchisees.

The real problem of the company is the lack of a clear strategic orientation.

Analyzing the case data

The current situation mostly refers to the relationships between the company and its franchisees. NYF's and SSBC's further international expansion offers numerous opportunities in terms of enlarging customer base, getting access to new resources and experimenting with local menus. The projection of the chains' success is based on the popularity of NYF fried meals as a fast snack as well as on the popularization of hamburgers worldwide. However, it is also constrained by the possibility of losing control over the brand and a threat to the company profitability. It is especially likely when franchisees are not fully committed and do not act according to the parent company's strategy, as it has been the case in South Korea. Moreover, it is important to assess new locations by the possibility of establishing several outlets in the area, since only beyond 10 units the new international location could realize profits. Thus, the slow expansion in Hong Kong and Macau points at the limited potential of the Asian region. If it is impossible to open a sufficient number of stores in a short time, there is little chance for profitability.

Therefore, the company should clearly define its strategic orientation in managing franchises, finding the optimal solution between flexibility and control. This decision would help to choose the next possibilities for internationalization and would allow evaluating the benefits and costs of the expansion to India and China, the two markets which fit neither cultural nor economic (GDP/Capita) characteristics of the typical markets for NYF and SSBC. Moreover, even if there is a cultural/economic fit between the company's strategy and the new market, international franchisees should be able to provide sufficient resources for fast expansion, otherwise the company may face a failure similar to their Australian experience.

Overview of current operating strategies of the company

The main NYF products are French fries, fried meals, hot dogs, soda, toppings and seasonings. SSBC specializes in high-quality hamburgers. The brands occupy different real estate (the former is usually located in shopping malls, while the latter occupies big box centres). Moreover, the two food chains target different customer segments, with NYF aiming at females, teenagers and families, while SSBC serving primarily male customers. This strategy made NYF and SSBC complementors rather than competitors, and the maturity of the NYU brand significantly supports SSBC expansion.

The success of company's products can be attributed to the clear and forward-looking product positioning strategy. Both NYF and SSBC offered only high quality food, which did not use trans fats or meat that was genetically modified or treated with hormones. That is why it was important for the company to select suppliers very carefully and to establish close relationships with them. Moreover, relatively low prices and the image of a " cheap treat" made NYF survive the crisis without major losses.

The operating strategy of international expansion emphasized franchises as the main internationalization mode. The company currently (2011) operates in 6 countries. As profitability could be only achieved with a relatively high concentration of NYF shops in the area, franchise agreements stimulated regional expansion by reimbursing a part of the upfront fee.