

# [Internal analysis](https://assignbuster.com/internal-analysis/)

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Internal analysis Internal Assessment The vision of the company is enhancing the perception people have about fast food through a mission of serving “ food with integrity”. The company utilizes sustainable sourcing of farming practices in order to provide inputs for serving good quality food. The mission and the vision have served in attracting the investors while also maintaining the customer base; consequently, serving to strengthen the distinctive competencies.
Adoption of farming methods that guarantees great taste, value and nutrition, make this resource valuable. Exhibit 2 shows that the firm derives distinctive competencies from this since the resource is rare and most of the competitors have not ventured into it.
As indicated in exhibit 2, marketing is valuable since the company has been able to cut down on its advertising spending through their strategies. The loyalty programs, used by the company, are common among the competing firms in the industry; hence putting the resource as a source competitive parity.
The calculation shows that the company witnesses declining values for liquidity ratios and profitability ratios. This signpost the pitiable margin of safety the company has in settling its debt; consequently, focusing a brighter which jolts potential investors. The price increment had detrimental effects on the company’s profitability and reputation (ability to attract customers and investors) as portrayed by the ratios in exhibit 3.
The company’s greatest weakness is the increase in marketing cost and the undue increase in product prices that increases its operating expenses without a corresponding increment in revenues and equity as explicated by the ratios in exhibit 3.
Exhibit 2: VRIO analysis
Value Chain
Activities
Specific Attributes
Along the Value Chain
V
R
I
W/S/DC/SDC
O
Competitive Implication:
Likely to have
Marketing
Loyalty brands
Yes
No
Yes
Strength
Yes
Competitive Parity
Product innovation
Increased menu prices
Yes
No
Yes
Strength
Yes
Competitive advantage
Financial resources
Rapid revenue growth
Yes
Yes
Yes
Sustainable Distinctive Competence
Yes
Sustainable Competitive Advantage
Sustainable
Farming methods
Yes
Yes
No
Distinctive competence
Yes
Competitive advantage
independently owned and operated distribution centres
Local farms and use organic agriculture
Yes
Yes
Yes
Sustainable distinctive competence
Yes
Sustainable competitive advantage
Sales
Fast and reliable delivery
Yes
No
Yes
Sustainable Distinctive
Competence
Temporary competitive advantage
Figure showing VRIO analysis of the company
The value chain activities analyzed in VRIO table above show the ability of the company to take up on investment activities while also withstanding competition in the market. Its act of increasing product prices affects its turnover and profitability. Price reduction and monitoring of its inventory level would help resolve the issue and attain a competitive advantage.
Financial analysis
Exhibit 3
Financial Ratio Analysis
Profitability Ratio
2011
2010
Return on sales
15. 45%
15. 68%
Return on equity
20. 58%
22. 07%
Liquidity Ratios
Current Ratio
3. 18
3. 30
Acid test(quick ratio)
3. 13
3. 24
Shareholders ratio
Return on assets
24. 6%
25. 66%
Leverage Ratio
Debt to equity ratio
36. 50%
38. 3%
Conclusion
The company generates most of its profit from shareholders investments. The 1. 49% decrease in ROE between 2010 and 2011 indicates that the company is striving to diversify its investment and revenue sources. ROS declined by 0. 23% between the period implying that its efficiency is plummeting and its ability to make profits is declining. Moreover, the decline in quick ratio values indicates that the company’s resource utilization is declining hence its compromising its ability to meet financial obligations as they fall due. This can be attributed to the increment in product prices and the company’s debilitated capability to compete in the industry. Despite the increase in income, the company is weakening and might soon be incapable of drawing investors and endure competition. It needs to reconsider its financial policies and management approaches to gain strength.