

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

[](https://assignbuster.com/)[Finance](https://assignbuster.com/essay-subjects/finance/)

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.