Internal analysis

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.