

Assessing macro and micro environment analysis commerce essay



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Downturn in national or world economies and rising of inflation which is being experienced current period, are the most common factors that can affect businesses. Conversely, what cause an adverse effect for many companies, has had a constructive effect for Domino's Pizza UK, Ireland, the most leading delievery franchise. Keeping in view the current economic situation Domino's Pizza sales had increased up to 11% in the first six week of 2008 than that of same period of last year, due to, mostly people preferred for delivery at home, instead of going for eat outs, Like-for-like sales rose 14. 7% last year, despite a price rise across Domino's menu last autumn. (The Times, 20th February 2008)

According to Cheif Executive, The Chris Moore, ' The results are proof that our price point is resilient in these economic times and that we are benefiting from the downturn in the restaurant sector. Instead of eating out three or four times a week, we are seeing real signs that [people] have cut that to once or twice. They are filling up that gap with pizza instead.' (The Times, 20 February 2008)

His comments came soon after the company announced plans to move up to the main market in order to obtain funds it has been unable to attract in the nine years it has spent on the Alternative Investment Market (AIM). Domino's shares have climbed 14-fold since the company floated in November 1999 and the group now has 501 sites across the UK and Ireland, with plans to open 50 more this year. Its aim is to have 1, 000 by 2017. (The Times, 20th February 2008).

Domino's said, sales had been enhanced, due to these new pizzas, like wise, Meateor and the rugby-themed Scrummy, and by offering new ways of ordering, like wise e-commerce sales-orders taken electronically either online or through text messages, due to which sales have been intensified to 60. 5%. According to Domino's prediction, the drift for ordering-in food would continue this year. At present the external environment shifting rapidly. The external environment consists of everything outside the business.

Even in the present critical economical situation, domino's continues to succeed which is due to domino's remorseless emphasis on the quality of domino's pizzas, penetrating commitment to service and by publicizing to domino's customers to whenever and wherever they are willing to order. It is their frequency that has brought profit growth of 27. 8% to £29. 9m (2008: £23. 4m) and that will persists to get-up-and-go domino's business in years to come.

PEST (Political, Economic, Social and Technological)

i. POLITICAL ISSUES:

Political issues include regulatory frame work operating in judicial system which may distress the business in diverse ways. In UK, there isn't as such factors that might embrace domino's business. While factors like, laws on business employment, pollution and taxation apply on the organization which it should follow according to rules.

ii. ECONOMIC FACTORS:

If the country's economy is better so the GDP of the country will be good, it is the initiative for business as the per capita income increases people will spend more money. According to domino's survey, it came to know that mostly people spend more and visit more often, during or start in on of months. Moreover, rise in inflation rate, leads to increment of cost of raw material which also leads towards higher prices for goods and vice versa

iii. SOCIAL FACTORS:

Domino's is a multinational and it is basically inaugurated from America, therefore, the organization is snowed under by domino's western culture. There are different social forms of society which consists of, upper class, middle class, middle upper class, and lower class. Moreover, every single nation, state has their own cultural norms, beliefs, religion, values which might affect the organization world wide.

iv. TECHNOLOGICAL FACTORS:

At the present time, technology is improving, so as baking and heating ovens will be of new and efficient technology and will provide efficient service. Due to these innovative technology there are many latest ways of publicizing like wise, through internet; telemarketing through which organization can advertise their products in much more rapidly than ever before. Computer based customer data that is MIS (managing information system) helps in collecting customer data, daily transactions, future forecasting and decision making. New vehicles will make their service more efficient.

SWOT Analysis:

Every organization has its own strengths and weaknesses as well as threats and opportunities, As far as domino's swot is concerned its swot analysis is as under.

Strengths:

Currently Domino's is the market leader in providing wide range of pizzas, in a manner that there are no competitor in this sector. Their admirable image has made the organization more worthwhile. Moreover, Domino's is renowned for its pleasing taste, quality products with qualified staff, splendid ambience and hygienic surroundings. They are specialized in pizzas. Moreover, the motivation level of staff is very high which makes the organization more prosperous. They are ISO (International Standard Organization) certified. They are equipped with plenty of resources for operating different activities of the organization. They are providing free home delivery service. They have created a monopoly in this sector. Another big strength and even a competitive advantage is the fact that they have a full service restaurant as well as delivery services. Most of Domino's competitors do not have restaurants. Because of the restaurant, Domino's can market to many different segments that other pizza chains cannot. For example, Domino's can market to families much easier than Domino's or Little Caesar's.

Domino's weaknesses:

The fact that Domino's does have a restaurant to run is also a weakness. Domino's has higher overhead costs, due to the restaurant that other competitors don't have to deal with. Another result of higher overhead costs

is higher prices Domino's must charge. Obviously, Domino's is not the low cost producer. They rely on their quality pizza and good service to account for their higher prices. They are providing less range of products comparatively with high prices. They are more focused on western taste instead of Eastern.

Very few outlets have dine-in facilities

The menu is limited and pricey, and there are very few budget items on the menu.

Opportunities:

New markets can be explored and new opportunities they can gain.

Domino's can come up with the new products considering the Eastern taste of the people as like McDonalds. Diversification of new products can increase their market share. They can reduce their prices because of more domino's.

Threats:

Domino's number one threats are from their competitors. Currently,

their closest competitor is pizza hut who is working to open their

Branch rapidly. Domino's main competitive advantage over Pizza hut is

their Lower price.

Evaluate domino's company strategies with other different companies:

Domino's has succeeded in expanding over continents and observed

spectacular achievements, but in efforts to develop globally it has not been

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able to manage the domestic market with full efficiency and as a result, is losing grounds in the domestic market. Domino's has raised the standards of pizza industry to great heights, but in current economic situation, rising commodity prices and decrease in people's purchasing power, it is struggling to balance between profitability and maintaining its standards. The increasing competition in the fast food industry adds to its array of challenges.

A critical factor in Pizza Hut's success has been a menu that has constantly evolved and expanded to cater to the changing needs and specific preferences of customers in different parts of the world. In having understood the pulse of the customers, Pizza Hut has clearly established itself as a brand with a Britain heart and Domino's need to learn that.

Benchmarking:

For many years as a private company, Domino's really benchmarked against itself, without looking at the outside world. We were proud of the fact that for many years we had positive same-store sales, which is a big financial indicator of growth and success in the retail world. Well, that was the good news.

The bad news was that during those same years our competitors were growing at a faster rate. Domino's were actually giving up market share. At the same time, domino's were hosting internal celebrations of the fact that against our own internal matrix domino's were doing well. Domino's not only had to look at what had been our past results and reconcile how domino's were performing against that benchmark, but also domino's needed to look

at the world around us, look at our competitors, and in many instances, I really wanted us to look at the very best in class. Who is out there doing the best possible job in this particular area of business? Domino's need to find out what their results are and start to hold ourselves accountable for that particular level of performance.

Domino's accept mediocrity because domino's can choose a lot of people around us who are just as mediocre as domino's are. I want to find the very, very best, and I want to benchmark against them, and I want to get as good or better. I think if I lead that expectation and I get my team and my organization to embrace it, that's how domino's' were going to become world-class performers.

Takeaways

When an organization is successful, people tend to believe that they can stop improving. But things never stay the same: either you get better, or you get worse.

The minute companies become complacent and apathetic is the minute they begin to fail. To have a high-performance organization, you must foster a culture of continuous improvement.

Don't accept mediocrity. Instead, look to your competitors, and benchmark yourself against them to achieve world-class performance.

Organisation strategy:

A business's strategy is the pattern of decisions and actions that are taken by the business to achieve its goals. A business has a variety of goals and

objectives. All businesses need to organize their business activities in order to achieve their business objectives. Running a business involves planning the current as well as future activities. Hence, in order to achieve the business objectives, all business organizations adopt different strategies.

Similarly, Domino's has adopted many strategies which help achieve the targets set by the main office to the local store opened at Peshawar.

Changes in the external as well as internal environment has led Domino's to rethink their past strategies and has therefore designed new strategies after noticing the changes in the environment. These environmental changes are seen through the PEST and SWOT analysis. After considering all the factors Domino's has decided upon the strategies and their current strategies are divided into five main categories and further have sub-parts. These strategies are: -Functional Strategies: -

These are strategies designed to improve the efficiency of a business's operations. They often focus on an area, such as marketing, human resources etc. All business organizations adopt strategies at functional level as once the functional objectives are achieved, corporate objectives become easy. In order to make the functional strategy efficient, Domino's has made all the functional departments co-operate with each other.

Effectiveness of international strategy:

It reaches geographically dispersed buyers. Domino's vision is focused on "Exceptional people on a mission to be the best pizza delivery company in the world!". Domino's is committed to bringing fun and excitement to the lives of Domino's customers by delivering delicious pizzas to their doorstep in 30 minutes or less and all its strategies are aimed at fulfilling this commitment <https://assignbuster.com/assessing-macro-and-micro-environment-analysis-commerce-essay/>

towards its large and ever-growing customer base. It's all advertisement are image of core competencies.

They also should have a variety of combinations of menu items which a customer can choose so that both the customer and the company can have a win-win situation. The company can have the maximum of the consumer surplus at the same time the consumer might feel that this was the best offer. From the menu card one can see the family size variants and the different pizza combinations in the same one pizza are all the different ways of pricing. The company attains the maximum profit in the meat items, so they give the selection of pizzas slices of different varieties and they are clubbed together to form a single pizza.

Once the customer dines / orders @ home, normally discount coupons are given to the customer so that there is an incentive for the customer to order from Domino's . Thus customers are forced to maintain loyalty towards Domino's .

Sustaining, building relationships and Exploiting Changing Conditions

Over the years domino's has also developed and successfully introduced a range of products especially suited. What has also given domino's a competitive edge is that in addition to an extensive range of internationally renowned pizzas like The Italian, the proprietary Pan Pizza and Stuffed Crust, in the menu offers the option of a complete meal. It includes appetizers, a Salad Bar - where the customers can make their own fresh salads, a range of soups, pastas and desserts etc.

Domino's should also have a community called as 'VIP- Members' joining this club should be at no extra cost one can avail greater offers. Meanwhile Dominos are not behind Pizza Hut in introducing local tradition. Domino's believes strongly in the strategy of 'Think global and act local'. Thus, time and again Domino's Pizza has been innovating with delicious new products such as crusts, toppings suitable to the taste buds of Consumers

Firm market entry strategy:

Dominos Pizza was able to gain ground by positioning Pizza as a snack and supporting it with its efficient home delivery system.

For Domino's direct selling and interactive selling is not needed though they are involved in internet and cable TV promotions. Domino's always search for ways to gain efficiency by replacing one communication with others. The sustainability among communication tools explains why marketing function need to be coordinated.

Growth strategies:

Pizza hut targeted market defines them as a family product. This is because they don't really directly market their customers. They are target everyone whereas their competitors target a certain gender or age. But pizza hut targets a wide range of customers. This is because they want to make the most money and who blames them.

They have many competitors and they are bound to try everything to cope up tops. Their competitors are everywhere. There are just a few that are

main competitors and pizza hut will always try to be the best and get the most money by making their products better quality but also cheaper.

They try to offer something different with their product. They offer a range of stuffed crusts to try and attract customers. They also do vegetarian options with meat free pizzas and a salad and pasta bar. Not a lot of restaurants offer a salad and a pasta bar. This is another competitive idea to attract or customers.

Potential development over 10 to 20 years:

senior executives at Dominos are missing a key thought process about change, growth and innovation though. They didn't understand that every product, team, organization and individual goes through a process of birth, growth and decline that is similar to the shape of an elongated S. You can't avoid this process.

At the beginning of every growth curve, you make investments with little or no reward. It's only through squeezing out operational inefficiencies, gaining and or growing market share that companies recover their initial investments and grow the bottom line and pay dividends to their stakeholders.

Dominos rested on the part of the S-Curve where the maximum profit are being realized without understanding that decline, death, and decreased profit aren't just probable, but are inevitable. Dominos is trying to jump the curve and are at the beginning of a new S-Curve - time will tell as to whether they embrace team development and leadership development, which will ultimately determine whether they grow or die.

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Appropriate justified recommendation for improvement, development and international :

- Increase varieties in Pizza's.

- Focus on location of the outlets.

- Increase the quality of Pizza's.

- Make good ambiance in outlets.

- Should focus more on marketing itself confidently.

Conclusion:

Domino's Pizza constantly strives to develop products that suit the tastes of its consumers and hence delighting them. Domino's believes strongly in the strategy of 'Think global and act local'. Thus, time and again Domino's Pizza has been innovating with delicious new products such as crusts, toppings and flavours suitable to the taste buds of Consumers. Further, providing value for money at affordable products to the consumers has been Dominos motto. Initiatives such as Fun Meal and Pizza Mania have been extremely popular with consumers.