

The five forces industry and soot analysis discovers cataracts

[Business](#)



In order to be successful in the globally competitive market, it is crucial that companies are aware of the important role organizational strategy plays in a business' operations. Cataracts achieved worldwide success by implementing organizational strategies that are aligned with their organizational goals and mission. This report evaluates all the components required in organizational strategy.

The Five Forces Industry and SOOT Analysis discovers Cataracts' competitive position in the coffee industry.

Cataracts' competitive advantage will be determined after implementing a competitive analysis of their top competitors. With an in-depth look at Cataracts' mission, we can see whether they are embodying it and if they are showing organizational effectiveness. Then, we will look at which kinds of corporate and positioning strategies Cataracts is employing and assess which companies they might benchmark against. Lastly, a thorough analysis of their external environments will illustrate how Cataracts' external factors influence their strategies.

Five Industry Forces Organizations use the Five Industry Forces as a tool for understanding their nominative positions in the industry. The Five Industry Forces helps companies discover how attractive their industry is by determining the threat level of five forces that influence the industry. The character of the rivalry, threat of new entrants, threat of substitute products or services, and bargaining powers of suppliers and buyers are the five forces that must be taken into account when measuring the industry Cataracts competes in.

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Character of Rivalry Character of the rivalry measures the Intensity of competitions' behaviors. There are many companies competing In the same Industry as Cataracts. However, each impetigo has their own unique strategy based on serving their specific target market as opposed to directly competing against each other.

For example, Cataracts and Tim Horton compete in the same industry but have different priorities. Cataracts focuses on creating an atmosphere that customers are comfortable in and Tim Horton focuses on being a Canadian company.

Threat of New Entrants The threat of new entrants measures the degree of new companies entering in this industry. Cataracts has a relatively low threat of new entrants. Newcomers come into the industry and find it hard to compete because the existing firms have brand equity and customer loyalty.

Although it is possible for new entrants to thrive, it is quite unlikely because of the market share holders. **Threat of Substitute Products or Services** The threat of substitute products Is how easily customers are able to substitute one product or service for another.

Coffee Is one of the most popular beverages In the world but has a variety of substitutes, such as tea, juice, iced drinks, and smoothies. Items and included hot tea drinks, iced tea drinks, and low-calorie refreshers. In addition, they have their own tea brand called Taco, which is valued at \$1.

4 billion. **Bargaining Power of Suppliers** Bargaining power of suppliers measures the influence the supplier has on the inputs sold to the company.

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Cataracts has a high threat of bargaining power of suppliers because of their high standards for their coffee.

Although, the coffee industry is standardized and there are many coffee bean suppliers, Cataracts need the highest quality coffee beans. This gives the bargaining power to the suppliers of the high quality coffee beans.

However, Cataracts launched an international program to give additional benefits to their coffee farmers to ensure its supply of coffee beans.

Management Case Incident, n. D) Bargaining Power of Buyers Bargaining power of buyers specifies the customers' influence on the prices of the business' products or services.

Cataracts has a relatively low threat from bargaining power of buyers because they are not dependent on a few high-volume buyers. Cataracts is the largest coffee retailer and has a large number of buyers purchasing their products.

Although, customers are not able to influence product prices, they do obtain some power. If Cataracts drastically raise their prices, customers will substitute their products for a cheaper one. Based on the Five Industry Forces, Cataracts' industry has a high attractiveness due to the low threats of character rivalry, new entrants, and bargaining power of buyers.

Cataracts is able to determine the strengths and weaknesses in their position in the industry. With this knowledge, they are able to implement strategies that minimize their weaknesses.

Cataracts handled their high threat of substitutes by expanding their product range which gave customers more variety to choose from. Cataracts' international program with benefits served as an incentive for their suppliers to continue providing them with high quality coffee beans. SOOT Analysts

Strengths Weaknesses 1 . Established brand equity throughout the world 2. Valued and motivated employees, good work environment 3.

Most recognized brand in the specialty coffee business 4.

Provides customers with a cafe© experience unlike no other coffee retailers

5. Loyal customer base willing to pay premium prices for Cataracts products

6. Sustained market share in the coffee industry 1 . Products are more

expensive than competitors' products 2. 76. 5% of Cataracts' revenue comes from the US 3.

Coffee beans price is the major influence over firm's profits Opportunities

Threats 1 . New technological advances that are more efficient 2. Coloratura trends that could increase demand in their products 3. New product 4.

Expansion 5.

Diversification 1 . Threat of substitutes for their products 2. Threat of

bargaining power of their suppliers 3. Competition 4. Exposed to commodity

price fluctuations 5. Threat of coffee bean supply problems A SOOT Analysis

is an effective tool for companies to determine what their strengths are, their weaknesses they need to work on, the opportunities they have, and external threats imposing risk.

Based on the SOOT Analysis, Cataracts is not only recognized worldwide for their coffee, but are recognized for their amazing relationships with their employees and customers.

Although, Cataracts faces many threats in the coffee industry, they are able to take preventive measures against them. Even though their products are priced higher than their competition, Cataracts' brand equity dominates this weakness. Competitive Analysis Dunking' Donuts Dominates in kids' target market Offers products that can be enjoyed along with a beverage Costs are at least 20% less than Cataracts Highly successful regional promotional programs(e. G.

Program with Curt Schilling, an All-star baseball player) Various additional benefits for eligible employees(e. G. True planning bonus) Weak presence in other areas besides Northern US Focuses on a single type of product; lack of diversification on menu Stores are located inconveniently Limited expenditure on marketing its products McDonald's Getting lower prices for raw materials as high-volume buyers High recognition with Cost leader; offering food at prices cannot be competed with Quick production and speedy delivery food Largest fast food market share around the world Low barrier to entry Unhealthy food menu based on the consciousness of health caring Low differentiation of products from other fast food brands

Decreasing sales revenue because of weak sales and innovation High employee turnover Cataracts' Competitive Advantages Based on the competitive analysis, Cataracts has some strong competitive advantages. 1 .

Abundant Products.

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Cataracts stores claim they are able to produce more than 80, 000 varied combinations, most of which cannot be provided by their competitors. Aside from the core products, they also offers a variety of other products, such as fresh food (ex. Baked pastries, sandwiches, and salads), handcrafted beverages and merchandise (ex.

Home espresso machines, coffee brewers and grinders, coffee mugs and so on). .

Special Customer Experience. The philosophy of Schultz, chairman of Cataracts, is “ We’re in people business, serving coffee”. Based on this idea, Cataracts not only provides fine coffee, but it is also a comfortable, warm experience for customers. Cataracts stores are designed with special ambiance-aromas, music and decorations-all arousing a relaxing and warm feeling as at home. This feeling of community connection makes customers form a strong emotional attachment and maintain a long term relationship with Cataracts. 3.

Unique Employee Relationship. Cataracts value their employees as key factors in its business. The numerous benefits that are provided to employees include health care, stock options, and training. Any employee working more than 20 hours a week is eligible for health care benefits and stock options. Cataracts treats its employees as partners by allowing them to purchase the company’s stock, which makes the employees feel that they work for a business that they are responsible for. The employees are trained on customer service, beverage and food preparation, and point of sale.

4. Constant Innovation.

Cataracts continues to introduce new ideas into its business. It introduced Cataracts Reward Card which helps build loyalty as well as returning benefit. It even allows its customers to pay by phone.

Cataracts also extends its business to entertainment field, such as music, books and films, which should keep its passion for products. It is important to keep the products at the same high quality customers are used to, even as they extend their products. At the level of the customer, Cataracts should attract new customers in order to develop new markets and maintain their present customer relationship.

Contributing to society and benefiting employees should be continued because it boosts the company's reputation and morale. Most importantly, Cataracts should keep innovation in its mind, as it gives the company the power to move forward. Mission Cataracts' mission is "to inspire and nurture the human spirit – one person, one cup and one neighborhood at a time" (Cataracts, 2014).

It is devoted to providing the finest coffee for customers while sticking to its uncompromising principles. Struck is "living" its mission in its daily business, as explained at the different levels shown below. . Coffee. Cataracts is enthusiastic about offering the best coffee, setting a high standard for sourcing coffee beans and keeps tight control for processing coffee rodents. Meanwhile Cataracts is proactive about improving the lives of people growing coffee beans.

It has launched a program to offer better pay to coffee farmers and participate in programs to help coffee farmers who are victims of the natural disasters. 2. Partners. Cataracts views its employees as partners. They implement many benefits to their employees and give them the option of purchasing stock.

These methods are an excellent way to motivate the employees because provides Job enrichment. Cataracts also requires partners to treat each other with dignity and respect as included in the standards for business conduct. . Customers. Cataracts promises their customers the best products and is passionate about being their one and only stop for coffee.

Employees are trained to make each drink to the highest quality, and the same at every Cataracts around the world. Cataracts is passionate about providing their customers with a comfortable experience and building a long term relationship. . Stores. Cataracts stores are located at convenient locations around the world, making it easier for customers to get their favorite drinks.

Every Cataracts is designed to offer customers a warm ambiance, and to make them feel like they are at home. It is devoted to being a place where one can meet friends, enjoy life and take a break. 5. Neighborhood. Cataracts regards itself as a part of local communities and takes on the role of a “ good neighbor.

” Stores are required to donate to local causes and charities.

To protect local environment, Cataracts promotes with the use of recycled and reusable cups for its products. Cataracts also has protect the rainforest's campaigns and fundraisers. 6. Shareholders. Cataracts makes an effort to enhance market share and increase profits, in attempts to maintain and increase shareholders Organizational Strategy Effectiveness The evolving coffee industry faces many competing priorities and changing environments.

In Cataracts case, their organizational strategy helps them overcome those factors.

For an organizational strategy to be effective, it must effectively accomplish the tasks that help implement the organizational objectives, which for Cataracts is “ to be the leading retailer and brand of coffee in each of their target markets by selling the finest quality coffee and related products, and by providing must use environmental scanning to understand external forces of the organization and to see the threats and opportunities. One of Cataracts’ strategies to achieve their organizational goal is through the use of ethical sourcing.

An example is Cataracts’ international program that “ offers better pay to coffee farmers who treat their workers and the environment decently. ” This strategy appeals to consumers because it shows that Cataracts is a reliable company that cares about people and the environment. Moreover, the importance of corporate social responsibility is rising.

(White, 2012) People want to know that they are purchasing from an ethical and responsible company. Therefore, Cataracts’ program will attract and

retain nonusers. Secondly, Cataracts' launch of the prepaid Cataracts Card moves them closer to their organizational goal. More than 77 million Cataracts Cards have been activated and loaded with more than \$1 billion. " When a beverage is purchased with the Cataracts Card, a Star is given to the member. There are three reward levels such as Welcome, Green, and Gold.

Each level delivers different benefits. This strategy ensures customer loyalty and at the same time builds brand equity. People love reward programs and perks as it gives a sense of belonging and value. The Cataracts society created through these cards allows members to feel important as they are showered with benefits and consequently drives up sales.

Also, what contributed to the card's success is how user-friendly it is. Cataracts made it really easy to reload, purchase, and use the cards.

All these factors contribute to the effectiveness of Cataracts' strategy. Cataracts understands the trends in their external environment and regularly looks for opportunities and threats – Cataracts started many programs that corresponded to the rising trend of corporate social responsibility. They also launched the Cataracts Card, which generated more than \$1 billion of sales.

Both of these strategic initiatives generated more sales, customer loyalty, and brand equity, which helped fulfill their objective of being the leading retailer and brand of coffee. Hence, their organizational strategy is effective.

Corporate-Level Strategy Since the first coffee shop opened in Seattle in 1971, Cataracts Corporation has created a global business empire over the last two decades. As the world's leading retailer of specialty coffee, it has

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created a cultural phenomenon making the way we drink and eat significantly different from the way we used to.

Its innovative concept of “ cafe life” helps the company maintain its dominant position in the global market. Cataracts uses portfolio strategy instead of grand strategy. Despite the fact that Cataracts develops its products with coffee as the core business, investing among different product lines helps the company minimize the risks during business operations.

There is no doubt that Cataracts’ core product is coffee, and every business and product the company has launched is to give customers a better “ coffee experience”. This concept uses a related diversification approach to enhance its business.

For example, the company offers various products in addition to coffee, such as fresh pastries, snacks, “ drinker”, coffee equipment, music and the famous Cataracts Card. Yet the sentiment behind these products is to give the customer a brand new coffee experience. All of Cataracts’ products share the company’s strong corporate culture – bringing customers a new lifestyle and the ultimate coffee experience. The appendix shows two BCC Matrix tables (camaraderie, 2011) for though the company has some STAR products such as smoothies and bottled drinks, most of the profits Cataracts makes come from coffee and common drinks (Cash Cows).

Cataracts is the leader in the coffee market as Cataracts coffee is accepted as the most popular coffee in the world, which supports the company’s strong position and profits in the global market. Positioning Strategy The

price of a cup of Cataracts coffee is generally higher than a similar product offered by a competitor. This is because Cataracts insists on using the best coffee beans and equipment during the production, making it hard for them to lower its production cost. Instead of the cost leadership strategy, we believe that the company is working on transferring its focus strategy into the differentiation strategy.

It is true that before Howard Schultz, Cataracts was just a coffee retailer.

The only purpose of the company was to sell more coffee to the customers it could reach and make more profits out of it. However, during the transformation of the company, Cataracts successfully developed a new strategy which allowed the company to offer a higher- than-average price without worrying about their market share falling. For starters, the differentiation strategy of Cataracts comes from the strong brand image the company has created during the last two decades.

The distinctive two-tailed siren logo represents the culture and commitment of the company – offering the coffee and related products with high quality and giving customers a better experience and lifestyle. It has been proven that the company has chosen the right strategy that best suits their purpose.

People are willing to pay a premium price for Cataracts coffee because of the extra value it provides. When they are buying a Cataracts coffee, they are buying more than just a simple coffee. Furthermore, another comparative advantage that Cataracts has is its unique products.

For example, by collaborating with Pepsi-Cola, Cataracts created their Production and Doubles coffee, and Cataracts ice cream was developed with Dryer's. The cooperation between Cataracts and other companies makes Cataracts' products difficult to imitate, therefore the company has managed to minimize the risk of substitutions of its products.

At last, we can see that Cataracts creates differentiation of its products through high customer satisfaction, unique customer experience, and ongoing social responsibility.

Therefore, Cataracts has a huge customer base that are very loyal, not just in United States, but also in many countries around the world. Their brand equity delivers huge value for the company since it is almost impossible to copy. Benchmark A benchmark is a standard or point of reference that companies are compared to or assessed against. It is a way to measure a company's growth, strength and improvements.

(The Free Dictionary, 2014) Many of today's most successful companies, started off by benchmarking leading competitors and observing their actions in order to achieve success.

Cataracts is considered a benchmark in the business world, however Cataracts also benchmarks other successful companies. In 2011, Cataracts held a market share of 32. % (Satanist, 2011) and in 2012 had revenues of \$13. Billion (Wisped, 2014) Dunking' Donuts, the second leading coffee shop in the US had half the market share with only 16.

1% and only \$6. Billion in revenues (Wisped, 2014). Dunking' Donuts might benchmark Cataracts as a exponentially over the last few years and is gaining market share very quickly.

Even though there are several differences between the two companies, Dunking' Donuts may still potentially benchmark against Cataracts by comparing growth, advertising and products offered. A coffee based company like Tim Horror's might also benchmark Cataracts for various reasons.

In 2012, Tim Horror's had revenues of \$3. 12 billion, almost \$10 billion behind Cataracts, and an international establishment. (Tim Horror's, 2012) Tim Horror's using Cataracts as a benchmark would help them increase their profits. Tim Horror's might observe the tactics and strategies used by Cataracts and apply it to their own business model.

Things to look at training tactics and programs to better their employees at each location, advertising methods and channels, and organizational efficiency. It would be important for Tim Horror's to compare and evaluate their organizational efficiency in elation to Cataracts and identify the main points of difference, and if applicable apply changes to its own company.

Benchmarking Cataracts would give Tim Horror's the opportunity to grow and increase revenues. However, Cataracts still has a lot of room for growth and might benchmark itself against other leading companies.

For example, McDonald's had revenues of \$27. Billion in 2012 (Wisped, 2014). Although McDonald's is much different from Cataracts, Cataracts can <https://assignbuster.com/the-five-forces-industry-and-soot-analysis-discovers-cataracts/>

compare themselves to McDonald's by assessing their advertising, loyalty programs and social responsibility. McDonald's currently has more worldwide locations, offers a larger variety of products and has several affiliations, including the Olympics.

By using McDonald's as a benchmark, Cataracts can mimic some of these behaviors and successfully grow as a larger, more profitable company.

Cataracts is working on expanding its international market and becoming more relevant around the world, this is something that McDonald's has already mastered therefore, this is one aspect of McDonald's that applies to Cataracts and can be benchmark against. Another leading company in the coffee industry is Nests©'s Nesses©. Nesses© alone had 10. Billion (Forbes, 2013) in 2013 worldwide and is #27 on the list of World's most valuable brands, compared to Cataracts who is 76.

(Forbes, 2014) Cataracts might use Nesses© as a benchmark because of the differences between the two companies.

Many consumers live a busy life and do not have time to stop off at a coffee shop on the way to work, Nesses© is more readily available to customers as a home brewing coffee, suitable to consumer needs. Nesses© is also a recognized brand worldwide, not just in coffee. Cataracts might benchmark against Nesses© in attempt to increase their scope and diversification. Benchmarking is not necessarily only about revenues and profits.

Cataracts is an extremely profitable company that would benchmark other companies for reasons besides profits.

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Companies would benchmark against Cataracts for the things Cataracts, as an international brand, does well. Companies often use benchmarking as an opportunity for their company to grow, in all aspects. The Link between the External Environment and Cataracts' Strategy Cataracts strives to provide their customers with the best cafe© experience. This experience includes Cataracts' high quality coffee, ambiance and most importantly, the experience the customer has while at their shops. Cataracts has found a way to implement this strategy by using certain external factors to their advantage.

These external factors become the most popular trends amongst today's population. These trends have changed the way people communicate and has become an essential part of everyday life. One of the most popular social media sites in 2013 was Twitter. Cataracts saw this as an opportunity to interact with this customers and released their " Tweet-A- Coffee" campaign.

This campaign allows Twitter users to send their Twitter friends and followers a \$5 Cataracts Card gift. Partnering with the popular social media site established customer connections and relationships which contributed to the cafe© experience.

As smart phones grew more and more popular, mobile APS grew more and more popular. Mobile APS provided smart phone users with an easier and faster way to connect. Cataracts took advantage of the coloratura trend with their free mobile APS for phones and Androids.

The Cataracts App made it easier for customers to make purchases, check and reload account balances, and view transactions. In 2013, CEO Howard Schultz reported that the Cataracts App had “ over million users which translated into 2. Million mobile payment transactions each week with hundreds of thousands of additional Cataracts mobile app downloads each week. ” (GSM Association, 2014) It is clear that this development was a huge success and added to the overall cafe© experience. Cataracts’ strategy has always been to create the best cafe© experience. To achieve this, Cataracts must be aware of their external environments and accordingly make plans to adjust to changes.

As a way to better their customers’ cafe© experience, Cataracts implemented their “ Tweet- A-coffee” campaign and Cataracts Mobile APS.

Cataracts’ Position on the Environmental Uncertainty Matrix How well company managers can understand or predict the external changes and trends that affect their businesses depends on the company’s environmental change, environmental complexity, and resource scarcity. Environmental change is how fast the companies’ general and specific environments change. Environmental complexity is the number and significance of the external factors that affect the company. Resource scarcity is the shortage of critical resources in an organization’s external environment.

Cataracts has a stable environment because their rate of environmental change is slow.

This is primarily because the coffee industry has been relatively steady. The industry hasn't faced any consistent changes in the way coffee is produced or delivered. Cataracts' environment is affected by many external factors that hold great significance. During the economic recession in 2009, customers cut back on their spending which forced Cataracts to close 300 or more stores and lay off 700 employees.

This illustrates how significant external factors are to Cataracts' operations. Cataracts is known for their high quality coffee. To achieve their high standards of coffee, Cataracts faces the problem of resource scarcity.

In 2013, a fungal disease devastated coffee plantations in Central America. Following this outbreak, Cataracts bought a 600-acre farm in Costa Rica to develop new coffee varieties and methods to eliminate the fungal disease that imposed as a great threat to their company. Uncertainty.

Although Cataracts has a high level of resource scarcity and a number of significant external factors, their company has a stable environment. A low rate of environmental change means that Cataracts' environment has and most likely will remain the same over a period of months or years.

In stable environments, it is easier to predict external changes and implement plans to adapt. To be known for their high quality coffee products and provide customers with the best cafe© experience, Cataracts must be able to understand and predict external factors and trends that affect their businesses. Cataracts' position on the matrix influences their strategy by causing them to focus on their significant external factors, such as their

customers. If their customers' needs and wants change, Cataracts must be able to understand their desires and make changes to their strategy accordingly.

For example, when customers started desiring fruity, low-calorie drinks, Cataracts launched their Cataracts Refreshers beverages. These beverages were a huge success as they met the customers' desires for a low-calorie refreshment. Based on Cataracts' medium level of uncertainty, they are capable of predicting external forces that affect their companies. How well they are able to handle these forces is depends on how well they are able to understand the significance of their external factors. Conclusion Cataracts is a leader not only in the coffee industry, but in the entire business industry.

After analyzing this international company's five industry forces, it is obvious that Cataracts is in a great competitive position.

Cataracts continues to focus on a related diversification and differentiation strategy to raise the company's product value. Their competitive advantages and consistency with their mission are a major factor in the company's success. By diligently putting their efforts in corporate social responsibility, ethical sourcing, and innovative products Cataracts moves closer to their organizational objectives and consequently proving their strategy as effective.

Cataracts, will continue to be used as a benchmark as the coffee and beverage industry grows, however Cataracts will also benchmark other leading companies in the attempt to achieve maximum potential. The

external environment has the ability to influence a corporation's strategy and Cataracts is constantly analyzing their environments to ensure that any changes in external factors are aligned with their strategic vision.