

# Strategic management cataracts essay



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This report will try to summaries all relevant factors so that one all areas are covered and one can have his own opinion. 1.

Introduction Cataracts corporation is an American launched company with an over 40 year experience when it comes to serving people their coffee and/or snacks . From a strategic point of view Cataracts is an excellent choice of a report containing analysis and implementation of ideas due to the fact that its market is at a mature point. A brief environmental analysis concluded in finding out that Cataracts is by far the company with the highest market hare when it comes to cafes owned worldwide.

In excess of 20, 000 cafes have now been opened up by Cataracts in over 60 countries. The aim of this report is to give the reader an overview of what strategic management is and how to figure out what strategies must be used and how to implement them. The definition of strategic management is the role management has when setting long term goals in order to implement cross functional theories trying to achieve the respective goals.

( Henry 2011) 2. Strategic analysis: Their are three main questions which aid us in strategic analysis. Where is the business now?

How might the business be affected by what is happening or likely to happen? And how could the business respond to these likely changes? Also, their are a few tools which give us a much broader image Of the position of the organization. 2. 1 SOOT Analysis SOOT Analysis is a tool which allows us to analyses an organization by noting their Strengths, Weaknesses, Opportunities and Targets. Have found that Cataracts main strength is the culture which it has established worldwide.

Premium quality coffee, fast service and a smiley face of the Barista which only job is to make your coffee perfect.

An added value trick which cataracts implemented is that if the customer does not like his coffee or does not find it to be perfect, he has the right to ask for another one for free. This directly affects the business due to the fact that customers will always feel that they are treated perfectly. Cataracts main weakness is that they operate roughly three quarters of their business in the US. Being the largest coffee retail business worldwide, they should look towards spreading the business more evenly.

The effect of their choice is that of agglomeration.

This could actually lead to the closing down of mom stores or in a better turn of events, the closing down of competitors stores. According to “ The times”, the coffee market worldwide is increasing, thus another opportunity arises for Cataracts regarding the opening of more stores worldwide. Howard Schultz, Cataracts CEO, denies any problems with regards to the over agglomeration of US Cataracts stores worldwide and adds that over 1 500 new stores will be opened in the near future, with over 600 in North America.

Hopefully for cataracts, they will not suffer from this massive expansion which they are having for ten years now.

2. 2 PEST Analysis. Another crucial tool to strategic management is the PEST Analysis tool. “ It aims to analyses a firms macro environment including four factors; Political, Economical, Social and Technological. Henry (201 1) states that its main purpose is to detect and monitor weak signals. The usefulness

of this tool to Cataracts can be seen when we look at their recent worldwide expansion becoming even more aggressive.

Asian countries such as China, Japan and South Korea now have over 200 stores each. It is well known that Asian countries have dealt with the recession better than the rest of the world, thus, the economical part of the PEST analysis being a good tool not only in theory but in practice also. PEST analysis must be done complementary to SOT analysis rather than as a substitute, also, When conducting PEST analysis regarding international expansion for more than one country, each country must be looked at separately.

Constant updates must also take place due to the fact that changes take place in all markets quite constantly. 2. 3 porters Five forces Analysis: This analysis tool Focuses on five general market forces; Barriers to entry, supplier power, buyer power, threat of substitutes and competitive rivalry.

The relevancy of this for Cataracts is high due to the fact that it is the Market Leader regarding the commerce of coffee in its ready to consume form.

Cataracts should have no worries regarding any new players on the market, as it is already in a position which allows them to impose basically anything.

Although barriers of entry in the coffee market are low, fierce competition lead newly established cafes to go bankrupt due to the large number of competitors. Cataracts also is in a great position concerning supplier power.

This is because it is the largest coffee buyer which promotes fair trade coffee ND premium coffee consumption. This affects them by giving them high

buyer power allowing room in negotiations. This is fairly important due to the constant rise in raw coffee prices on the world market. In this sense Cataracts have orientated themselves towards buying coffee from worldwide sources.

The long existing threat of substitutes does pose a threat for them due to the fact that energy drinks, especially in the UK and IIS are being consumed more and more. As for buyer power, Cataracts benefits from brand loyalty due to the fact that their product differentiation stands out most versus their main imitators which we will discuss later.

The main factor of the porter five; competitive rivalry is the most important because it sums up the other four giving us insight on the final decision of a company, whether this IS already in the market or is analyzing to enter the market. . Strategy formulation. “ Logical techniques aid managers in taking strategic choices, however, judgment, skill and intuition are of equal importance. ” (“ Anions’) insists that long term business success is dependent on good strategic choices made by each firm as well as good introductory choices.

The reason for quoting Anions s that his contribution to strategic planning through his matrix aided marketing managers and firms to consider new opportunities for sales growth. This is because, the matrix, is used to show the risk degree that comes with the four growth strategies .

This is relevant to Cataracts due to the fact that they can rethink some strategies, basing their decisions on their product range. His matrix illustrates the options and risks of new and existing markets, new and

existing markets and risk itself. In Cataracts case, the most known and recent product is the “ Toffee nut Latte”, it is a Christmas edition erosion of a Latte, which was so successful that it is now sold every day.

Of course we cannot tell for sure if the Anions Matrix had anything to say with regards to the launch of this coffee, however we can note that this addition to Cataracts product portfolio was a successful strategic choice. . 1 Cataracts uses market penetration the least out of the total four theoretical strategies. This is because their portfolio is already very known to the possible consumers, similar to McDonald's , thus, the need of promoting already existing products disappears. Product development is a key strategy used by Cataracts, they do this by developing slight touches to existing products hoping for a good result.

This is tricky due to the fact that most Cataracts consumers are not only brand loyal but also product loyal.

The cause of this is unknown, however, the effect is that of making the job for the Marketing department at Cataracts very hard. Market development is something Cataracts have proved to be amazing at, integrating their shops and products in over 60 countries of the world, in all areas, from Europe to Asia. Aside from their workers, a huge role in this is played by globalization.

An interesting thing to consider is that Cataracts remain faithful to their initial cultural choice of coffee, making mostly American recipes although using raw coffee from all around the world.

Diversification of products is something which Cataracts must be more attentive at due to the fact that consumers of Cataracts agree that the food portfolio of the company is quite poor and uninspired, offering classical sandwiches which can be found basically anywhere. In my opinion, it is crucial that they find a strategy to make things better, as a lot can be made from the improvement of their non coffee products. The downside of using Anions s theory is that it does not look at the issues in depth, further research is needed.

3. 2 Force field analysis Kurt Lewis first developed the idea.

It involves analysis of the for and against factors regarding a strategic decision. This can be of great use to Cataracts due to the fact that it analyses the pros and cons of a decision making the decision easier, at least in theory. The technique uses the force field diagram shown later in this report. Its main advantage is that it is a quite simple technique, however, the limitation of it is that if some factors either pros or ions are omitted by a manager, the effect could be terrible.

This can be demonstrated by a real example. In 2008, out of 81 stores in Australia, Cataracts were forced to close down 64 of them!

This however, was not the only problem associated with the action.

Employees were given a only 24 hour notice, unacceptable in the eyes of many including myself. “ Associate Professor Nick Wailers, astrategic management expertat the University of Sydney, said Cataracts had failed to understand the Australian market.

“ Cataracts’ original success had a lot to do with the fact that it introduced European coffee culture to a market that didn’t have this tradition. Australia has a fantastic and rich coffee culture and companies like Cataracts really struggle to compete with that. This whole situation could have been avoided if only a simple analysis such as the force field analysis had been conducted. It is truly amazing how a corporation the size of Cataracts could omit such things. 3.

3 Decision trees Decision trees are defined as diagrams which link together the possible decisions, outcomes and the economic returns which may result from the respective action. The main advantage of these trees are that they are quite employ, however, easy to understand once completed. Usually they are used solely to determine if a project is to take place or not.

The main limitation of it is that the accuracy of data entered is problematic, due to the amount of explanation needed.

4. Strategic implementation The allocation and controlling of resources used to implement Strategic analysis and Strategy formulation is defined as Strategic implementation. 4. 1 Business plan Cambridge press defined a business plan as a written document which sums up the organization, its strategies and its short term and long term objectives. It goes without saying that it is crucial for a business to have one.

If sisters Paramus was true in practice the business world would be much better off, seeing as fairytale do not come true, business plans must constantly be changed and adapted to various situations.



Cataracts experienced this harsh reality on more than one occasion. In aid of Cataracts wrong implementation strategies, they could look back at their mistakes such as Australia and Vietnam where they tried to enter a very mature market for coffee full of connoisseurs with not enough conducted research and nothing innovative to do with their aggressive method of entering a market.

The downfall of this has been shown through the closing of more than three quarters of the shops in the respective countries. 4. 2 Corporate Culture “ A commonly used definition of corporate culture is; “ the way we do things around here”. Basically every corporation has a different culture.

In all cases including Cataracts the corporate culture gives the firm its identity and is what allows external stakeholders mainly consumers to relate to the company.

For Cataracts, in most of the countries it operates in, its culture as been truly SUCcessfUl, the atmosphere in each of their shops is cozy, making it seem as you should sit down comfortably and enjoy your time there, as oppose to other cafes based on a buy and go strategy. The effect of this is obviously, creating brand loyalty in turn achieving many more goals such as, increasing market share, profitability and increasing company awareness. 4. 3 Change Management In today’s world where change is not only normal, but, essential towards the success of a business, businesses must orientate themselves towards fast and successful change.

In practice, Cataracts has done just that, bouncing jack from all problems it has faced. The best example is Cataracts corporate image. Look at Large  
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corporations worldwide such as Tests, McDonald's or Gregg. Everything is standardized and quite unappealing giving the consumer the image of a corporation. Cataracts on the other hand has chosen to differentiate itself from the rest.

A great example is seen by how each shop is different from the other. Here they take a large step forward compared to its Maine competitors; Costa and MacAfee. Entering a Cataracts makes you feel that it is a family owned company even if for only a second.