Grandma's stock in cataracts

Business

Alex should not sell his Grandma’s stock In Cataracts, because Cataracts has an optimistic future through Related Corporate Diversification, which will lead to increased shareholder value. To pursue growth opportunities and to respond to McDonald’s as a low cost competitor to their premium retail coffee business, Cataracts should focus on its diversification into the tea industry as a new platform for business.

The Tea industry is attractive because it holds the highest worldwide sales fugues at $40 billion, and $6. Billion in US, both amounts larger than those of Instant coffee and premium juice sales.

Tea has a huge consumer base to pull from being 2nd most consumed beverage worldwide, with growth potential in the US, as it catches up from 6th position. Tea consumption is growing in the US, as coffee is not. Between 09-11 teashops In the US more than doubled, with Tavern’s store sales increasing on average 10%.

Tavern Is the largest teashop operator In the US, and unlike the concentrated Instant coffee and premium Juice markets, the Tea market Is regimented with little threat of competitive rivalry, allowing Tavern to enjoy market share leader advantages Into a growing market.

The Cost of Entry Is low. A new Tavern’s store payback period is only 1. 5 years and operating income is almost 20% and rising. Most importantly, Tavern’s core business is directly compatible with Cataracts Core Competencies.

Tavern aims to be the most recognized/respected brand in the industry through rich customer experiences and culture, and Cataracts knows-how to do it best! (Internal Capital Allocation) With these rare and imitable economies of scope, a sustained competitive advantage could result.

Also both firms benefit as value is created sharing activities in the value chain, and loyal customers. Porter’s diversification test passed, synergy Is present, therefore should successfully create value. Evolution Fresh Juice Tavern Holdings Tea Industry Attractiveness or Attractiveness to Cataracts -$70th-n sales US 2009 -$21 b worldwide -40% of worldwide coffee consumption is instant coffee. -About 20% high end products, room for predomination.

– US growth flat Worldwide 7-10% growth and 15-20% in emerging mass. UK & Japan huge instant coffee drinkers. -Would have to change poor image of instant tea through perception. -in the US instant coffee make the top 3 firms own 81%! Very concentrated, heading towards a monopoly. –Nestlecontrols 51% of worldwide make share alone! And 75% of Chinas make.

(Monopoly) -Very competitive industry to enter, with high Rivalry threats. -in Rigors VIA grew revenue worldwide to $mom. -McDonald’s poses a threat as well. -$1. B sales in super Juice make 2011 In 2012-13 retail stores sold in grew 2000 to 8000. Sales Jumped 1.

B to 2. Bib from 2011-13 -29% growth rate over period -CRY, Top 4 firms controlled 51% of super Juice make = Oligopoly -Top 10 operators owned 2/3rd of industry locations = crowded/concentrated make. -Rivalry is fierce -$6. B sales US 2011 -$bib worldwide -Tea 2nd most consumed beverage in world, huge customer base. -6th most consumed in US, with potential growth as US catches up to rest of world.

-Slow start in US history, education on health benefits and culture will change that. Tea growth at 5%, coffee flat. Cataracts already have Strong presence in US, easier to grow that make than worldwide. -Teashops grew from 1 , 500 to 4, 000 in 2009-11. -Operating income calculated to be almost 20% and increasing with economies of scope. -Sales already $168.

Mm with K bars to be added in rays -Little to No Rivalry threat. -Enjoying make share leader advantages. Cost of Entry – Low -$mom acquisition of Eve Juice -$mom investment in plant in 2013 -Machine costs between each. -High -Acquired Taco 1999 for $8. Mm now worth $1. B!

Revenue outweighed costs, same will happen with Tavern.

-$mom acquisition of Tavern largest teashop in US. -Low store startup cost $ask-$ask -Super fast turn around, new stores payback period only 1. 5 years. Better-off test Economies of Scope benefits: -Most shared activities Value chain -Core competencies Premium brand -Internal capital allocation -Tacit collusion -Related diversification, shared customers, loyalty program. Economies of Scope benefits: -Some shared activities -More shared activities -Related diversification, shared customers, loyalty program.