

# Free critical thinking on wynn resorts ltd

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## **Wynn Resorts, Ltd**

### Wynn Resorts Ltd. Growth and Expansion strategy

The Cotai Strip expansion strategy can be classified as a wholly owned subsidiary expansion strategy, it is a strategy aimed at increasing market share and keeping existing customers. The expansion strategy fits because Wynn Resorts Ltd has already established a branch in the location and aims at distributing its services to more consumers.

This expansion will create a network of interdependent subsidiaries that share the same brand name; the advantages accrued to this strategy are that the company will not risk sharing technological and managerial knowledge to competitors. The company will also be in a position to implement strict operation control and that the company will realize location economies as opposed to other strategies such as franchising and licensing. There is support to make this capital investment given that the company has already established itself in this location and the subsidiaries are earning profits, this means that establishing another subsidiary will also increase the firm's profitability. The location of the proposed subsidiary also supports this expansion strategy given that the area would enable the company to offer more services and products to its customers and therefore enable differentiation.

The only disadvantage with this strategy is that the firm will bear all the risks and costs associated with the project. However, given that the company has already established other subsidiaries in Macau, it will be highly likely that the subsidiary will be profitable.

## Porter's Five Forces

The five forces include buyer power, supplier power, new entrants, substitutes and rivalry. Comparing these forces to those in Las Vegas, it is evident that the company should invest in the subsidiary at Cotai. Supplier power in Las Vegas, which includes the ability of the supplier to set prices, is considerably low, and this is due to the existence of many firms in the industry. On the other hand, the supplier power at Macau is moderate, this is due to the existence of a few firms, and therefore supplier power to set prices is relatively higher. Therefore, the company should expand and invest in the subsidiary at Cotai.

Competition or rivalry at Macau is low compared to the competition that exists in Las Vegas; this means that at Cotai the firm will be able to dominate the market by establishing more subsidiaries and capturing a larger market. Substitutes also play a major role in determining whether to invest, the threat at Macau for substitute is low and this means that long-term growth and profitability is anticipated. The threat of new entrants into the industry at Macau is also low meaning that the company will be able to enjoy growth in future with fewer firms in the industry.

The new subsidiary will sustain competitive advantage at Macau whereby the firm will increase its market share and become a market leader. At the new subsidiary, the firm will be able to differentiate its products and services to meet customer needs. The new license will also extend the license period in Macau, which will increase its competitive advantage over its rivals.

The company should consider expanding to other Asian countries, this include countries like Indonesia, Malaysia and Thailand. The company should

also consider venture into other services by creating substitutes for its services such as horseracing, this will attract customers that are interested in non-gaming services. Finally, the company should focus on the creation of highly luxurious products and services in order to meet the needs of the high-income customers.

**Reference:**

Robinson, R. and Pearce, J. (2011). Strategic Management: Planning for Domestic and Global Competition. New York: McGraw Hill.