

Case study cutbacks: strong competition

Business



Cutbacks must be aware of this strong competition all over the world and try to maintain its operational advantages in order to keep its leading position in the future. Internally, Stardust's is able to make adjustments to fit a country's cultural tastes and expectations regarding their product, its price, where it is available and how it is marketed. Example about price as controllable elements where the Italian coffee bars prosper by serving food as well as coffee, an area where Cutbacks still struggles.

Also, Italian coffee is cheaper than U. S.

Java and, says Italian purists, much better. Americans pay about \$1.50 for an espresso. In northern Italy, the price is 67 cents; in the south, just 55 cents. Cutbacks faces another strong competition from large U. S.

Competitors such as McDonald's where McDonald's also is attacking the Japanese market with the introduction of its Mecca© coffee shops. Labor Issues Cutbacks' has been facing with a lot of discontent among its employees at both domestic and international levels mainly due to low wages.

This is a controllable element as Cutbacks' can undertake improvements and this would also result in improvement in its productivity. Uncontrollable Elements: Economic Conditions: Cutbacks is heavily reliant on the supply and on the prices of coffee. Although Cutbacks has supply agreements with suppliers in advance, the company could still face problems due to fluctuating coffee prices.

Other factors, such as weather and economic conditions In coffee producing countries, also affect Cutbacks' operations.

Another uncontrollable element is a nation's economy. Where Japan had been experiencing a depressed economy and Stardust's Japan profits were down 14%. Competition is another factor between rival shops. Other one is political and legal bindings that change from country to country, as labor benefits.

Also culture, Cutbacks Is something new In different countries and young are always enthusiastic about the new and they embrace the new, as In Vienna.

Q. What are the major source of risk facing the company and discuss potential solutions?

Risks facing the company: Due to Its global malevolence It NAS created a powerful Drawn Image around ten world it has evoked strong emotions in people's mind so much that it leads to street protests. Cutbacks has a store at every corner in some parts of U. S.

Global recession led to shift consumers to less costly brands e. G. The future generation and people within their ass's ; ass's are not ready to pay High prices. Employees have a low morale at Cutbacks leading to “ Employee burnout” I. E. A psychological problem.

Low wages is another issue employees and managers deal with.

Lawsuits have been another reason for Employers and Managers leaving frustrated. Coated the company around 18 Million dollars to cover it leaving

them with decreasing in their profit share. Cutbacks market is saturated in U. S.

& Japan. Rising prices of Commodities have triggered the consumers spend less Expansion and Centralization risk. Expanding aggressively growth in stores around the world. Culture difference has been a major problem for E. G.

(Italy felt a threat from changing their lifestyles of drinking coffee).

Solutions: CARS campaigns seem to be everywhere these days I think they have to increase their market share in CARS campaigns as well, where the CARS marketing helps in attracting customers who may be more loyal because of shared values and beliefs. With so many companies advertising their socially responsible activities, Just making a gesture isn't enough. They have to show that actually what they mean it, and they must keep the public updated on their progress and do more than expected to get noticed.

Investing more capital in Advertising campaigns to improve their public image.

Instead of Targeting the Higher-Income crowd they should re-position their products and focus on Middle class.

Concentrate on International Expansion on BRICE countries which have the highest growth in the world. Product differentiation. For e. G. (Adoption of Cutbacks products to country standards) To avoid Cultural issues the company should create Global Strategies depending on locations to achieve

success through researching the country's culture and beliefs and introduce products according to their likings.

Focus on improving Quality of coffee and services by keeping their employees happy. Q. Critique Cutbacks overall corporate strategy: Some of the methods Cutbacks have used to expand and maintain their dominant market position, including buying out competitors' leases, intentionally operating at a loss, and clustering several locations in a small geographical area have been labeled anti-competitive by critics. Company used its capital and influence to obtain different locations, some of which operated at a financial loss.

Critics claimed this was an unfair attempt to drive out small, independent competitors, who could not afford to pay inflated prices for premium real estate.

As this rapid growth continued, the many Degas to De needed Day late night NT talk show nests Tort I TTS seeming Cutbacks-on-every-corner expansion strategy, while a number of owners and patrons of local coffee shops began speaking out and demonstrating against what they considered overly aggressive and even predatory moves into new territory.

Critics complained that the company was deliberately locating its units near local coffee merchants to siphon off sales, sometimes placing a Cutbacks directly across the street. As I read from article the corporate strategies and customer's expectations differentiate from each other, and for these Cutbacks are incurring losses. They believe that the more the outlet the more the sale. Basing on this strategy they are increasing their outlets day <https://assignbuster.com/case-study-cutbacks-strong-competition/>

by day in their domestic region as well as abroad. Without satisfying the customers need, by increasing the numbers they will not be able to succeed in their mission.

Starboard's target customers are the Baby boomers or older generation, it has no Differential pricing for the Generation X or younger generation. Though Cutbacks fully control its business in the USA, but it has franchisee outside the USA. Depending on the franchisees' undermines the strength of Cutbacks outside the USA. Cutbacks is about to become a global company. But its spending does not match with its status.

Cutbacks only spends 1% of its revenue as advertisement; whereas most companies its size spend at least 10% revenue.

Low spending on advertisement hampers Starboard's brand building outside the USA. By aggressive marketing strategy they have created entry barrier for the competitors Through " predatory real-estate strategy'. Cutbacks pay does not come close to match the work load of their employees that created dissatisfaction among them affecting sterling service and even the coffee itself. Q. How might Cutbacks improve profitability in Japan? To improve the profitability in Japan they should reposition their product and service.

The Japanese are less conscious about the price.

According to the present cultural trend in Japan, younger generation is inclined towards spending their time in a constructive manner. The source from internet says that the Japanese youth have very less time for their leisure. Besides sipping a cup of coffee in a coffee shop they love to learn

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English Language. Even they do not hesitate to spend 1,500 in an internet cafe© Just for sleeping. Cutbacks and its competitors in Japan are providing the same fare.

As a result, competitors can easily eat up Starboard's share.

So, Struck should either reduce the price or increase benefits in Japan.

Cutbacks can introduce US style online system in Japan, so that busy Japanese can provide their order in the internet. Cutbacks can introduce various cultural campaign or entertainment campaign in Japan, so that Japanese youth feel attraction to come Cutbacks. In times of economic recession extra activities are necessary to boost up sales.

So, for attracting the Japanese market in addition to coffee, arrangement of internet facility and other amenities should also be provided.