

Case study cutbacks

Business



The company may decide to expand in to new products like non-coffee drinks, quick meals and breakfasts to cater for changing consumer demands and life styles (Defrauds, 2009). Technological: Advance in the technology can revivalist the customer services and can make it more efficient and less time consuming (Ivies et al.

, 1990, p. 52). Cutbacks might introduce self service coffee machines at various locations to serve the customers quickly and more efficiently.

Environmental: Coffee grows in tropical and costal countries.

Tropical and costal countries are vulnerable to natural disasters like cyclones, flooding and rising sea levels (Quasimodo, T. , 2012).

Natural disasters can affect the economy badly which in turn leads to increase in the raw coffee bean prices and hence the coffee business (Getter, S. , and Abraham, L. , 2007, p. 3). Legal: As mentioned earlier, the change in the government may propose new legislations and policies, which can affect the business. Conclusion and Recommendation: As described at the end of each section company should employ appropriate measures to relevant challenges in order to grow business in the future.

The company should also analyses post recessional buyer's behavior in relation to coffee consumption because things will never be same again after recession (Pierce et al. , 2010). Cutbacks and Market Segmentation

According to Phillip and Keller (2007) market segmentation is the marketing strategy that divides wide target market in to subset of consumers with common needs, then designing and implementing strategies to meet their needs via use Deterrent touch pilots Tanat allow reaching teem. Stardust's

<https://assignbuster.com/case-study-cutbacks/>

can segment its market under criteria of age, gender, income, location, situation and season.

Age: Young consumers between the age of 20-24 years old, 32% of them do not drink coffee at all (Minute, 2007). Older consumers between the ages of 55-64 years old are heavy users of coffee shops, but they usually go to in-store outlets are motivated more by convenience than brand of venue.

Demographic trends indicate that these 55-64 age group consumers are growing as a proportion of growing population and they have significant disposal income (Minute, 2007). This older age group has not been targeted by coffee businesses including Cutbacks despite having great opportunity for the business.

Gender: Coffee shops are popular amongst both men and women and a variety of life style categories. Especially young women are attracted to coffee shops as a place to relax and a little escape from their daily routine work (Minute, 2007). Income: People with lower income, for example, students spend less on the things like fast food and coffee (Darling et al. , 2006, p. 840). The relative importance of product, service and experience changes over the income levels and the frequency of consumption (You, H. , and Fang, W. , 2009, p. 1273).

Cutbacks operates mostly in the areas where professionals and executives work, for example, in central London compared to other peripheral parts of London. This geography again reflects back at the group live in the low income house hold. The low income house holds live in the peripheral parts

of the London (Low income and ethnicity, 2010). Situation: UK and USA are coffee addicted nations. In US more than 90% of adults take caffeine every day in one or the other form. Some people take in the form of coffee very frequently (Kelly, J.

, 2013).

It is hard to afford a coffee from Cutbacks for people who drink it several times a day. Season: Coffee consumption goes up among the population in the winter. Winter season is most important to the Cutbacks; people spend money on coffee during winter. However, in the summer customers look for lighter fare, more refreshments and affordable options (dames, A. , 2009).

Conclusion and Recommendations: Struck can target its market by segmentation as described above. For the age factor Cutbacks should target older people because of their heavy consumption of coffee and disposable income.

For situation, income and location, Cutbacks should implement cost effective drinks and beverages which are affordable to students and lower income group peoples. According to Parallax, C. , K.

(2005) vast majority of people are lower middle income and poor in the world. However, with lower profit margin and therefore higher sale can still maintain the company's profit. Same principle applies to season factor as well because people are looking for affordable options as mentioned.

Branding and Cutbacks Brands are viewed as one of the most valued intangible asset of the company (Sloan, K. , 2012).

<https://assignbuster.com/case-study-cutbacks/>

According to Greg Stein, CEO of Polaris Branding Solutions, “ Branding is creating positively differentiated niche in the consumer’s psyche and owning it. More than just marketing, branding is the entire effect that creates a memorable landmark. There are several ways, for example, Transacting, Drawn association, sponsorship, celebrity endorsement, and exclusivity; Cutbacks can use its brand to grow the business in future.

Franchising: The biggest challenges that most companies confronts is to keep growing in a slow economy. Franchising and licensing are the most powerful methods for leveraging intellectual capital of a company into new revenue streams, market opportunities, and profit centers. Many companies do not understand how to harvest their intangible assets, and they view them as a way to defend a market share rather than proactively as a source of new opportunities (Sherman, A. , 2004).

There are many companies and food chains doing extremely well in terms of business and profits in the market, for example, Mac Donaldson- premier franchising company and world’s number one food service organization (Success Stories, 2013). Brand Association: Brand association or Joint venture is an association of two or more companies or individuals engaged in solitary enterprise for profit without actual partnership or incorporation. Individuals or companies prefer to enter Joint ventures in order to share strengths, minimize risks, and increase competitive advantage in the market place (Legal dictionary, 2010).

Cutbacks recently opened around nine stores in India in partnership with Data Groups, but Cutbacks was criticized for not paying employee country’s

official living wage (Cutbacks counter reports that it is not paying enough to Indian employees, 2012). Sponsorship: According to Cliff and Motion (2005), sponsorship is an effective platform for brand strategy and it helps brand to build up points of difference around functional ND augmented attributes through leveraging sponsorships and associations.

Many corporate organization use corporation sponsorship strategy to grow their business, for example, Suntanned bank and Formula 1; Suntanned sponsors Ferreira racing team and McAllen team drivers (Corporation Sponsorship, 2013).

Celebrity Endorsement: It is a very common practice for major firms to use celebrities as a part of marketing communication strategy in support of brand image (Reardon, B. , 1999, IPPP). For example, H&M-garment retailer endorsed David Beckman-world known English foot ball player for promoting their male underwear.

Exclusivity: Exclusivity in the business is when company or an organization gives the right to sell its product to particular retail for the fix period of time. For example, AppleCompany's revolutionary product phone choose 02 network provider exclusively in 2007 when they launch first phone in I-J (Apple Chooses 02 as Exclusive Carrier for phone in I-J, 2007).

Conclusion and Recommendations: Cutbacks can grow its business and market share by employing aforementioned corporate branding strategies. There are many factors to be considered in context to corporate branding strategy.

For example, as mentioned in the brand association section, Cutbacks was criticized by media for not paying enough wages to employees in India. This issue can create negative brand image in consumers' mind and which can result in reduction in market share. Cutbacks already experienced public protest and reduced market share in I-J (see corporate tax evasion under marketing environment).

Joint venture is a very good strategy to adopt, as it helps to conserve ten corporate culture at ten partner organization because most problems in the joint ventures stem from elements that are unique to organizational form (Gomes-Caresser, B. 1987, p. 102). Role of the brand and extended marketing mix Marketing mix refers to the combination of activities that an organization engages in to meet the need of targeted market effectively. Marketing mix is comprised of ups which are product, price, place and promotion.

The extended marketing is consisted of three extra As (people, process and physical evidence) in addition to ups of marketing mix (Marketing theory, 2009). This section will look at the extended marketing mix in context to the role of the brand.

Product: A product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy want or need (O'Hara, K. 2013). Major brands present significant commercial value to their owners.

Brand gets its value from the product, for example, Coca Cola name reflects refreshments (Calgary, ABA. , 2013). However, some manufacturers, for example, Sony, C. V., Kellogg and Colgate use its parent name to

communicate a series of common values which endorse all products which bear the same name.

Brand image reflects style, design and quality of its product (O'Hara, K. , 2013).

Price: The price is the amount a consumer pays for the product. The company's profit is determined by the price and therefore, survival (O'Hara, K. , 2013).

Price also determines the quality, style and design of the product and hence the targeted market and their social status, for example, Mercedes, Porsche and Jaguar are known for people with luxurious life style whereas, Fiat and Renault for people with economic life style (Davies, J. , 2013). Place: One of the other important factors in marketing mix is place which does not refer to location of business; it rather refers to location of customers.

In England especially in the London Cutbacks and other businesses are located in the central London because most professional people work there and it is the busiest area in the London. Promotion: Promotion is the term frequently used by the marketing company comprised of promotional mix which includes selling, advertising, sales promotion, direct marketing and publicity (Regional, 2007). The promotional methods Cutbacks use is word of mouth and social media like Facebook and Twitter (Cutbacks Success, 2010).

People: People are important in the marketing mix and especially for Struck because employees are people who deliver customer services and make the customer's experience unique every time and that is the value of Cutbacks

according to Howard Schultz, CEO of Cutbacks. Process: The process element of marketing mix reflects back to the people. More efficient people will produce more effective, fast and quick customer services which will reduce the waiting time for customers especially in busy hours. Physical Evidence: Includes; packaging, varieties, presentation and in store ambiance.

The dimensions of packaging, its color and label can project and reinforce a desired image of the brand. Cutbacks in store ambiance offers a relaxing environment and In store walls are Selenga according to ten local culture . It also offers non- threatening singles-friendly environment (Minute, 2007).

Conclusion and Recommendations: There are several strategies of Structural objected to criticism, for example, “ A Cutbacks on every corner”, other businesses and critics see this practices as a predatory and it tries to keep other business out of the competition.

However, Cutbacks’ direct consumer relationship strategy has remained extremely successful.

Cutbacks has also being criticized about prices by overpricing. In addition, Cutbacks was also being publicly criticized by its own employees for not being fair to those employees who Join the union (Benzene, T, S. , 2007, p. 141). It can be commended that Cutbacks should introduce more cost effective beverages in more different varieties at few more locations.

It is worthwhile to introduce more employee benefits and performance based rewards to the staff. References: Defrauds (2007) Company Profile: Cutbacks (US).