

The case of sonic drive-in



The current operations of Sonic Drive-In in the United States have seen fierce competition from its competitors who have larger national advertising budgets. Over the years, competition in the fast-food industry was gauged primarily by the amount the company spends on advertising as well as the people who endorse the restaurant (Kotler, 2007). Sonic Drive-In was able to make a niche in its operations by remaining faithful, even after 50 years, to its drive-in concept. The company has also seen a drastic move to publicize its operations in the New York Stock Exchange (NYSE) in order to finance its emerging international operations.

This current phase in the Sonic Drive-In business cycle entails the following advantages and disadvantages: Advantages: 1) Sonic Drive-In is able to divert the company away from the saturating market in the United States. The American market currently does not pose any market growth in the short run for the restaurant industry primarily due to competition. 2) The company would also benefit from the increase brand recognition outside of the United States which they could use for future expansion strategies. For instance, Sonic Drive-In in years could start operations in other Latin American countries or even Asia.

3) International operations act like as fallbacks in case the American operations begin to dwindle in the future. Disadvantages 1) Sonic Drive-In currently relies heavily on franchises in its international operations. The company could use the capital from its stocks to open more company-owned restaurants in its international operations especially in Mexico. 2) The franchise requirements are way too high for a restaurant that is not recognizable outside of the United States. The current franchise requirement

of a minimum \$150 million net worth for a potential franchisee is equal to what McDonald's requires.

3) International operations are a big gamble for any company. Sonic Drive-In may not be prepared for the volatile market outside of the United States. If not taken care of seriously, the company may run out of capital financing its operations overseas and this may lead to the diversion of capital locally.

References:

(2007). Sonic Drive-In Company Website. Retrieved October 23, 2007 from <http://www.sonicdrivein.com/> Kotler, P. , & Armstrong, G. (2007). Principles of marketing (12th ed ed.). Upper Saddle River, NJ: Pearson Prentice Hall.