

Applebee's finance

Finance



Company Overview

Founded by Bill and T. J. Palmer Applebee's Neighborhood Grill & Bar started with its' first restaurant T. J. Applebee's Rx for Edibles & Elixirs in 1980. By 1982 the second Applebee's opened in Atlanta, Georgia. After just three years total and two restaurants the Palmers sold the restaurant concept to W. R. Grace and Co. in 1983 and with Bill Palmer being named president during the transaction the Applebee's national chain was on its' way. Bill started with his own franchise in 1985 and currently owns over three dozen. (History, 2005)

The restaurant named changed to Applebee's Neighborhood Grill & Bar in 1986, and just two years later Applebee's International Inc. was started when Abe Gustin and John Hamra purchased the rights and the restaurant chain had a total of 54 restaurants. The start of public trading happened one year later in 1989 under the symbol APPB, with public offerings continuing over the next six years in 3 year increments on the NASDAQ Global Select Market. By this point the chain continued to grow and by 1988 was the first casual dining chain to reach 1, 000 restaurants. Currently there are more than 1, 800 Applebee's restaurants worldwide.(History, 2005)

With their current headquarters in Overland Park, Kansas Applebee's International Inc. develops and operates within 49 states and 17 international countries using the name Applebee's Neighborhood Grill & Bar. The goal of each restaurant according to the Applebee's website is to produce an " attractive, friendly, neighborhood establishment featuring moderately priced, high-quality food and beverage items, table service and a comfortable atmosphere that speaks to all ages In order to maintain their <https://assignbuster.com/applebees-finance/>

slogan " America's Favorite Neighbor," Applebee's must continue to stick to this goal." (Company Overview, 2005)

According to their website Applebee's has maintained an opening of 100 restaurants or more a year over the last 13 years. This growth has increased their restaurant size from the 250 restaurants in 1992 to over 1, 800 currently. The goal of Applebee's is to have up to 3, 000 restaurants within the United States. A Quote from the Applebee's website " According to Nation's Restaurant News, Applebee's is the tenth largest restaurant chain in U. S. system-wide sales and, within the casual dining segment, Applebee's is first in number of units, first in sales and first in market share," shows just how large the Applebee's chain has become in just over 25 years.(Fast Facts, 2005)

Most of the over 1, 800 restaurant chains are franchised operated. To be more specific 1, 318 or 73% of the restaurants are franchised leaving 27% or 486 restaurants being operated by the company. This gives the company the total of 1, 804 restaurants.(Fast Facts, 2005) To maintain their current market segment each Applebee's restaurant is decorated with items pertaining to the local area that restaurant resides in giving more appeal to the customers to dine at Applebee's. These decorations range from sports jersey's of either city teams or local high school teams, old photos of the history of the city, and various items that represent the changes that either took place or are taking place within the city.(Fast Facts, 2005)

Current Activities

The fiscal year 2005 was not a good one for Applebee's according to Lloyd L. Hill Chairman of the board and Chief Executive Officer. In his letter to the <https://assignbuster.com/applebees-finance/>

shareholders located within the 2005 Annual Report he mentions " Perhaps the best thing we can say about fiscal 2005 is that it's over. Hampered by a variety of external factors and internal challenges, we failed to reach our financial goals or to deliver on our commitments.

That is unacceptable to us and we stand accountable." (Annual Report, 2005)

He does however go on to mention that Applebee's has " no control over the price of gasoline at the pump or economic conditions across the country, we are focusing on and improving what we can control." The performance he mentions for 2005 is that system-wide sales climbed to 8.2 percent over 2004, and total company restaurant sales grew 10.8 percent to reach \$1.1 billion with revenues reach 9.4 percent to \$1.2 billion. Even though the year ended lower than anticipated, Hill has confidence that Applebee's will continue to grow over the next year. (Annual Report, 2005)

Even though sales were up the operating earnings and net earnings were down from the previous year. In 2004 the operating earnings in thousands were \$165,280, where 2005 only hit \$157,637, a difference of -\$7643. The net earnings for 2004 in thousands were \$110,865, where 2005 was at \$101,802 a difference of -\$9063. Now both of the 2005 numbers were higher than those in 2001, 2002, and 2003. The downside to this is that the shareholder's did not get as much equity as they had the previous two years, but the 2005 numbers in thousands of \$412,601, did beat the 2002 numbers, but accounted for a diluted net earning in thousands of \$84,117 from the 2004 of \$496,727. (Annual Report, 2005)

To help find out why during the 2005 year Applebee's conducted " the most comprehensive guest research" the company has ever done. The <https://assignbuster.com/applebees-finance/>

examination of the guests and their habits compared both Applebee's and the competitors contained feedback from 20, 000 customers which had a total of 48, 000 visits. Using this gathered data Applebee's has a more precise insight and understanding of the guests. The survey showed that value, pricing, convenience, comfortable atmosphere, and variety of menu items were ranked high on what the customers wanted. Using this, the company determined a " clear need to improve our food, in both quality and taste."(Annual Report, 2005)

To accomplish this Applebee's expanded their Menu Development and Innovation team allowing for additional resources and creativity. This plan implemented will allow for the Applebee's " to evolve and refresh our menu with the goal of serving the best bar-and-grill favorites and exciting signature dishes."(Annual Report, 2005)

To help with the changing menu Applebee's has also introduced a new " streamlined, easier-to-use menu" that " have received an enthusiastic reception from our guests."(Annual Report, 2005) The goal is to make more frequent menu changes beyond the traditional two times a year approach that has happened in the past.

Projected Activities

Going into the 2006 year Applebee's had the goal of " stepping up the food development pace, unleashing the creative power of our culinary team and shortening the development cycle for testing and introducing new menu items."(Annual Report, 2005) This gives a menu change six or seven times a year. The increase in menu changes will help Applebee's plans to enhance the focus on the " the quality of our food offerings, adding higher-priced,

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higher-quality menu items to complement our more value-oriented offerings.”(Annual Report, 2005) By April of 2006 Applebee's planned to introduce nine new menu items including some new Weight Watchers items which since their implementation in 2004 have received great success. Applebee's plans to take this menu which currently offers 10 appetizers, entrees and deserts and “ significantly increase our marketing investment behind this important and differentiated initiative, using television advertising as well as other media such as online exposure on websites devoted to women's health and lifestyles.”(Annual Report 2005)

Along with better food, Applebee's plans to increase sales through the use of specialty alcoholic drinks which now accounts for approximately 20 percent of sales. The Beverage Optimization initiative started early 2006 is “ designed to increase beverage sales in our restaurants and at the same time reduce overall beverage costs.” The program is aimed at “ re-engineering product, service, training, point-of-sale and operational improvements.”

Along with food and beverages Applebee's is planning on adding an additional 120 units and acquiring domestically franchised units that are producing high sales. The current average franchisee oversees about 27 units. The largest franchisee is overseeing 120 units. Taking these numbers into consideration Applebee's sees a great opportunity of acquiring some of the already established restaurants and increasing the company's sales. The next big goal is to move out more globally. Applebee's foresees having at least 1, 000 units internationally. Currently the international sector of Applebee's is showing the highest growth rate. Applebee's plans to increase this sector, by finding franchisees looking to open more than just one unit in

the area internationally. By finding international franchisees who know the local business environment will help to ensure a more productive environment for Applebee's in its future endeavors into new countries. (Annual Report, 2005)

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