Full strategic analysis of caribou coffee company inc marketing essay

Caribou coffee Incl commonly known as CBOU. O is a company specializing in retail of teas, coffee bakery goods and other related products. Since it inception in 1992, the firm operates in various reportable divisions which include: commercial, retail and franchise businesses. Retail segment comprise of about 400 of the total coffee establishment and focuses on the local market. These key stores are based in Minnesota and over 20 other store in major states where CBOU. O operates. Commercial segment focuses on mass merchandisers while the franchise business which comprises of about 19% of the total coffee houses targets the international market. Caribou Incl operates in international and local markets as well with a bout 510 coffeehouses (Perry 2003, p. 46). Additionally, the firm supplies its products to diverse clientele groups such as grocery stores, hotels, airlines, mass merchandisers, entertainment venues, offices and colleges among other clients. Caribou management main goal is directed towards providing high quality coffee blends and other related products to its clients.

Key to their attractive strategy, CBOU. O has well designed outlets which resemble ski lodges and even Alaskan cabins, which offer the firm’s a range of coffee blends, or even specialty teas, coffee drinks and baked goods. In order to expand on its distribution chain CBOU. O sells both brewing supplies and whole bean coffee (Hall 2005, p. 76). In addition the firm has over 100 franchised outlets which are mostly founded in the greater Middle East part as well as South Korea. As per 2008 fiscal report, 60% of the Caribou Coffee firm is owned by Arcapita, a Bahrain-based investment faction. CBOU. O has recorded positive growth in history of gourmet coffee industry amid competition from Kraft Foods Inc., Starbucks Corporation, Proctor & Gamble and Nestle Inc.

1. 10 Company Analysis

CBOU. O is not immune to industry macro as well as micro factors influencing business performance levels. The wider business environment has created both opportunity and challenges to CBOU. O’s performance in coffee industry. The volume of coffeehouse chains has increased in the recent past with the new entrants in the renowned specialty product category. For instance, the external environment in the industry has been hit by high competition with greater impacts felt the period between fiscal 1998 and 2003 (Hoskisson & Hitt 2008, p. 96). The industry has also presented a new wave of demographics shift where young adults easily indentify with coffee products. With greater cultural influence in the foreign markets, decaffeinated coffee has easily being marketed in defined global market niche. Similarly, in coffee industry market trends have also forced leading firms to leverage their brand names into various categories in an attempt to grow greater sales.

1. 11 PESTEL Analysis

Social factors

Social trends has impacted CBOU. O’s marketing, R&D activities, rebranding procedure, market entry strategies, employees’ motivation and the firm’s business units’ performances. CBOU. O has been influenced by various factors including changing demographics, family changes, consumer expectations and various cultural changes (Perry 2003, p. 89). The firm has witnessed a shift in consumer habits in various markets where brand switching has been popularized by the existence of a variety of specialty products offered by similar players in the market. Due to the perceived change in consumer expectations CBOU. O has been constantly extending their product-line to include various coffee versions in the market. For instance, decaffeinated coffee has been an entrant in various market niches as a deliberate effort to avert brand switch to other alternative beverages. This has been mainly instigated by cultural preferences. Similarly, the changing demographics in both global as well as local market have influenced CBOU. O business activities. For example, between fiscal 2003 and 2006, adults aged between 18 and 24 who took coffee daily doubled in percentage and crossed over 30 % mark as per the NCA's (i. e. National Coffee Association) data (Perry 2003, p. 193). The young adult drinking behavior/habits has and will continue influencing Caribou Coffee consumption since this age bracket constitute the long-life coffee drinkers as they enter early adulthood. The youngster's demographics are vital to CBOU. O since they are likely to favor coffee to other familiar soft drinks in future.

Political forces

Government policy in terms of degree of economic intervention has greatly influenced CBOU. O in the greater Minnesota region. Various stakeholders such as regulators and politicians impacts any industry in terms of workforce safety issues, firm's subsidies, quality infrastructure and business supports. For example, Caribou has been continually influenced by various policies linked to NCA. Like other firms, Caribou has enjoyed government intervention during various difficulty economic seasons as well as on labor issue intervention. Trade barriers, among other government policies has influenced entry procedures across the 20 states stores. For instance, favorable trade policies have assisted the firm to expand and perhaps source for quality coffee (Grant 2005, p. 94).

Economic factors

Inflation, economic growth issues, interest rates and taxation changes has affected Caribou Coffee Company in terms of product performance, business profitability, production costs and firm's overheads. For instance, in fiscal 2007/2008 the firm reported increase in production costs brought about by increase in related costs such as higher wage demands due to economic difficulties experienced globally. More positive in the trend in economic growth witnessed in early 2000 that saw CBOU. O report increase in demand for various coffee products. In addition, in fiscal 2006 Lower interest made more viable for investors such as Arcapita to invest in about 60% CBOU. O since the costs associated with borrowing was too low. Finally, economic difficulties witnessed in late 2000 saw CBOU. O resulting into franchise arrangement for synergy reasons.

Technological factors

Technology has helped CBOU. O to remain ahead in business communication, production and innovation. For example, technology has boosted the firm's move in online marketing and related business activities in CBOU. O's official website. Computer aided systems has assisted the firm in quality control and production regulations as a deliberate move in reducing related production costs. Online marketing as well as trading information supported by the firm's website has put CBOU. O ahead of competition.

Legal Forces

CBOU. O has been influenced by the various consumer laws protecting clients against unfair pricing practices and any misleading beverage description. Under the Caribou management practices, employment laws have affected the business approach in areas such as redundancy, minimum wage, working hours and dismissal issues.

Environmental factors

Factors such as national weather and the perceived global climate change influence consumer patterns (Porter 1998, p. 72). Changes in temperature, especially during winters increase the likelihood of coffee consumption and high profitability during this spell. CBOU. O has in the past recorded greater sales during winters than the case with summer performance. Currently, the global environmental issues as well as the growing desire on corporate responsibility on the nature have influenced business opportunities in the new markets. Such environmental trends have influenced Caribou's demand patterns and the global opportunities (Perry 2003, p. 103).

1. 12 Porter's Five Forces

Rivalry

Rivalry intensity has been greatly increased by low switching costs where consumers can easily switch from particular specialty coffee product, thus making it hard to capture greater market proportion. The ever growing number of specialty coffee products has intensified rivalry. Recent development in terms of consumer habits in coffee industry has resulted into struggle for available market share. Similarly, industry shakeout influences rivalry witnessed in various industries (Porter 1998, p. 43). High level of products differentiation has resulted into greater rivalry forcing CBOU. O to extend its product-line. The firm currently offers whole bean coffee and specialty teas, as a differentiated approach in competing in the market.

Threats of substitutes

Coffee products offered by other players such as Proctor & Gamble or even Starbucks Corporation at a competing price offer a threat to CBOU. O specialty coffee products, thus making it hard for the firm to raise prices for profitability reasons. Health concerns have influenced the consumption levels of specialty coffee as a substitute to other highly priced soft beverages. For example, Starbuck’s Power Frappuccino has been a big threat to Caribou’s due to its price espresso-based beverages.

Buyer Power

The firm’s buyers have contributed to the Caribou’s performance by determining the firm’s profitability levels. The buyers have the ability to influence the business performance by affecting the business ability in offering quality specialty coffee. Similarly, the buyer’s power has influenced

Caribou's business strategy where the management has been concentrating in offering all-time coffee products to the consumers in anticipation.

Supplier power

Coffee suppliers has been very influential on Caribou's production ability where shortfall in coffee supplies to the coffeehouses is closely associated with declined ability of the firm to acquire the supplies as per the price offered. The suppliers are potentially able to exert influence on the firm since much of the raw materials as well as related supplies are sourced at a price which directly affects the resulting business profitability (Porter 1998, p. 116).

Barriers to entry

The possibility that the number of new entrants in the industry may increase poses a threat to Caribou's competitiveness . Caribou's has been constantly employing strategies such as franchise arrangement as a key measure to avert possible entry in the market. In possible situations Caribous has been employing entry-deterring pricing as a key strategy in preventing possible entrants in the industry. As a strategy to remain more competitive, Caribou enjoys the benefits associated with their production capacity (i. e. proprietary knowledge) in manufacture of various specialty coffee products (Daniel & Lamb 2008, p. 125).

Life Cycle Analysis (LCA)

CBOU. O considers LCA in order to indentify areas area for vital improvements in environment, marketing as well as in support of how the coffeehouse's products are environmental friendly. All coffee products have some noticeable impacts on our environmental and therefore CBOU. O uses LCA to manage issues such as pollution, in order to reduce environmental harm. In CBOU. O the LCA starts with raw material sourcing where quality coffee as the prime raw materials are bought from indentified suppliers. In the Manufacturing phase, CBOU. O ensures clear procedures are used in order to minimize unnecessary pollution from. The packaging phase in the LCA is highly considered in order to reflect the marketing philosophy of Caribou firm by including the business logo or even the company brand name. The firm marketing is extensively done and thus places Caribou ahead of other players in product communication in all the three business units. In the use, maintenance and reuse phase, Caribou considers clear policies on Coffee mugs or related packaging are used in order to reduce unnecessary costs associated with environmental impacts. Finally, in the recycle phase, Caribou uses clear policies that ensure that various packages are reused for intended purposes (Grant 2005, p. 278).

SWOT: Opportunities and Threats

Some of the opportunities in the Caribou operations that give the firm segment a competitive advantage includes venture into international market and developing business arrangement such as franchise. The franchise arrangement has helped most Caribou to maintain a competitive edge despite the unfavorable market forces brought about by hard-economic environment (Grimm 2006, p 233). Developing of Decaffeinated coffee has been one of the strongest opportunities well utilized by CBOU. O in the recent past. Similarly, CBOU. O faces greater threat from stiff competition witnessed from major competitors. Similarly, upcoming considerations by governments to tax the coffee industry poses as a key threat for most firms.

Phase II

Generic strategies

Caribou firm has developed various generic strategies in order counteract the analyzed Porter's forces at business unit level, corporate level as well as functional level. For competitive advantage reasons, Caribou has indentified various products namely; focus, differentiated product and the cost leadership coffee products at business unit level. The firm's business units which entails the retail chains, commercial segment and the franchise segment has placed products such as whole bean coffee and the specialty tea on the costs leadership level. Additionally, Caribou has been constantly included differentiated products such as espresso-based beverages in order to counteract the rivalry evidenced in early 2000s. Caribou has used the commercial segment as the sole focus in selling various products to hotels, entertainment venues, grocery stores, airlines or even to the offices in the major regional chains (Perry 2003, p. 136).

Market segmentation

Initially, adults were associated with Coffee drinking until the recent witnessed shifts in the consumer behaviors brought about by the Generation X and Y. The changes associated with this generations has forced to Caribou to redesign its product line in order to attract the growing number of young adults who have indicated interest in the firm's coffee products. For example, Caribou resulted in single-serving system in mid 2000 in order to ensure that target consumer are able to access superior coffee at designated pods in hotels, entertainment venues or even in major stores in Minnesota (Perry 2003, p. 113). Baby boomers who normally switch to healthier coffee products forced Caribou to introduce decaffeinated coffee in the stores. This transition was enabled by the firm’s aided technological processes which usually improves decaffeinated coffee flavors to suit the various generations’ considerations.

Core competencies and Generic Value Chain

Core competencies help Caribou in retaining its competitive nature by ensuring that the bond between various units is strengthened thus offering coherent portfolio. Caribou core competency level is premised on the provision to access variety of product in either retail markets or even at franchise level (Hoskisson & Hitt 2008, p. 97). Caribou has been using procedures as well as practices in manufacturing which are basically hard to imitate in production of products such as specialty teas or even other branded merchandise. The firm has also exhibited strong capacity in R&D where deliberate efforts has been made in strengthening the firm’s ability to understand and cater for upping interest in Coffee industry markets. As a core competency strategy, CBOU. O has ensured shared costs in business units in order to remain ever profitable. For instance, the firm increases the franchised business units under shared costs between the retail stores and the commercial business segment.

CBOU. O value chain entails inbound logistics, outbound logistics, operations, marketing and sales processes, and the operations activities. For example, CBOU. O ensures that inbound activities such as Coffee sourcing, warehousing and division logistics are clearly conducted. Caribou operation activities are normally aligned to the defined production formulas and processes during product preparation. The marketing and sales undertaking in the firm has been enhanced by greater innovations in meeting the ever changing demographic needs. Finally, the outbound activities has bee made possibly by the wider distribution scope done under retail stores, franchise segment or commercial units.

Ansolff's Matrix and Porter's Diamond

Caribou market penetration procedures are used in securing market dominance, in restructuring markets, increase Coffee usage among consumers and in raising market share of core products in various chains. Caribou has enhanced its market development procedures by ensuring that the business able to effectively locate new geographical location for new stores, or new distribution channels or pricing strategies in order to enhance market growth on products such as baked goods. Product diversification has been used to modify various branded merchandise offered by the firm (Grant 2005, p. 423). Caribou has been diversifying its products in various segments by use of rebranding procedures.

Porter's diamond model has been employed by CBUO. O to enhance competitiveness by strengthening firm's strategy, structure and effectively handling rivalry issues. The firm's culture, lean structure and operation motivation boosts the firm's competitive advantage. When handling demand conditions, Caribou's R&D ensures that local demand needs/capacity is satisfied by quality specialty coffee products prior to meeting other states' demand. This gives local stores competitive advantage. Caribou create its factor conditions by having skilled workforce and improved technology in order to remain competitive. Similarly, factor combination during manufacturing has boosted Caribous performance as well. Under supporting and related industry considerations, Caribou operates in global chains under commercial and retail stores in order to support the franchise unit. Caribou uses the business units to organize and supplement innovation in the structure value.

Financial Analysis

Current ratio for CBOU. O eagle Incl is noted to be decreasing from a figure of 0. 88in fiscal 2007 to lows of 0. 72in 2008. This trend is alarming as it indicates decrease in ability of CBOU. O to cover its short-term debts using the available current assets. Gross-profit is increasing from lows of 47. 0% in 2007 to 51. 36 in 2008. The trend is positive as it indicates CBUO. O move in earnings increase. Return-on-assets ratio shows Caribou's earnings in relation to all the economic resources owned by the company (Peterson &Fabozzi, p. 146). Return-on equity is decreasing from fiscal 2007 ratio calculations. The trend is negative. The trend on Return-on-equity portrayed from 2007 to fiscal 2008 is negative indicating a decrease in returns for the ordinary and /or common stock-holders.

Phase III: Recommendations

CBOU. O should consider seeking global opportunities in order to counteract stiff competition and perhaps increase in profitability. In situations where Franchise fails in foreign market, CBOU. O should result into Mergers or acquisitions in order to enjoy currency benefits associated with global market thus averting economic effects on performance. To avert rivalry, CBOU. O ought to continuously improve on existing product chains and enhance brand extension procedures.

CBOU. O ought to increase their investment in current assets to boost the company's financial position. A company should cover its short-term obligations at least twice from their investment in current assets. CBOU. O should increase the efficiency in the use of economic resources at their disposal to enhance the firm long-term profitability. Similarly, CBOU. O should also increase efficiency in the use of assets. Finally, more investment should be carried out in total assets to effectively cover the firms' debts.

Appendices A: Caribou Coffee Company Important Trend Analysis Ratios

Ratio type

2008

2007

Current Ratio=(Current assets/current liabilities

28, 450, 000/32, 260, 000 = 0. 88

26, 620, 000/36, 820, 000= 0. 72

Gross-profit ratio=(Gross -profit/sale)*100

(119, 460, 000/253, 900, 000)* 100= 47. 0%

(131, 910, 000/256, 830, 000)* 100= 51. 36%

Return-on- assets=(net-profit before interest/total assets)*100

(15, 460, 000/89, 570, 000)* 100= (17. 26)%

(30, 400, 000/111, 840, 000)*100= (27. 18)%

Return-on-equity=(Net income/equity)*100

(16, 280, 000/43, 940, 000)= (37. 0)%

(30, 500, 00/59, 290, 000)* 100=(51. 44)%