Cataracts leverage

Business

What activities and assets did Cataracts leverage to differentiate itself from competitors? NAS. Cataracts was founded in 1971 with an aim to roast and sell great coffee. At that time, coffee consumption in the US was nearly on the decline.

Despite competitors like Floggers, Unsafe, Pet's, By 1982, Cataracts had five retail outlets that old supplies for brewing coffee at home and also the coffee beans button prepared beverages. When Schultz took over, he was determined to establish Cataracts as " the third place" beyond home and work.

He wanted to differentiate and create a distinct identity of Cataracts and so was not receptive to the idea of selling prepared drinks. He Justified it by saying that getting into the " restaurant business" would distract the company from its core assets and activities: roasting and selling coffee beans.

The d©cord of the stores included earth tones and overstuffed chairs, wood floors and cozy replaces that created a home-Like feel so that Its patrons could linger and relax. La Morocco machines were put up which added to the distinct taste of the coffee and the Barista that operated the machines stood as an unique attraction. The quasi- Italian lingo included in menu (drinks names and sizes) were very catchy.

Cataracts positioned itself as a brand/company offering a " lifestyle product". The locations were carefully selected where areas with large numbers of wealthy and highly professional workers (" Boss") were targeted.

Q: 2. When Cataracts was rapidly expanding Its tore locations In 2006-2009 It made specific changes in order to facilitate that growth. What did Cataracts gain? and give up? as a result of each change? NAS: During its phase of expansion, Cataracts concurrently executed two initiatives: (1) Selling Cataracts products through mass distribution channels , and, (2) Dramatically expanding its store locations. By 1 996, It had opened about , OHO stores.

By 2001, The count stood at 5, 000 stores. In 2007, It was operating about 15, 000 stores. This move resulted In a mixed bag of reactions and consequences.

Schultz remained undeterred by critics and revealed that In the course of time, Cataracts and Its customers realized that their coffee was found filling a need that customers themselves didn’t know that they had. In line with the expansion, a few changes were brought into place.

1. Operational Changes included the replacement of the La Morocco machines with Push-Button Version machines. PROS: Simplified the hiring and training of Baristas Reduction In time to pull an espresso shot from 60 to 30 sees. Uniform product The grinding apparatus blocked the customer’s view of the barista Simplicity eliminated the romance and theatre.

Lack of customization.

Longtime customers believed the quality was inferior. 2. Another change involved the coffee beans. Delivering a consistent flavor required that there be a central system of roasting the beans and then global distribution.

However, measuring and grinding each time was time consuming and hampered the min service goal. So it stopped shipping the coffee beans to be ground and instead shipped air-tight packs of pre-ground beans.

PROS: Time saved Service Goal was achieved. CONS: “ Skimped on quality’ 3. The design of the stores was limited to 4 templates in order to reduce costs. 4.

Growth resulted in exposure of weaknesses in operations and supply chain management- Stores regularly ran out of vital ingredients to satisfy customer demand. Merchandise displays were inconsistent.

5. I. T. – Computer per store but lack of net connectivity, inability to run spreadsheets, send e-mails outside of the company, send/receive e-mails with attachments and the requirement of the MS-Dos software to enter drinks’ orders in predetermined order. Any deviations to that sequence resulted in void of sale and required to be re-entered.

6. Its foray into music, book publishing and movie production worked. Q: 3. When Schultz returned to

Cataracts as CEO in 2008, how had the competitive context changed since his first tenure running the firm? What had caused or facilitated the changes? NAS: The competitive context had changed to a great extent when Schultz returned as Cataracts CEO in 2008 in comparison to his first tenure. The competitors had risen in their positions in terms of share in the period 2006-2008. Penthouse the customers had to wait longer in coffeehouses like Intelligentsia Coffee, there was customization.

Cataracts was perceived as “ heartless corporate predator”. Fast food restaurants such as Dunking’ Donuts and McDonald’s started offering specialty coffee.

Mac’s aggressive advertising with attacks on Cataracts worked in its favor as the coffees were cheaper. The intensive training process of 2-5 months of Baristas in Intelligentsia shows that the competitors’ worked hard to stress on weak points and opportunities that Cataracts overlooked. The main cause is that there was confusion writ customer base (whether high-end or mass like how Mac’s and dunking’ targeted) Q: 4.

Why did Schultz respond the way he did to the changes he found in 2008? What was he trying to achieve? Were his responses effective or ineffective? NAS: The dawn of 2008 revealed the shoddy condition of Cataracts.

It was in crisis. Financial results of the previous quarter were the worst in the history of a public company. January 7, Schultz returned as the CEO and immediately got to work with his Plan of Action. He announced a “ transformational agenda” of strategic initiatives.

He implemented his decision of closing down 1, 000 stores that were not generating an acceptable return despite the operational changes. Closing these underperforming outlets were a part of an attempt to reduce operational costs. In the meanwhile, several smaller offering free-refills on the same day of purchases and returning to in-store coffee ringing.

A new roast of Coffee called PIKE PLACE ROAST was introduced. These strategies were an attempt to revive the brand’s sales and chart back in the industry/ coffee market. However, all of these strategies did not work and remained ineffective as the stockpile of cataracts declined by half over a period of 15 months since the time of implementation.

Q: 5. Did the introduction of VIA make sense in light of the market and the company's other actions? NAS: Instant Coffee was an area of experimentation by Cataracts since 1989. Don Valiance who applied the method of freeze-drying cells to coffee beans, hereby, retaining the quality of the coffee. N late 2009, Cataracts VIA was launched in culmination of Valence's research. VIA, a water soluble coffee was offered in single-serve packages or " sticks". Schultz prediction of VIA creating " additional usage occasions" for coffee and increase sales came true.

The quality of VIA was noticed to be similar to that of the traditionally brewed Cataracts Colombian coffee. No one ever questioned the authenticity. The strategy implemented in my opinion was a good one as it was decently priced and called for the need of the hour as they tapped another untouched area which had potential.