

Should We Broaden Our Product Offering?

In this exercise, you are presented with a summary of a discussion from a manager's meeting, which highlights the for and against of a franchised food retailer (like Subway) expanding their product range. As you see, their proposed move has both significant opportunities as well as substantial risks.

Your task is to help the firm decide what they should do. Please Note: They have already spent considerable time researching this opportunity, so recommending "further research" is not really a suitable option at this stage.

Excerpt from the Management Meeting

Bianca: The purpose of this meeting is to make a final decision on whether we should proceed with introducing gourmet coffee into our chain of franchised stores. I think that we have enough information to make a decision. Let's hear from Julia first.

Julia: From a research viewpoint, there is no doubt that gourmet coffee is a large, highly profitable, and fast-growing market. The market has become much larger than we initially anticipated.

Andrew: And we're in a good position to get a good share of that market too. Analysis of our customers' behavior indicates that 80% are also regular purchasers of gourmet coffee. That means that we should be able to sell existing customers gourmet coffee simply on the basis of convenience.

Brandon: I agree that the market looks very attractive, but it's not really our skill set. We're great at making gourmet sandwiches real fast, but we have no experience in the coffee industry.

Nick: But come on - how hard can it be to make coffee?

Toni: I don't think the issue is how we make a cup of coffee - but how we integrate the overall coffee process into a streamlined system for making subs and sandwiches.

Kelly: That's true. Many of our franchised stores wouldn't have the physical space to be able to re-design their store. Plus, how many of our franchisees would be happy with the \$50,000 expense to upgrade their stores.

Adam: One possible idea - but not a strong one - is to allow each franchisee to make the decision on whether they want to offer gourmet coffee or not, based on their local needs.

Katelyn: I can see your point, but I'm concerned about having an inconsistent image in the market. Personally, I'm not comfortable in broadening our positioning into gourmet coffee. I think that we have a good, clear positioning and that approach will provide us with a strong competitive barrier. I don't know how we would benefit from broadening our competitive set.

Ben: OK, let's make a decision. Let me sum up for everyone. On one hand we have an opportunity to enter big, growing and profitable market. This market has some synergy with our existing operations - in that it's a form of gourmet food. On the other hand, this is a broadening of our image, we're geared up for fast turn-over of customers - not slow social situations - and, as a result, we may not be able to introduce this in every store, which is not good.

Bianca: Thanks Ben. Now that we know the 'for and against' arguments - who wants to proceed with the project and who wants to tell management that the idea is just too risky?

Student Discussion Questions

1. What are the for and against arguments presented in the discussion? What other viewpoints could there be?
2. What strategic action would you recommend the firm to take? Why?
3. What 'internal' (corporate culture) factors might influence the final decision?