

Are These Good Growth Results?

The following food retailer has experienced significant top-level growth over the past few years. But underpinning their results is a significant increase in franchised stores/outlets, so are the results as good as they appear?

Here are some top-level financial figures for a food retailer growing primarily through a franchise system:

	Year 1	Year 2	Year 3	Year 4
Revenues	\$1.00b	\$1.10b	\$1.21b	\$1.33b
Profits	\$200m	\$220m	\$242m	\$266m
No. of Stores	2,000	2,400	2,880	3,450
Advertising Spend	\$100m	\$105m	\$110m	\$115m

Student Discussion Questions

1. What percentage growth has the firm achieved in revenues and in profits over the period above? Has the firm improved these two metrics each year?
2. Therefore, based on your response in Q1 only, are these generally good growth results?
3. What is the firm's revenue and profit on a PER store basis for each year? How has this metric been tracking?
4. What has been the contribution of the additional 1,450 stores in terms of extra revenue and profit? (That is, profit per store in year one versus increased profit/additional stores by year four.)
5. Therefore, based on your responses in Q2 and Q3, how well is the firm growing?
6. How insightful is 'drilling down' slightly and becoming more analytical?
7. Given their overall store numbers and their franchising model, can you think of any logical reasons why these results are being delivered?