Outback Steakhouse, Inc.

By

Team Member 1
Team Member 2
Team Member 3
Team Member 4

A Case Study In Strategic Management

For

Professor Ronald Zigli, Ph.D.
BADM 635, Strategic Management
College of Graduate and Professional Studies
The Citadel

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Executive Summary

The first two Outback Steakhouse restaurants were opened in 1988 in Tampa, Florida. The founders based their business on a best-cost provider strategy, serving quality steaks at affordable prices. They positioned the business to fill the space between high-priced and budget steakhouses and catered primarily to the dinner crowd.

From its first year, Outback Steakhouse, Inc. was the fastest growing U.S. steakhouse chain, with over 200 stores by early 1995. Hailed as one of the biggest success stories in corporate America, Outback has received many industry awards and in December 1994 received Inc. magazine’s prestigious Entrepreneur of the Year award.

With a domestic market likely to reach saturation in five years, and competitors who are already beginning to expand internationally, Outback now faces the critical strategic issue of continued growth - where and how.

We performed a strategic analysis of the industry and Outback Steakhouse, Inc. Based on this analysis, we identified and evaluated options available to Outback. Based on our study we conclude that Outback Steakhouse, Inc. should execute a balanced strategy of (1) domestic expansion of Outback Steakhouse and Italian theme restaurants, and (2) global expansion.

Company strengths and weaknesses are discussed. For the recommended strategy, we provide implementation suggestions in the areas of finance, management, marketing, and operations.
**Issues**

**Issue – Continued Growth**

Outback Steakhouse, Inc. faces a single, broad strategic challenge -- how to continue growing. The company has a history of rapid, sustained growth. It currently also has very large retained earnings, and shareholders who expect either stock dividends or a clear explanation of what form future growth will take. Outback must develop a strategy for continued growth, including an implementation plan, and communicate that plan to shareholders.
Background

The founders of Outback Steakhouse, Chris Sullivan, Bob Basham, and Tim Gannon met and received their training through Steak & Ale’s management trainee program. All three experienced success through owning franchise operations. Sullivan and Basham sold their Chili’s franchises and used the money to open Outback Steakhouse with Gannon in 1987. The first two Outback Steakhouse restaurants were opened in 1988 in Tampa, Florida.

The three founders based their business on a best-cost provider strategy, serving quality steaks at affordable prices. They wanted to fill the space between high-priced and budget steakhouses and catered primarily to the dinner crowd. They recognized that even though there was a decline of in-home red meat consumption, people still wanted to go out and enjoy a good steak dinner.

From 1988 to 1995, Outback Steakhouse was the fastest growing U.S. steakhouse chain, with over 200 stores by early 1995. The business press also hailed the company as one of the biggest success stories in corporate America in recent years. Outback was voted the best steakhouse chain in the country, garnered top honors (along with Olive Garden) as America’s Favorite Restaurant, and in December 1994 received Inc. magazine’s prestigious Entrepreneur of the Year award.
Analysis

Industry Environment

National Overview

Driving Forces of the Restaurant Industry include:

- Demographics of US consumers: Slower rate of population growth, greater demand for prepared foods to relieve working parents, changing tastes as the population ages, and higher disposable incomes of the "baby boom" generation
- Significant increase in both domestic and international franchising
- International convergence of cultural trends, rising income, infrastructure improvements, and higher education levels
- International growth and expansion by the major fast-food chains, followed on a much smaller scale by the casual dining chains

Standard & Poor's Industry Surveys (S&P), in its March 17, 1994 issue on Restaurants states that the overall domestic restaurant market is largely saturated. We agree with S&P's assessment that this situation "... makes future opportunities for growth more likely to come from market share gains than from growth in the overall market." Citing information from the National Restaurant Association and its own research, S&P characterizes the U.S. restaurant market as follows:

- The U.S. restaurant industry is highly fragmented. U.S. consumers in 1994 will spend more than $200 billion at roughly 400,000 restaurants and bars. The ten largest chains together account for only about 23% of sales.

- Growth in the industry has benefited from a long-term rise in the portion of food dollars that consumers spend on items prepared outside the home. For every dollar spent at food stores, consumers in 1994 spend about 54 cents at restaurants and bars, up from about 34 cents to the food store dollar in 1970. This trend has been fueled by a growing population, a healthy economy with rising disposable incomes, and a rise in the proportion of women working outside the home.

- Over the long term restaurants are not viewed as a large growth industry. This is evident by the following recognizable trends: (1) population growth now and in the foreseeable future is expected and (2) the number of women entering the workforce has begun to level off.
• As the U.S. population ages, restaurant patrons are increasingly likely to move away from fast-food outlets toward mid-scale dining. These consumers will place a higher value on the amenities and nutritional variety associated with sit-down, full-service restaurants.

• Promotional efforts tend to emphasize value.

• Tastes are likely to change, so there should always be room for new concepts to provide consumers with a fresh sense of hospitality and entertainment.

The projected U.S. food-service industry sales for 1993 is displayed in Exhibit 1.

Casual Dining Segment

S&P cites Nation's Restaurant News (NRN) projection that the 15 largest dinner house chains will report average unit sales of $2.2 million annually for their most recent or current fiscal years. NRN expects both the T.G.I. Friday’s and Outback Steakhouse chains to report more than $3 million per unit. They report that Red Lobster and Olive Garden, the two largest dinner house chains, had systemwide sales of $1.6 billion and $928 million, respectively, in the fiscal year ending May 1993.

Restaurant Industry (Porters Five Forces)

The five competitive forces are listed below and discussed in the following paragraphs:

• Substitute products offered by firms in other industries
• The potential for new entrants
• The power of suppliers
• The bargaining power of buyers
• Rivalry among competing casual dining restaurants

Substitute products offered by firms in other industries - Weak

Substitute products can be characterized as ready-to-make food, prepared and ready-to-eat at home, and home meals ready for consumption. In-home consumption gives individuals a convenient choice and offers the advantage of staying at home. In-home consumption is a weak substitute due to the strong economy, rising household incomes, and the growing ratio of expenditures at restaurants compared to food stores. As noted by the Standard & Poor's Industry Surveys, for every dollar spent at food stores, consumers now spend about 54 cents at restaurants and bars, up from 34 cents for every food-store dollar in 1970.
The potential for new entrants - Weak to Moderate

As with most large saturated markets, gaining market share is a true challenge. On the domestic level, threat of new entrants poses a weak to moderate threat because of the saturated market and the fact that many large companies have greater capital resources. Internationally, the threat of new entrants poses a moderate to strong threat because there is more of an untapped opportunity overseas, and companies can use preemptive strikes, moving first to secure an advantageous position, in order to gain market share.

The power of suppliers – Moderate

Because everyone must eat to survive, there are few suppliers relative to the number of restaurants and most are leveraged due to having an equal share of opportunities in the industry. However the number of suppliers capable of meeting the needs of large restaurant chains is not small relative to the number of restaurant chains. Suppliers have less bargaining power in the domestic market, as it approaches saturation, but greater power internationally where the number of entrants is still relatively small. Such power is moderated through long-term relationships like that Outback has established, and is important because of the size of the industry and the supplier's ability to gain market share through competing chains and other restaurants.

The power of buyers – Moderate to strong

The industry has been in existence for many years, so buyers are better informed, and are in better positions to make educated choices. Price is the most important feature for most consumers and switching costs are low because of the sheer number of restaurants in addition to the ability of the consumer to stay at home and eat.

Rivalry among competing restaurants - Moderate to strong

In a market were everyone is in constant competition trying to gain market share, the US food service industry was up about 1.9% in 1993, and roughly 50% of US adults are food service patrons on a typical day, according to a NRA/Gallup Survey. Rivalry will further intensify in coming years.

Company Analysis

Outback’s Competitive Position

As of 1994, Outback was ranked 29th out of the top 50 U.S. restaurants, with approximately 0.53 percent or $0.55 billion of the $104 billion U.S. food-service market. The industry is dominated by the fast-food burger restaurants, which account for 52 percent or $41 billion of the market share. (Refer to Exhibit 2 - Strategic Group Map of the top 50 U.S. Restaurant Franchises – 1994).
Outback has five main competitors; Sizzler, Ponderosa, Golden Corral, Western Sizzlin, and Bonanza. As of 1994, Outback was ranked third among the six competing steakhouses and enjoys a 17 percent or $549 million market share of the $3.2 billion steakhouse restaurant market. Sizzler leads the market with 26 percent or $858 million and Bonanza lags with 8 percent or $267 million of the steakhouse market.

In addition, all of the competing steakhouses have international operations with the exception of Outback. Sizzler leads the steakhouse market with 119 international locations and more than 26% or $230 million of its revenue coming from its international operations. Ponderosa is ranked second with 40 international locations while Bonanza is ranked third with 30 international locations.

**Outback’s Product**

Outback’s product consists of exceptionally valued entrees served in an attractive dining atmosphere. The hospitable and fun dining experience is based on a unique Australian outdoor and adventure theme. Outback’s menu consists primarily of dinner entrees that include steaks and prime rib, along with chicken, fish, pasta and its trademarked appetizers and desserts. Outback has enhanced the flavor profile of its menu to suit the tastes of its market, pursues food quality relentlessly, and considers its food one of the main factors in its success.

**Outback’s Customer Profile**

The average Outback customer is an older, evening diner, of the "baby-boom" era, who regularly substitutes in-home consumption of red meat for a good restaurant steak. Many customers have been willing to wait up to two hours for a table on weekends in order to purchase a meal that satisfies their higher flavor profile.

**Outback’s Suppliers**

Unlike some of its competitors that implement backward integration, Outback has long-term strategic partnerships with its suppliers. Outback has a very strong joint commitment with its suppliers to develop and maintain the highest possible standards. Outback insists that its suppliers furnish only the highest quality of goods and services, but also includes suppliers in its corporate strategy. Outback has never changed suppliers since the company was formed.

**Functional Analysis**

**Threats**

Outback is presently threatened by six external factors:
• Direct Competition
• Socio-Cultural factors
• Saturation of domestic market in the next few years
• Rivals entering international market
• Decline of market growth due to economic changes
• Regulatory or political changes in individual nations

Direct competition. Four of Outback’s main steakhouse competitors, Sizzler, Ponderosa, Golden Corral, and Bonanza hold a significant percentage of the U.S. market. Combined, the four steakhouses account for 73 percent or $2.4 billion of the $3.2 billion steakhouse market.

In addition, three of the competitors hold the majority of international market share. As of 1994, Sizzler had the most with approximately 27 percent of its total revenue coming from its international operations, which accounted for only 20 percent of its total number of restaurants. Comparatively, Ponderosa had only 6 percent and Bonanza had only 12 percent of its total revenue generated by its international operations. In total, Outback’s three main competitors had 189 international locations worth an international market value of $302 million.

Socio-Cultural factors. The differing dietary needs and preferences of the target foreign markets make international expansion challenging. In addition, local rules, work practices, customs, and other cultural factors can differ so widely from place to place that a working knowledge of the target country is a prerequisite to successful operation abroad. Those countries that are most culturally similar to the United States, listed in order, are Canada, Great Britain, Germany, Mexico, Japan, and South Korea. (Refer to Exhibit 2.)

Saturation of domestic market within a few years. The company believes the U.S. market could accommodate 550-600 Outback steakhouses, but they were swiftly reaching that limit. Within 4-5 years, Outback expects to reach U.S. market saturation. Growing about 70 stores annually, the company will soon be threatened by the potential of a stagnant domestic market.

Rivals entering the international market. International expansion is a significant revenue generator for many Outback competitors in the restaurant industry. McDonald's, Wendy's, Dominos Pizza, Dairy Queen, and other fast-food chains and subsidiaries have led the move overseas. Despite the success of the fast-food industry, casual dining operators have been slower in entering the international markets. The potential for growth of U.S. food establishments is remarkable overseas due to the changing demographics and the growing attraction to international markets.

Decline of market growth due to economic changes. In overseas markets, the economic climate is less predictable than the U.S. economy. Significant changes in either the domestic or overseas economy could influence the number and frequency of casual
dining occurrences. Stability of the target country's economy, with respect to such factors as exchange rates, inflation, and unemployment could enhance or degrade the success potential of an international venture.

Regulatory or political changes. Political changes are less predictable in some nations than in the U.S. Not all countries have a strong business law tradition or a stable and open regulatory infrastructure. This variance among countries introduces additional risk to a company entering markets whose political leadership changes unpredictably.

**Opportunities**

Outback is presented with four significant opportunities:

- Growth potential remaining in the domestic market
- Growth potential of the international market
- International franchising
- Buyback domestic franchises

**Growth potential remaining in the domestic market.** Although the likelihood of domestic market saturation within five years is considered a threat to Outback, the growth potential remaining prior to saturation is a clear opportunity. The average Outback restaurant generates $3.4 million in sales. At 70 new stores per year this could amount to $238 million in additional sales yearly. Additional revenue would depend upon the ratio of company owned stores to franchised units.

**Growth potential of the international market.** Chairman Chris Sullivan has recognized that some casual restaurant chains have already expanded internationally. These chains experience average unit sales that are considerably higher than comparable sales within the United States. Led by fast-food restaurants, international sales for the top 50 franchisers is growing at about $1.5 billion per year.

**International franchising.** Franchising is a proven expansion strategy, both for domestic and international growth. Other chains, such as Applebee’s, have successfully used franchising for international growth. Outback has extensive experience with domestic franchising and can transfer this experience to international operations. Franchising benefits a company in several ways, e.g., it allows a company to easily control its growth rate, avoids heavy front-end capital requirements, and allows customization of the restaurant to the local market.

**Buy back domestic franchises.** The franchise buy-back strategy has been used successfully by Applebee’s since 1992. This chain had over 500 domestic stores in 1994. Outback receives only the initial franchise fee and royalties from franchise stores. On company owned stores it makes more money.
Finance

Strengths:

Strong revenue growth. Outback’s revenue has been increasing at a significant rate over the last five years. From 1990 to 1994, the company experienced almost a twenty-fold increase in revenues, $25 million to $456 million. Refer to Exhibit 4- Income Statements- Horizontal Analysis, 1990-1994 for details.

Exceeding shareholder expectations. The company has consistently outperformed their pro-forma estimates over the last five years. This includes their "provision for income taxes", "net income" and "earnings per common share" estimates. These results put Outback in a very favorable position with their shareholders for future financial needs. Refer to Exhibit 3- Consolidated Statements of Income, 1990-1995 for details.

Consistent and predictable Expenses. Outback’s major expenses have been very consistent and predictable, as a percentage of revenue, over the last five years. Costs of revenues (i.e.- COGS) are a consistent 39% of revenue and total expenses (excluding interest and taxes) are consistently around 85% of revenue. These consistent expenses will increase Outback’s accuracy in meeting their financial objectives. Refer to Exhibit 5- Income Statements- Vertical Analysis, 1990-1994 for details.

Strong balance sheet and retained earnings. Excluding cash, Outback has a very strong balance sheet with total assets far exceeding total liabilities for 1994. To date, Outback has a retained earnings balance of $88 million. This extremely large balance puts Outback in a lucrative financial position to fund its future growth. Refer to Exhibit 6- Consolidated Balance Sheets, 1990-1995 for details.

Significant increase in property and equipment assets. Over the past five years, Outback’s property and equipment assets have been almost doubling annually. As of 1994, property and equipment assets accounted for over 71 percent of Outback’s total asset investment. This significant investment in property and equipment will help fortify Outback’s domestic support operations as they expand abroad. Refer to Exhibit 7- Balance Sheets - Vertical Analysis, 1990-1994 for details.

Weaknesses:

Decline in cash. Cash and cash-equivalent assets have been following a negative trend for the past 2 years. This large decline in cash can be attributed to the company’s significant investment in property and equipment assets. Although a sign of investment by the company can be viewed as a strength, the speed at which the investment takes place can also be a weakness. For the two year period ending 1994, the company’s cash flow was
reduced by 59 percent and 25 percent, respectively. Such financial practices are acceptable for overcoming short-term cash needs but could hurt Outback’s long term growth objectives. Refer to Exhibit 8- Balance Sheets - Horizontal Analysis, 1990-1994 for details.

Increase in accounts payable. Outback’s accounts payable have dramatically increased since 1992. The company’s declining cash position has forced it to take advantage of its supplier’s credit terms. Outback is presently deferring its accounts payable to accumulate short-term operating cash. If not controlled, this action could have an adverse effect on Outback’s supplier relationships. As of 1994, the accounts payable balance had increased ten-fold to $10 million over the previous year. Refer to Exhibit 8- Balance Sheets - Horizontal Analysis, 1990-1994 for details.

Increase in long-term debt. Like accounts payable, Outback’s long-term debt has been significantly increasing since 1992. The company’s option to choose long-term debt over capital stock (equity) financing could be viewed as a weakness. Over the last two years, Outback’s long-term debt balance has increased almost twelve-fold to $12 million. Refer to Exhibit 8- Balance Sheets - Horizontal Analysis, 1990-1994 for details.

Increase in inventory turns with no benefit from economies of scale. Outback has failed to take advantage of the typical savings associated with economies of scale. Over the past five years, Outback has increased its inventory turnover ration by more than 25%, yet its cost of revenues have remained a consistent 39 percent of revenue over the same period. Refer to Exhibit 9- Financial Ratio Analysis, 1990-1994 for details.

Marketing

Strengths:

Product positioning through quality. Outback’s superior quality control and service have positioned itself as a best-value steakhouse. This is evident by the results of numerous surveys that have voted Outback as the best steakhouse and/or restaurant for 1995. One example is their croutons, which are made daily on site. They are cut into different sizes and irregular shapes so the customer can recognize they are homemade. Unlike most competitors in the industry, Outback has leveraged their fanatical pursuit of quality as a key marketing competency to attract customers.

Flavorful menu. One of Outback’s main reasons for success can be attributed to its focus on a well-balanced and highly flavorful menu. Outback prides itself on offering the consumer a diverse mix of specially seasoned entrees; including steaks, prime rib, chicken, fish, pasta and its trademarked appetizers and desserts.

Extensive marketing know-how. Outback’s VP of Marketing, Nancy Shneid, has extensive experience in advertising and radio. Building upon her experience, Nancy was able to develop Outback’s full-scale national media campaign using a combination of
television and billboard advertising. In addition, she made it a point to avoid the use of coupons and print advertising; rather, she plugged their logo at charity, sports, or community service-oriented events. The results of her efforts succeeded in strengthening Outback’s position as an up-scale affordable restaurant with a fun dining setting.

**Strong brand image.** The company looked for something unique in the 1980s and found the Australian motif suited their specifications and fit the casual dining market. As a result, consumers were enticed by the “different” theme. The Outback experience was associated with a cheerful, fun, and comfortable time. This attribute, in combination with high quality and flavorful entrees, gave Outback an early strong brand image.

**B-locations with A-demographics.** Outback deliberately steers clear of high-traffic areas, since these locations typically serve a lunch crowd. Outback chooses convenient locations where their target market would be the dinner crowd.

**No myopia.** Management understands the foolishness of believing they can buy land and establish successful restaurants abroad. They realize they do not understand the different laws, cultures, or other aspects of every other country.

**Weaknesses:**

- **Lack of a cohesive international marketing plan.** Outback has failed to develop a cohesive international “rollout” marketing campaign. They are putting all of their faith into the efforts of their franchisers and/or joint venture partnerships.

- **Product differentiation.** Outback has failed to take into consideration the specific cultural dietary differences of their international target markets. Outback presently has an ethnocentric view of its menu offering, and is expecting to apply this offering across the entire global market.

- **No understanding of what is "different" and new in overseas markets.** Although prospects for expansion into the international front appear promising, Outback management is not skilled on foreign turf. They have demonstrated great ability in domestic markets, proving that they can create a unique experience in the United States. But one may ask, “What constitutes a unique experience abroad?” There is not a generalized answer for international markets; each country will have a different response. (Refer to Exhibit 2.)

**Management / Organization**

**Strengths:**

- **Entrepreneurial leaders.** Outback has three very strong entrepreneurial leaders with over 60 years of combined experience in the restaurant industry. Their charismatic management styles and philosophies have lowered Outback’s management turnover rate to 5.4 percent and is one of the lowest in the industry which averages 30-40 percent.
Corporate culture. Outback has a corporate culture that places an equal emphasis on productivity, efficiency, and an employee’s long-term well being. This can be characterized through the company’s “Statement of Principles & Beliefs” which refers to employees as “Outbackers” and highlights the importance of hospitality, sharing, quality, fun and courage. In addition, its structured creates an entrepreneurial climate that perpetuates learning and personal growth.

Informal management structure. There is no middle management; top management selects the franchises and joint ventures that report directly to the President of the company. Management has entrepreneurial spirit by desiring to grow internationally, but they are not myopic. They will focus on their strong support system, with Connerty appointed President of Outback International in 1994.

Expertise in consistently good customer service. Outback customers are repeat customers. The door is opened for them as they come in to enjoy a good meal in a fun environment, and it is opened as they leave. They are greeted upon entry and exit. All staff experiences a rigorous interviewing process to make sure that they possess the same ideals as the company. The employees, therefore, are hired because they are courteous and friendly. Many opportunities are also available for promotion. As an extra incentive, a reward system is also in place.

Weaknesses:

No international experience by top management. Although Outback has a proven domestic strategy, they have not yet expanded into the international frontier. This lack of overseas experience could hinder their ability to expand, even if they base expansion on their proven business model.

Informal management structure. Although Outback’s informal management structure can be viewed as a strength, it is also a weakness. Any thoughts for expansion must include the resulting changes in day-to-day operations. These logistic aspects will dictate a more rigid and disciplined organizational hierarchy.

Operations

Strengths:

National recognition. In December 1994, Outback was awarded Inc. magazine’s prestigious Entrepreneur of the Year award. Likewise, in 1994 and early 1995, popular business press recognized Outback as one of corporate America’s biggest success stories. Outback’s operational success and national recognition can play a significant role in improving its investor relations.

Strong relationships with suppliers. Outback views suppliers as partners. They have never changed suppliers and continue working to promote those loyal, long-term relationships.
In addition to loyalty to suppliers, Outback also includes suppliers in strategy, e.g. building plants and establishing supply viability.

**Effective utilization of systems, staff and management.** Forty-five percent of restaurant design is devoted to kitchen area. "Outbackers," as the wait staff are called, only work the dinner shift, are assigned only three tables at a time, yet enjoy higher tips than at restaurants which also serve lunch. Outback also provides health benefits and the "ability to learn, make mistakes, and go on." These growth opportunities are not afforded to most in the industry.

**Flexible, easy-to-apply business model.** Outback uses a business model that incorporates franchises and joint ventures. The franchise concept makes good use of what Connerty has characterized as Outback's "pure strength," a support operation. Growth and expansion is possible through joint venture partnerships and franchise agreements. Moreover, they have solid relationships with their franchisees, and utilize a strong support system. "Trust … is foremost and sacred…and not to be violated." The company franchises one at a time, and the franchisees live in their franchise region. This system could be implemented in international markets, as well.

**Weaknesses:**

**No international distribution system.** They do have an incredibly strong supply network in the domestic market. However, in some areas of the international market, a company is not allowed to use its own distribution channels, or the channels used in the foreign countries are unavailable to outside companies.

**Fragile franchisor –franchisee relationships.** The inherent characteristics of geographical dispersion and cultural diversity associated with franchising can put a strain on the company-franchisee relationship. Without thorough research and careful implementation planning, Outback’s use of franchising, especially internationally, can pose a potential threat. Refer to Appendix 2 for details.

**No clear plan to take advantage of automation.** Outback has no clear plan to capitalize on advances in automation in such areas as ordering, inventory management, and integration with suppliers. The potential for savings will grow as Outback expands. An important development begun in 1994 that addresses operating efficiencies and technology issues is the "Efficient Foodservice Response" initiative, described in Appendix 1. It is not clear that Outback is aware of or participating in these advances.
Options

Option 1: *Domestic expansion of Outback steakhouses and Italian theme restaurants.*

**PROS:**
- Increased market share
- Saturate the market with Outback locations
- Increase number of company owned stores domestically
- Increased potential for higher profit
- Potential for economies of scale
- Avoids risks associated with international expansion
- Develop well-recognized brand name
- Potential underestimation of domestic potential
- Maintain existing supply chain

**CONS:**
- Delays entry into global market
- Domestic saturation may occur in 4-5 years
- Intense competition
- Supplier power increase

Option 2: *Global expansion*

**PROS:**
- Revenue increases
- Greater brand recognition
- Increased market share
- Creates a strong financial position to buy back non-company owned domestic franchises
- Application of proven franchise model
- Allows company to leverage core competencies such as their “pure strength” support operation
- Supplier contracts increase thus strengthening relationships
- Provide “first mover” advantages, e.g. customer loyalty and best locations
- Spread business risks over larger market base

**CONS:**
- Foreign market entry difficult
- No established supply chains
- Political, economic, and socio-cultural differences

**Recommendation**

*Outback should execute a growth strategy composed of both (1) domestic expansion of Outback Steakhouse and Italian theme restaurants, and (2) global expansion.*

Although entry barriers and uncharted territories are potential threats to Outback on the international front, the company has, among other strengths, a clearly demonstrated entrepreneurial spirit, successful business model, strong core competencies and support operations, and a loyal supply chain.

Outback has the ability to succeed in both domestic and international expansion and can enjoy numerous benefits, which are listed within each option.

**Implementation**

Outback Steakhouse should begin immediate domestic expansion. Based on their current geographical location, Outback should expand first towards the West Coast.

Outback can begin expanding into the Italian theme restaurants through its joint venture with the Houston-based Carrabba’s Italian Grill. Outback should locate Carrabba’s in the same areas as existing Outback restaurants to maintain consistency in domestic expansion. Strategic planning would indicate that they should begin this expansion of the Carrabba’s initially in the Southwest, near the Houston base.

Outback should also begin expansion into the global marketplace by franchising first to the Canadian market, because of its cultural similarity and geographical proximity. Franchising will allow Outback to acquire minimal risks and avoid large capital investments. However, Outback will have a loss of input from headquarters. In the long-term, Outback will continue to expand globally with franchises into markets that closely resemble those of the United States. Eventually, Outback will expand into Great Britain, Germany, Asian markets, Mexico and throughout the world. Global expansion will allow Outback to experience rapid sustained growth, increase earnings, and meet shareholder expectations.

**Finance**
- Continue to exceed shareholder performance expectations
- Set clearer financial objectives to capitalize on economies of scale
- Improve or implement a cash flow management plan
- Establish a separate financial plan component for international operations
Management

- Hire an experienced international liaison to assist Connerty
- Continue to implement the best practices and management styles throughout the globe that have created success for Outback restaurants
- Carry over management themes into the Carrabba’s chains
- Tailor franchise screening and selection process, and franchise agreements, to overseas markets

Marketing

- Develop cohesive domestic and international marketing strategies
- Utilize the strengths and experiences of Nancy Shneid, VP of Marketing, to create a Global media program
- Continue with the strengths of advertising on TV and billboards in the countries that have wide coverage and access to these forms of media
- Continue with the No coupon, No print, strategy to maintain a classy image

Production/Operations

- Maintain mentality of “Nothing less than the best,” and develop a quality control system to monitor international supply chains
- Continue to work strategically with domestic suppliers to develop an overseas supply network
- Investigate and seek benefits from the food service industry's EFR Initiative (See Appendix 1)