**El Pollo Loco**

In 1980, the very first American El Pollo Loco opened on Alvarado Street in Los Angeles where El Pollo Loco quickly became a local favorite. With authentically prepared flame-grilled, citrus-marinated chicken, freshly prepared ingredients and a welcoming atmosphere customers knew they had a unique dining experience unlike any other in their neighborhood.  As word spread, so did their popularity and locations -- establishing El Pollo Loco as a true local brand throughout California.

 At El Pollo Loco, pronounced “L Po-yo Lo-co” and Spanish for “The Crazy Chicken,” they go to crazy lengths for their signature citrus-marinated, fire-grilled chicken. First, they marinate fresh, whole chickens in a special recipe of herbs, spices, fruit juices and garlic. The whole chickens are then fire-grilled, hand-cut, and served with our chicken meals, burritos, salads, soups, tacos and quesadillas. And if that’s not enough, they apply that same passion to their handmade guacamole, salsas and dressings every day.

They’re dedicated to serving healthful, freshly prepared food hot off our open-flame grills from the skilled hands of their Grill Masters. But they’re not just dedicated to their delicious, authentic food. They’re dedicated to their customers—from their grill masters, who compete annually for the honor of being the best, to their cashiers, who want to make every customer experience count. They’re dedicated to their communities, too, whether it means volunteering in their local neighborhoods, running Fire-Grilled Fundraisers, or supporting those in need through their EPL Charities partnerships. And, of course, they’re dedicated to serving perfectly fire-grilled chicken every single day.

**SWOT Analysis**

Strengths

El Pollo Loco strength includes its signature marinated chicken that is a big attraction to customers. The signature marinated chicken is able to draw in a lot of customers to El Pollo Loco because people love and are interested in the chicken. This helps El Pollo Loco to be able to have larger revenues. El Pollo Loco also has more than 400 restaurants in the US. This large number of restaurants means that it is able to reach a very large customer base and this would help a lot of people to know about El Pollo Loco and they will also be able to earn larger revenues. El Pollo Loco has well trained and skilled Grill Masters. This is a good benefit to El Pollo Loco because it allows El Pollo Loco to be able to offer very good products. This will then help to increase the customer base of El Pollo Loco and then they can have more revenue. Also having very skilled grill masters and very good products sheds a positive light on El Pollo Loco. The brand name is also indicative of authenticity and this allows consumers to trust El Pollo Loco and therefore El Pollo Loco can experience larger revenues. El Pollo Loco has an active social media presence that engages users and this is a good thing for El Pollo Loco because it allows them to be able to keep their customers interested in them and they can also reach out to a lot of new customers and have larger revenues. El Pollo Loco gives back to the community and participates in charitable events. This also affects the brand image positively as it allows consumers to know of the positive effects that El Pollo Loco has on the community and this can also draw more customers to El Pollo Loco.

Weaknesses

El Pollo Loco weaknesses includes the fact that some items on the menu are not suited to US tastes. This could discourage US customers and therefore not gain as much revenue. El Pollo Loco is also not creative enough in brand communication. This is a bad thing for El Pollo Loco as it could cause them to lose revenue that they could have and therefore market share to their competitors.

Opportunities

El Pollo Loco has the opportunity to introduce a breakfast menu. Doing so would attract more customers to El Pollo Loco, and El Pollo Loco can benefit from increased revenue. El Pollo Loco also has the opportunity to emphasize on excellent customer service in brand communications. Doing so would retain existing customers and would also attract new customers and this will lead to an increase in revenue. El Pollo Loco can also improve the ambience and look of the restaurants and this will make the customers have a better experience while at the restaurant and they will be likely to return back. It can also attract new customers and therefore increased revenue.

Threats

El Pollo Loco faces competition from Mexican and grilled chicken restaurants. This could make it difficult for El Pollo Loco to gain market share and customers as the customers now have substitutes. The rising cost of fresh ingredients is also a threat to El Pollo Loco because it means that El Pollo Loco cannot make as much profit again, and raising prices to cover up could also drive away customers. Customers are also moving towards healthier options and since El Pollo Loco’s menu is not as healthy, this could deter customers from coming to El Pollo Loco and therefore lead to reduced revenues.

**Strengths and Opportunities VS Weaknesses and Threats**

El Pollo Loco has a lot of strengths and Opportunities. El Pollo Loco strengths includes its signature marinated chicken. This very enticing product that El Pollo Loco offers helps to attract a lot of customers to themselves and could also keep the customers to themselves because the product is rare and may not be found as good as El Pollo Loco’s own anywhere. This could help increase revenue for El Pollo Loco. El Pollo Loco also has more than 400 restaurants in the US. This large number of restaurants means that it is able to reach a very large customer base and this would help a lot of people to know about El Pollo Loco and they will also be able to earn larger revenues. El Pollo Loco has well trained and skilled Grill Masters. This is a good benefit to El Pollo Loco because it allows El Pollo Loco to be able to offer very good products. This will then help to increase the customer base of El Pollo Loco and then they can have more revenue. Also having very skilled grill masters and very good products sheds a positive light on El Pollo Loco. This could help promote the brand’s image, and more people would then know about El Pollo Loco therefore also leading to increased revenues. The brand name is also indicative of authenticity and this allows consumers to trust El Pollo Loco and want to go to El Pollo Loco. This could lead to larger revenues. El Pollo Loco has an active social media presence that engages users and this is a good thing for El Pollo Loco because it allows them to be able to keep their customers interested in them and they can also reach out to a lot of new customers and have larger revenues. El Pollo Loco gives back to the community and participates in charitable events. This also affects the brand image positively as it allows consumers to know of the positive effects that El Pollo Loco has on the community and this can also draw more customers to El Pollo Loco. Its opportunities includes adding a breakfast menu, improving the looks of the restaurant, and emphasizing its excellent customer service when communicating its brand. Doing all of this could lead to increased revenues and therefore larger market shares. It would also help El Pollo Loco to be able to compete efficiently against other competitors

El Pollo Loco still has its weaknesses and threats that should not be ignored. Its weaknesses includes the fact that it is not creative enough and that its menu are not suited to US tastes. This problems can be solved if El Pollo Loco diversifies its menu by offering more products that pertain to US tastes. This could help increase their customers and therefore their revenue. They can also invest more in marketing so that it is able to market and communicate its brand in a more creative manner. This also could attract customers and lead to larger revenues. El Pollo Loco can also offer healthier menu options to attract customers and therefore lead to an increase in revenue. Intense competition in the industry and rising cost of ingredients are factors that affect all companies in the industry and so if only El Pollo Loco continues to thrive, it can stay abreast of competition in the marketplace.

**Porters 5 force analysis**

Threat of existing competitors: The threat of existing competitors is medium because of the large number of competitors in the industry. There is also low switching cost in the industry which means that customers can easily go from one competitor to the other. Though, customers tend to be loyal to the restaurants they have good impressions about. El Pollo Loco also offer products that are unique and different compared to other competitors and because the industry is large, restaurants in the industry can grow without having to steal market share from each other. This factors help the threat of existing competitors at medium.

Threat of substitutes: The threat of substitutes is medium because of factors such as the chicken that El Pollo Loco offers that is very different from other competitors. Since people are less likely to find a comparable product, this helps reduces the threat of substitutes. There are also factors such as the lots of substitutes available in the market, and the fact that the cost of switching is low also helps to increase the threat of substitutes. Taking into account all these factors help to keep the threat of substitutes low.

Threat of new entrants: The threat of new entrants is medium because of the following factors. Firstly, customers are more inclined to go to places with strong brand names. This reduces the threat of new competitors because El Pollo Loco already has a strong brand name that attracts a lot of customers and it would be difficult for a new entrant to build a strong brand name. Though, the entry barriers are not as much and this is due to the relatively low capital needed to start up the business and not a lot of time needs to be invested in starting up the business. This leads to the threat of new entrants being medium.

The supplier power is low. The supplier power is medium because El Pollo Loco does not need a lot of suppliers to supply its key inputs. El Pollo Loco suppliers are also not offering any unique product or service and so they do not have to rely on any specific supplier. The cost of switching suppliers is also low as it is relatively easy to move from one supplier to the other and so this reduces the supplier power. There are also a lot of suppliers available in the market and so this also makes it easy for El Pollo Loco to also switch.

The buyer power is medium. The buyer power is medium because of factors such as the low cost of buyers to switch between competitors. The fact that buyers can easily switch between competitors helps increase the buyer power. Though factors such as the large number of customers that El Pollo Loco has and the fact that each customer does not of significant importance to El Pollo Loco, that helps to also reduce the buyer power. Therefore this factors help to keep the buyer power at medium.

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| --- | --- | --- | --- |
|  | P/E | Profit Margin | Debt/Equity |
| El Pollo Loco | 19.92 | 25.63 | 0.5028 |
| Subsector (Restaurants) | 29.32 | 42.95 | 0.03 |

The price to earnings ratio dictates how much investors would pay based on each dollar the company earns. The profit margin shows how much revenues have exceeded costs and the debt to equity ratio measures a company’s financial leverage. For price to earnings, a company would want a high price to earnings because it shows that company is valued in terms of the stock price to the share. In this case, comparing El Pollo Loco’s price to earnings of 19.92 and comparing it to the sector’s of 29.32, El Pollo Loco is performing significantly lower than the rest. However, the price to earnings can be affected due to the fluctuations in the stock market and any other issue that may be affecting the company’s ability to produce its products. Although El Pollo Loco is performing lower than the rest, the price to earnings is still positive which shows a good sign of strength.

The profit margin for El Pollo Loco is 25.63 compared to the subsector’s 42.95. This shows that the company is not making as performing as good as other companies in the industry. Investing in a growing and profitable company like this one could cause investors to reap good returns on their investments but not the maximum returns they could have gotten if the money was invested elsewhere. El Pollo Loco has the opportunity to succeed in the market if it works very hard and works more effectively and efficiently to start having larger profit margins.

The debt to equity for El Pollo Loco is 0.5028 compared to the sector’s 0.03. When looking at a debt to equity ratio, investors want a company that has a good amount of financial leverage but not too much. The reason is if a company is relying heavily on debt for financing, it shows that the company is having issues with operations. However, a low debt to equity is not good either because it shows that the company does not use any debt financing. A debt to equity of less than one is considered low and above one high. Since El Pollo Loco’s debt to equity is below one, Lazard is probably capable to be able to pay off its debt but then it also shows that Lazard does not use much debt financing.

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| Earnings | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| El Pollo Loco | N/A | N/A | N/A | 1.24 | 0.62 |  |
| S&P | 12.86 | -10.86 | 51.30 | -16.32 | 12.66 | -12.42 |