CrowBar Positioning Strategy Report

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Executive Summary

This report evaluates CrowBar's market positioning relative to four local competitors using customer perception data across eight key bar attributes. Through Linear Discriminant Analysis (LDA), the study identifies CrowBar's strengths—competitive pricing, food quality, and drink selection—and its weaknesses—limited food variety, subpar drink quality, and cleanliness. The analysis reveals that CrowBar is most similar to Peacock and Sky High, suggesting these are its primary competitors. To strengthen its market position, CrowBar should enhance its food and drink offerings, improve cleanliness, and invest in targeted promotional efforts. These strategic adjustments will help CrowBar differentiate itself and appeal to a broader customer base.

Overview

The purpose of this report is to better understand how CrowBar's customers perceive the bar on a number of key dimensions relating to food and beverage offerings, and to the overall ambience of the establishment. Based on the insights within this report, we will offer recommendations to help CrowBar make decisions in regards to their positioning strategy. Due to the fact that we will be determining meaningful differences between groups (CrowBar and its competitors), we will be using Linear Discriminant Analysis (LDA).

Important Variables

The data used in this report is based on customer data that we have collected on CrowsBar and local competitors. Each customer assessed the same 5 bars, and had to rank them each on 8 variables that indicated quality pertaining to a certain aspect of the bar. These rankings are on a scale from 1–7 (1 = strongly disagree; 7 = strongly agree).

Before performing LDA, we first need to determine the grouping variable – that is, the variable that will be broken up into meaningful groups. In the context of this report, the variable we would like to break into meaningful groups is 'Bar Name' since we are trying to determine the positioning of these bars.

Second, we need to define what predictor variables we will be using. These variables are used to determine group membership and maximum differentiation between groups; this means that the variables we select will help us determine what makes the bars unique from one another. This helps us understand the differences in the bars' positionings relative to one another. For this analysis, we will be using the following variables:

- GoodPrice – the bar has good prices
- FoodQual – has high quality food

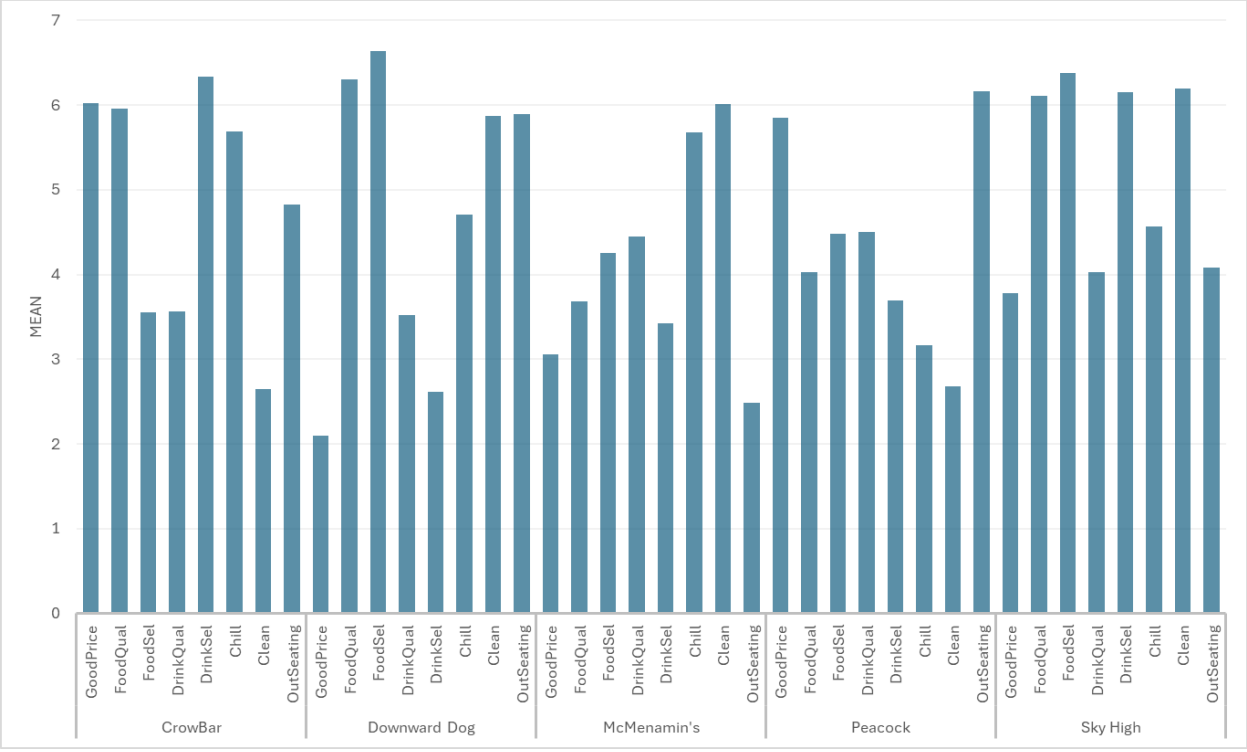
- FoodSel – good selection of food
- DrinkQual – high quality drinks
- DrinkSel – good selection of different drinks
- Chill – bar has a chill, relaxed environment
- Clean – the bar and seating areas are clean
- OutSeating – the bar has enough outdoor seating

We will run an LDA to determine which bar attributes (listed above) tend to be clustered together, and how each bar rates on these dimensions. However, before we begin the analysis, it will help to first get an idea of CrowBar's strengths and weaknesses in contrast to its competitors.

CrowBar's Strengths and Weaknesses (Relative to Competitors)

To get an idea of CrowBar's strengths and weaknesses, we calculated some quick descriptive statistics on the predictor variables listed in the previous section. Comparing the mean values of these variables relative to those of competitors will allow us to determine CrowBar's strengths and weaknesses.

Figure 1: Mean Values of Bar Characteristics – CrowBar & Competitors



CrowBar Strengths:

- GoodPrice

- FoodQual
- DrinkSel

CrowBar Weaknesses:

- FoodSel
- DrinkQual
- Clean

We see that CrowBar is performing well when it comes to the pricing of their products, the quality of their food, and their selection of drinks; however, it does not have much variety in terms of food selection, the quality of its drinks leaves something to be desired, and the overall cleanliness of the bar could use improvement.

Now that we have an understanding of CrowBar's current standing, we will now perform LDA in order to determine the positioning of all 5 bars.

Linear Discriminant Analysis (LDA)

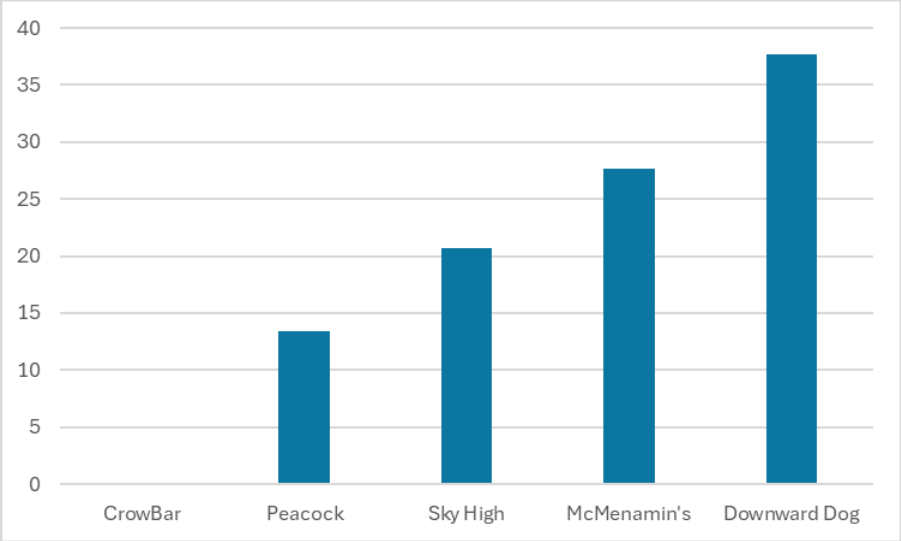
In order to perform the LDA, we first need to define our group variable. The group variable is something that represents a meaningful difference that we would like to understand. In this instance, it would be Bar Name since each bar needs to be counted as a unique group and we are trying to determine each bar's positioning.

Next, we select our quantitative variables. These variables are the ones we think will most likely differ between groups. In this case, the predictor variables we have listed previously will be our quantitative variables.

The model will help us determine how each bar aligns with each variable. This will help us determine where they fall in terms of positioning.

After running the LDA, the first thing we can see is which bars are similar and which are different from CrowBar. The following graph shows the level of similarity relative to CrowBar. It is important to note that the *lower* the value, the more similar it is to CrowBar.

Figure 2: Similarity to CrowBar



Here we see that Peacock and Sky High are similar to CrowBar, whereas McMenamin's and Downward Dog are different.

The goal now is to maximize the difference between the bars through choosing the number of canonicals. This is so that overlapping variance is minimized as much as possible. In simpler terms, this step will allow us to more easily segment and determine the positioning of each bar. The primary question here is how many canonicals maximizes differentiation between bars while accounting for a large amount of variance? The graph below shows some statistics if we are to choose 1, 2, 3, or 4 canonicals.

Table 1: Canonical Discriminant Analysis

Canons	Canonical Correlation	Eigenvalue	Proportion	Cumulative
1	0.911122	4.8873	0.5177	0.5177
2	0.824313	2.12	0.2246	0.7423
3	0.81613	1.9946	0.2113	0.9536
4	0.552025	0.4383	0.0464	1

To select the ideal number of canonicals, we need to consider 3 things:

1. Proportion
2. Cumulative
3. Eigenvalue

Proportion: If we add one canonical, we can account for about 52% of the variance in group differences. If we add two, it will be 22.5%; three is 21.13%, and four is 4.64%. Based on this, we know that canonicals 1, 2, 3 are better choices because canonical 4 accounts for only 5% of the variance.

Cumulative: This shows, cumulatively, how much variance can be accounted for. Consider the bullet-list below. We see the larges jumps in 1-2 canonicals and 2-3 canonicals. The jump from 3-4 canonicals is quite small by comparison.

- 1 canonical = 51.77% of variance
- 2 canonicals = 74.23% of variance
- 3 canonicals = 95.36% or variance
- 4 canonicals = 100% of variance

Eigenvalue: In most situations, we are looking for an eigenvalue greater than 1. We see in the table above that canonicals 1, 2, and 3 have eigenvalues greater than one. Canonical 4 has an eigenvalue less than one.

Based on the three considerations (Proportion, Cumulative, Eigenvalue), we can conclude that *3 canonicals* is the ideal number. This is because they cover a significant portion of the variance and have eigenvalues greater than 1.

We will now rerun the LDA with a canonical value of 3 so that we can take a look at the importance of each variable for each canon. See the table below for the results of this LDA:

Table 2: Total Canonical Structure

Variable/Label	Can1	Can2	Can3
GoodPrice	0.851643	0.129067	0.047147
FoodQual	-0.210863	0.668279	0.466516
FoodSel	-0.654312	0.158106	0.443689
DrinkQual	0.055749	-0.224738	-0.173479
DrinkSel	0.367386	0.813182	-0.174355
Chill	-0.104304	0.252906	-0.421385
Clean	-0.863335	0.093354	-0.256832
OutSeating	0.215572	-0.121134	0.854663

We can now define the characteristics associated with each canonical. We are looking for correlations that are above 0.5. If it is positive, it indicates a positive correlation. If it is negative, it indicates a negative correlation.

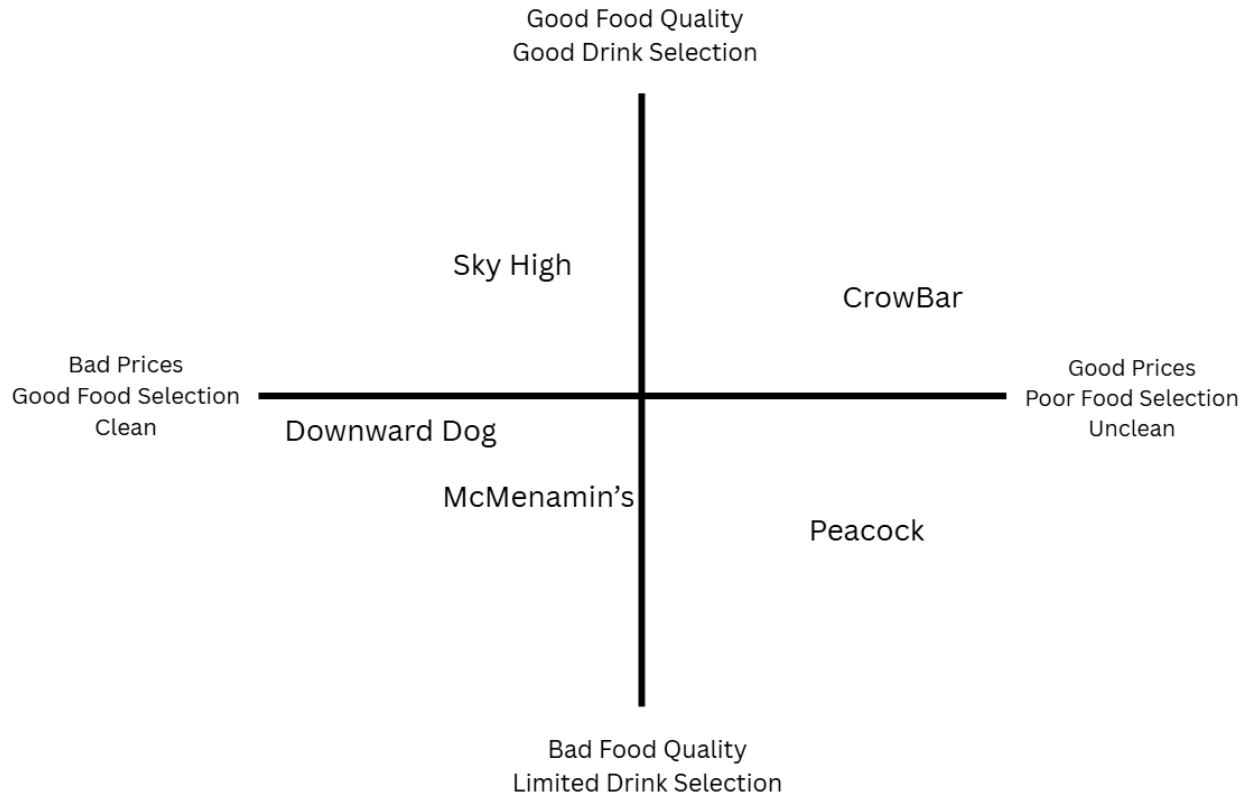
Canonical 1: As we go higher on canonical 1, we can expect better prices, lower food selection, and lower cleanliness. Going lower means worse prices, better food selection, and a cleaner environment.

Canonical 2: As we go higher on canonical 2, we get higher food quality and better drink selection. Going lower means lower food quality and more limited drink selection.

Canonical 3: As we go higher on canonical 3, we get better outdoor seating. Going lower means worse outdoor seating, or the bar not being associated with outdoor seating among customers.

Using these findings, we can create a plot in which we can show the positioning of CrowBar and its competitors. Since we can only plot in two dimensions for this report, we will plot the bars along canonical 1 and 2:

Figure 3: CrowBar and Competitor's Positioning



Recommendations

Based on the positioning graph, our recommendations for CrowBar to address its weaknesses are to increase the variety of food offerings and create a clean environment. CrowBar needs to focus on the Product, Place, and Promotion aspects of the marketing mix. They need to create more menu items (Product), advertise this to the public (Promotion), and clean their place of work (Place) in order to attract and retain more customers.

In terms of competition, CrowBar's biggest competitors are Sky High and Peacock due to their similarity in strengths and weaknesses. Like CrowBar, Peacock has good prices, poorer food selection and an unclean environment, but in addition to this, its food quality is slightly poorer and it has a more limited drink selection. Despite these shortcomings, however, Peacock is too similar to CrowBar to ignore, so CrowBar must focus on differentiating itself from Peacock, perhaps. They can do this by investing in the Promotion aspect of the marketing mix. CrowBar needs to advertise its good prices, better quality food, and a greater variety of drinks. Sky High offers better quality food and drink selection relative to CrowBar, so CrowBar needs to work on the Product aspect of its marketing mix. More specifically, it needs to improve its food quality and increase the variety of drinks available. In addition, CrowBar also needs to work on better food variety since Sky High has a leg-up in this respect.

Based on CrowBar's current positioning, it is likely most attractive to customers that prioritize cheap prices over everything else; they do not mind if there is not much food selection as long as it is decent quality. There also needs to be a decent amount of variety to the drinks being offered. Customers are not concerned with the cleanliness of the establishment, although this is an area that should still be addressed due to health and safety regulations.