



Practice Case 7 (Le Seine)

Question

A French soft drink company, Le Seine, is looking to diversify its holdings by investing in a new fast food chain in the US. You are hired to determine whether they should pursue this path and, if so, how they should go about execution.

Recommended Solution

High Level Plan of Attack

- Understand the company's logic for entering into the fast food industry.
- Examine the overall trends in the fast food industry, and determine which segment is the most promising.
- Assess the overall demographic changes and major trends in eating habits.
- Determine what competencies the company can provide that will help it enter this business and be successful.
- What are some of the high level strategies that the company should consider when entering?

Lay Out Your Thoughts

- Use some elements of the 4Cs, 4Ps, and Porter's Five Forces. Identify which factors you need to address and list them in a logical sequence.

Dig Deeper: Gather Facts/Make Calculations

- Why is the company thinking of investing in the fast food industry and not another? *The fast food industry has been experiencing sustainable growth for the last few years, and we believe that it will continue to grow.*
- Why in the US market and not the French? *The US is more attractive economically and Le Seine has been present in the country for a few years.*
- Does the company know much about the fast food industry and its consumers? *Not very much. They're not sure where to enter.*
- The industry as a whole might be growing, but let's think about which segment is growing the most and where it would make sense for the company to enter. If we look at the traditional burger outfits, that segment is pretty much dominated by three players: McDonalds, Burger King, and Wendy's. I would think that the barriers to entry are pretty high for this segment. You also have pizza, Mexican, chicken, cold cut sandwiches, prepared meals (Boston Market).



- Has the company thought about which to enter? *No. But what do you think, at a high level, which segment should they enter?*
 - [Quickly run through the pros and cons of the various segments]
- Well, if we take a look at the company itself, it is more inclined to be in the prepared meals segment, given that it is French and has a European appeal. If we look at the trends, the population is getting older and more families have two working parents. Also, there seems to be a move towards eating more healthy foods. If we consider the competition, the segment seems to be at the growing stages, with only one or two known players. The barriers to entry are certainly not as high as some of the other segments.
- To distinguish itself from the competition, it can make food with a French theme, priced competitively. The company can also set up shop in major grocery stores, as more people are purchasing prepared foods as part of their grocery shopping.
- It would be a fair assumption to say that Le Seine can capitalize on its distribution and marketing experience in the US.

Key Findings

- There seems to be potential in the prepared food segment (players like Boston Market).
- Le Seine seems to be a good candidate to enter and take advantage of the present opportunity.

Recommendations

- Based on this assessment, Le Seine should enter on a large scale. To offer competitive pricing, they must have economies of scale.
- Quickly develop strong brand equity. Look at the franchising option. Examine in detail how the most successful fast food outlets operate.
- Consider acquiring an existing chain versus starting a brand new one.
- Location is extremely important. Know your customers in every region, and focus on convenience.