

Red Lobster Case Analysis

Previously, Red Lobster's positioning is high quality seafood with affordable prices, because at that time, it was difficult to get or cook expensive seafood at home for most Americans, especially those in non-coastal regions. Today, after repositioning, Red Lobster's mission is to provide fresh seafood which are suitable for multiple occasions, because as competition increases, it is also easy for other casual dining restaurants to have seafood menu with low prices. Even though Red Lobster regarded itself as high-quality seafood restaurant, customers positioned Red Lobster as a low-end restaurant with mass-produced, frozen seafood, and fried food. Thus, Red Lobster decided to change its positioning in order to be more competitive in both casual chains and seafood restaurants. From the advertisement in 2008 (exhibit 9), the pictures show fresh seafood and wood-fire grilling which indicate the new positioning of Red Lobster.

The survey of 857 Red Lobster customers was a driving force for repositioning where we can find "Freshness of the seafood", "Quality of seafood", "service" and "Atmosphere" are all below the average of other restaurants. The data from survey shows customer need that explains why Lopdrup's three phase plan includes improving operations, freshness and remodeling restaurants.

The most important element is Red Lobster's shift to promoting fresh seafood from affordable seafood. From exhibit 5, we can see the prices of seafood falling down due to aquaculture. Influenced by prices, affordable seafood doesn't seem as a competitive mission since Red Lobster's competitors and other casual dining chains can also get seafood with low prices. Thus, using "freshness of seafood" is a unique idea that will attract people who pursue

fresh seafood. Also, it maintains promotion activities such as “Lobsterfest” and “endless shrimps”, but instead, Red Lobster focuses on “choice and variety”, which could keep its loyal customers as well as attracting more new customers. Besides, it also created new grilling method and focuses freshness on advertisement. Other two factors are also important because it improved the quality of service and created a better atmosphere for dining in different occasions, which can give customers a better dining experiment. At the same time, from exhibit 2, remodeling restaurants also ensure the freshness by using 16 distributors with 26 locations to handle shipment of fresh seafood to restaurants.

I agree with the segmentation scheme presented in the case since it has given a very detailed characteristics of each category, which includes: the reason of go out for meal, frequency, favor, educational level and income level. Also, the segmentation is approached with Red Lobster’s business. However, I would question if the segmentation can add per capita consumption level and proportion of different groups in order to see whether it is appropriate to regard some groups as their target customers.

The total revenue increased for this scenario is approximately \$151,852 per year. From exhibit 1, the margins on foods were 67% and the margins on alcohol was 81%. From calculation (see table 1), the percent alcohol consumption by experientials is 12% which means experientials contribute more revenue to Red Lobster. The profit got from gaining 2,000 experientials is higher than losing 1,000 indulgent and frugal. However, although experientials bring more revenue, we cannot ignore they expect high-quality services. Thus, Red Lobster may cost more money on training its staff.

Red Lobster should target “Experientials” as its target since experientials value “freshness” the most according to the survey in 2004. Therefore, Red Lobster should continue its

positioning of “freshness”. Also, three phases plan by Logdrup also attract experientials as Red Lobster creates a special restaurant with a seaside atmosphere and provides friendly services. From Table A, it is clear the experientials prefer good service and motivated by Culinary Expertise, sophisticated, upscale atmosphere. Thus, Red Lobster can also come up with new ideas – Gain a source of pleasure in Red Lobster” in positioning.

In order to attract more target customers, Red Lobster should maintain affordable prices to mainstream Americans. Also, it is attractive to have new menu seasonally as well as more wine choices. Then, except 30 stores have been remodeled, Red Lobster should start new survey for remodeling in order to find new places to remodel. For promotion, they’d better keep their current promotions and come up with new advertisements according to their new positioning. Finally, they can improve their reputation by donating money to gain a sense of social responsibility.

Reference

Bell, D. E., & Riis, J. (2011, February 4). Red Lobster. Harvard Business School

Appendix

Table 1 (For question 4)

	Experientials	Indulgent	Frugal	Totals
Customers	2,000	-1,000	-1,000	
Annual meal per customer	6.3	5.6	3.8	
Alcohol Consumption	12%	4%	1%	
Average Spend per meal	\$24.88	\$18.78	\$14.86	
Revenue per meal	\$49,760	-\$18,780	-\$14,860	\$16,120
(Revenue/meal)* Annual Meals	\$313,488	-\$105,168	-\$56,468	\$151,852

Number of customers changed*Annual average spending per customer=Additional revenue

Alcohol margin*extra revenue on alcohol + food margin*extra revenue on food=additional profit