Final Project

Cheesecake Factory Inc.

Prepared By:

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[Replace stock images with images of yourself]

MKTG 3710-00[#]

Ms. L. Njoroge

Fall 2016

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Part 1:

Situation Analysis

**Company Information**

Company Name: Cheesecake Factory

Founded:1978 in Beverly Hills, California

Headquarters: Calabasas, California

Ticker: CAKE

Stock: $58.10 (June 6, 2017)

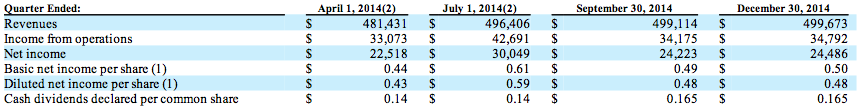
C-Suite:

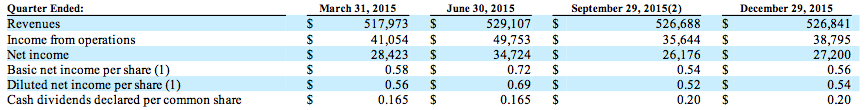
|  |  |  |  |
| --- | --- | --- | --- |
| CEO – | David Overton |  |  |
| CFO – | W. Douglas Benn |  |  |
| CIO – | Jim Rasmussen\* |  |  |
| COO – | David Gordon |  |  |
| CMO – | Donald Evans  \*Resigned from position in January of 2017 |  |  |

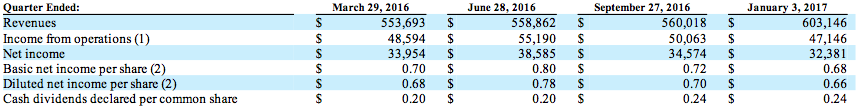
Company History

The Cheesecake Factory wa founded in 1978 by David Overton, following in the footsteps of his mom, Overton who owned a cheesecake shop. By 1983, David had opened up a second restaurant and 1990 saw the first out-of-state Cheesecake Factory appear in Washington D.C. The company has only grew since then adding over 160 restaurants across 36 states. In 2011, Cheesecake Factory went international with a restaurant in the Dubai Mall. In April of this year, they announced a new restaurant will be in Canada and the first Cheesecake Factory in Hong Kong opened up in May.

**2016 Quarter Performance**







Source:

The Cheesecake Factory. (n.d.). Retrieved June 08, 2017, from http://investors.thecheesecakefactory.com/phoenix.zhtml?c=109258&p=quarterlyearnings

**Problem Statement**

Initial Problem:

* The red flag for this project was that although the 4th quarter of 2016 showed the highest revenues, after subtract the 54.7 million in sales earned in the 14th week it was actually the lowest grossing quarter. Quarters 1, 2 and 3 only reflected 13 weeks each. (Wire.B)

Specific problem:

* At first glance at Cheesecake Factory’s quarterly revenue for 2016 it looked like quarter 4 took a huge leap while the subsequent months were relatively flat.
* After realizing quarter 4 contained an extra week we saw that revenue actually dipped for the first time in 3 years.

Research Question:

* Why did Cheesecake Factory, Inc. see a decline in revenue in the 4th quarter of 2016?

Variables:

DV:

* 4th quarter revenues

IV:

* Advertising budget allocation
* Promotional budget allocation

Concerns:

* We are concerned that the 4th quarter revenue dip is a market standard and is not able to be addressed.

Wire, B. (2017, February 22). The Cheesecake Factory Reports Results For Fourth Quarter Of Fiscal 2016. Retrieved June 08, 2017, from <https://www.thestreet.com/story/14012368/1/the-cheesecake-factory-reports-results-for-fourth-quarter-of-fiscal-2016.html>

Seasonal Factors Affecting the Restaurant Industry. (n.d.). Retrieved June 08, 2017, from <http://smallbusiness.chron.com/seasonal-factors-affecting-restaurant-industry-31192.html>

**Part 2: Data**

**Market Identification**

Consumer Demographics

Age:45+

Household Income: $70,000/Year

Education Level: Bachelor’s degree

Geographic Location: Typically within shopping malls

Source:

Josephson, A. (2017, March 01). The Average Salary by Education Level. Retrieved June 08, 2017, from https://smartasset.com/retirement/the-average-salary-by-education-level

Weaver, M. (2012, October 01). The Cheesecake Factory. Retrieved June 08, 2017, from https://prezi.com/rfs8v9mvbgqg/the-cheesecake-factory/

Consumer Psychographics

Hobbies- Shopping

Opinions-Willing to spend extra money for quality

VALS- Thinkers

Source: Customer profile The Cheesecake Factory's Fans Interests & Passions. (n.d.). Retrieved June 08, 2017, from http://customer-profile.com/recreational-activities/restaurants-chains/fast-food/the-cheesecake-factory-customer-profile.html

Consumer Buying Patterns

Do you ever eat out at restaurants? - Yes

Where do you eat out at?- Upper class casual dining

What is your typical budget for eating out?- $40-50 for two people

Source: Jakab, S. (2015, October 25). Cheesecake Factory: A Meal Worth Waiting For. Retrieved June 08, 2017, from https://www.wsj.com/articles/cheesecake-factory-a-meal-worth-waiting-for-1445791608

Offering Benefits

What features do you look for when you purchase food from the Cheesecake Factory?

* High quality food

What specific benefits do you look for in food from Cheesecake Factory?

* Food made from scratch

Source: Lutz, A. (2015, March 23). 4 reasons The Cheesecake Factory is crushing the competition. Retrieved June 08, 2017, from http://www.businessinsider.com/cheesecake-factorys-strategy-for-success-2015-3

Part 2

Cheesecake Factory Inc. Research

[Find your company’s fiscal year. Not every company ends their year in December. Clearly state the number of weeks and the months for each of the quarters. Using a table like the one in the template will make sure you get all of the information I have asked for. If the information is clearly stated in the 10K you may just take a screen snapshot.]

Year End Date: January 3, 2017

|  |  |  |
| --- | --- | --- |
| **Quarter** | **# of Weeks** | **Months** |
| First Quarter | 13 | Jan, Feb, March |
| Second Quarter | 13 | April, May, June |
| Third Quarter | 13 | July, August. Sept |
| Fourth Quarter | 14 | October, November, December, Jan |

Numbers reported in \_000”s.

[Plug your revenue numbers into the table below]

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
| Revenue | 2016 | 553,693 | 558,862 | 560,018 | 603,146 |
| 2015 | 517,973 | 529,107 | 526,688 | 526,841 |
| 2014 | 481,431 | 496,406 | 499,114 | 499,673 |

**Secondary Data**

**Problem**: 4th Quarter has lowest performance 548,446,000 (603,146,000-54,700,000 earning in 14th week of quarter)

**Initial Question**: Why is this quarter doing so poorly?

**Potential Causes**: Industry standard drop in revenue due to holiday season.

**Research Question**: Why did Cheesecake Factory Inc, see a decline in revenue in the 4th quarter of 2016

**DV**: Quarterly Revenue

Item: What is the revenue of Cheesecake Factory Inc. per quarter?

OD: The amount of money generated during a company’s defined quarter

**IV1**: Holiday Season

Item: Would increasing advertising funds to the 4th quarter improve revenue performance

Advertising budget allocation.

OD: Are consumers not eating out during the holiday season due to focus being on preparing for holidays and not eating out.

**IV2**: Not enough promotions

Item: Would offering more promotions during the 4th quarter improve revenue performance

OD: Are consumers not eating out during the holiday season due to lack of perceived value?

**Unit of Analysis**: Quarterly revenue

**Analytical Technique**: Regression

**Example**: QR = Constant +$ perceived value + TOY\*x2 + e

**Hypothesis**: Consumer focus on spending disposable income on Christmas gifts and the tradition of cooking family dinners negatively influences 4th quarter revenue at Cheesecake Factory Inc.

**Solution/Recommendation**: Design marketing/promotional campaign intended to make consumers view eating at The Cheesecake Factory as a holiday tradition.

**Primary Data**

**Problem**: 4th Quarter has lowest performance 548,446,000 (603,146,000-54,700,000 earning in 14th week of quarter)

**Initial Question**: Why is this quarter doing so poorly?

**Potential Causes**: Eating out at higher prices restaurants like Cheesecake Factory falls down consumers priority list during the holiday season..

**Research Question**: Does shopping for gifts make people feel less inclined to eat out during the holiday season?

**DV**: Money spent on food

Item: How often do you eat out during the holiday season?

OD: Money spent on food per entree in the fourth quarter

**IV1**: High-end restaurants

Item: What makes you choose to go to a high-end restaurant?

OD: quality/service/brand

**IV2**: Physical Demographics

Item: Who eats at Cheesecake Factory

OD: Male/Female+ Age range

**IV3**: Dessert lover

Item: Does going to a restaurant with the name “Cheesecake” in it help or hinder your decision to go?

OD: Help/Hurt/Neither

**Unit of Analysis**: Person

**Analytical Technique**: Regression

**Example**: : Money spent = Constant + high-end restaurants\*x1 + physical demogaphics\*x2 +dessert lover\*x3 + e

**Hypothesis**: Eating out has a positive relationship with money spent on food. High-end restaurants have a positive correlation as age increases. Those who love dessert will spend more money eating out.

**Solution/Recommendation**: Consider that because the fourth quarter may not do well because of the holiday season, create advertisements that cater to elders that can afford to eat out more often than younger people and who like dessert.

**Cheesecake Factory Survey**

Thank you for participating in this survey. Please complete the survey as accurately as possible. Your time is very much appreciated. Your answers will remain anonymous.

1. Not including fast food, how often do you dine out per week?
2. 0-3
3. 4-6
4. 7-10
5. >10

2. How much money do you typically spend per entree when dining out?

1. <$10
2. $11-13
3. $14-17
4. >$17

3. Have you ever been to the Cheesecake Factory?

1. Yes
2. No
3. Do not recall

4. If you have been to the Cheesecake Factory, how much money do you spend per entree?

1. <$10
2. $11-13
3. $14-17
4. >$17
5. I have never eaten at the Cheesecake Factory before

5. Consider the last holiday season (October-December) how often did you dine out per week not including fast food?

1. 0-3
2. 4-6
3. 7-10
4. >10

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6. During the last holiday season, (October-December), how much would you spend per entree when eating out?

1. <$10
2. $11-13
3. $14-17
4. >$17

7. Why do you choose the Cheesecake Factory over other restaurants when you do choose to go? You may choose as many answers as you would like.

1. The quality of the food
2. Special occasion
3. The service
4. I do not eat at the Cheesecake Factory

8. How many times have you been to the cheesecake factory?

1. 0
2. 1-3
3. 4-5
4. >5

9. When considering your dinner options, why would you not eat at the Cheesecake Factory? You may choose as many options as you would like.

1. The price of the food
2. Cooking food is more practical
3. The quality of the food at Cheesecake Factory
4. I don't like cheesecake
5. I only see Cheesecake Factory as a "special occasion" restaurant
6. The food at Cheesecake Factory is not healthy
7. The food at Cheesecake Factory is not food I like

10. What is your opinion of the overall experience at Cheesecake Factory?

1. Like a great deal
2. Like a moderate amount
3. Like a little
4. Neither like nor dislike
5. Dislike a little
6. Dislike a moderate amount
7. Dislike a great deal

11. Do you like dessert?

1. Definitely yes
2. Probably yes
3. Might or might not
4. Probably not
5. Definitely not

12. Please select your age range

1. <18
2. 18-24
3. 25-32
4. 33-40
5. 41-50
6. <50

13. What is your preferred sexual identification

1. Male
2. Female
3. Other
4. Prefer not to answer