

Sustainable Growth Strategy

BRAVO BRIO Restaurant Group



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Team Orange

Agenda

The Challenge

Recommendation

Analysis

Implementation

Caveats

Q & A

Challenge at Hand

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The Challenge

Determine a sustainable approach to increase the revenue to \$1 billion while maintaining high quality, customer satisfaction and consistent profit margins

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Value Chain
Evaluation

Market Expansion
Implement CRM
Enter Retail

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The Key Factors

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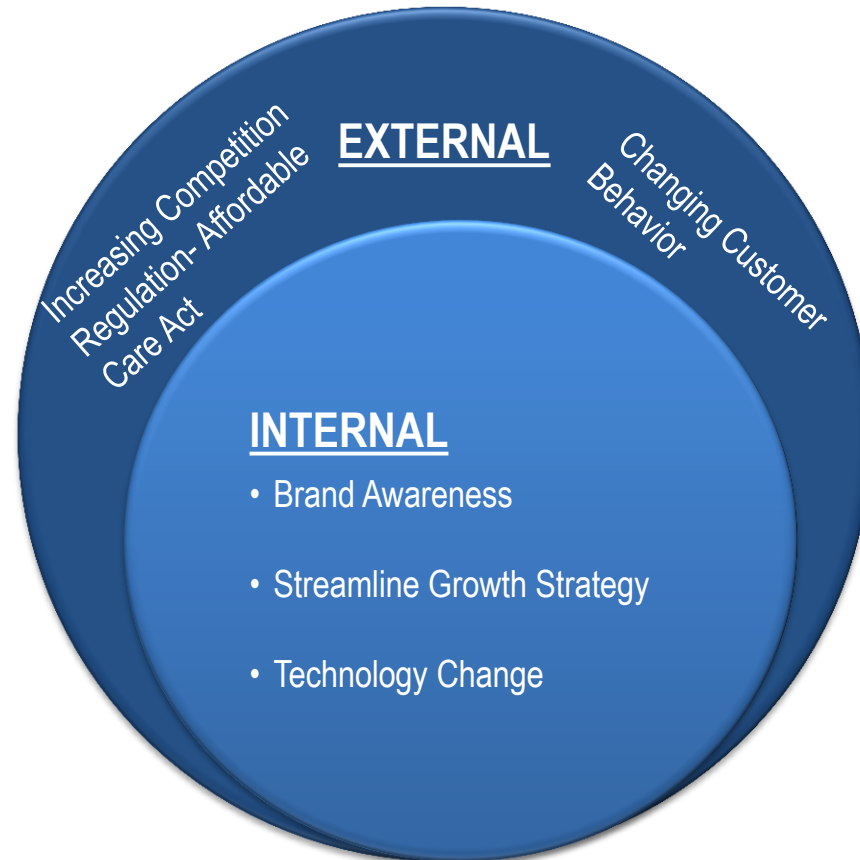
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Expand in untapped markets

- Open 50 new restaurants in 6 new states
- Target tourist locations

Incorporate technology for growth

- Use CRM to structure big data
- Ensures targeted marketing

Enter retail industry through licensing

- Liaison with market players to offer Italian sauces, dressings & deserts

Retail
\$ 1012 M

CRM
\$ 842 M

Domestic
Expansion
\$ 790M

Current
\$ 400 M

Where to Focus?

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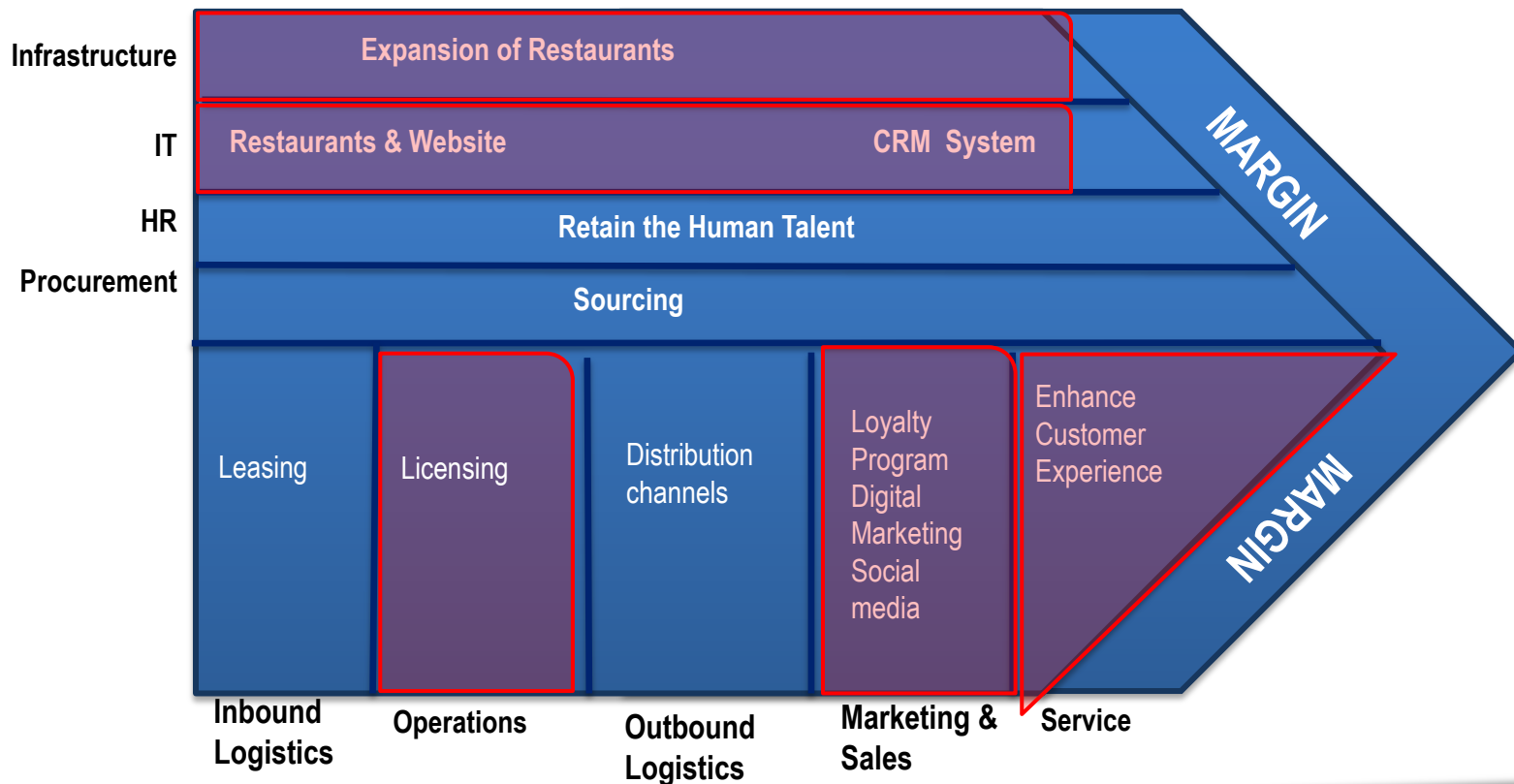
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Finding the Right Fit

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	Initial Investment	ROI	Quality & Control	Customer Experience	Brand Equity	Time	TOTAL
International Expansion	-	+	-	+/-	-	-	-3
Domestic Expansion	-	+	+	++	++	-	+4
Acquisition /Franchising	+/-	-	-	+/-	+/-	+	-1
Retail through licensing	++	+	+/-	+/-	+	+	+5
Internal Brewing	-	+/-	-	+/-	+	-	-2
Technological Advancement	-	+	+	++	+	+/-	+4
New Segment	-	+/-	+	+/-	-	-	-2

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Following the Trends

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Median Income Levels (Above \$65,000 / year)

Maryland

California

Minnesota

New york

North Carolina

Washington

Ohio

Massachusetts

North Hampshire

Colorado

South Dakota

Population Density

Washington

South Dakota

Florida

Ohio

California

Massachusetts

North Carolina

North Hampshire

Ontario

New york

British Columbia

Minnesota

Tourism (Visitors)

California

Florida

Minnesota

North Carolina

North Hampshire

Massachusetts

Washington

Ontario

Illinois

New york

South Dakota

Market Expansion

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Brio : Bravo → 50: 50

Expansion-Financial

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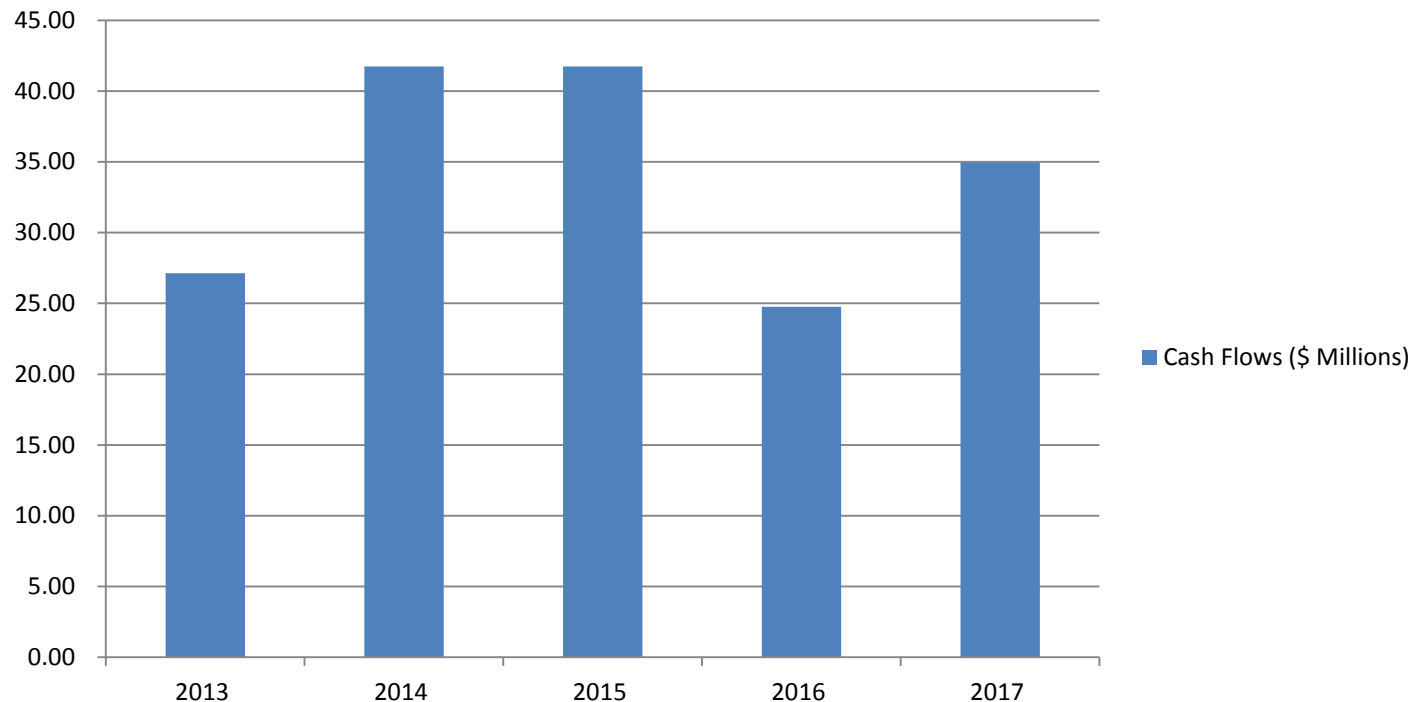
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Cash Flows (\$ Millions)



Revenue Generated: \$390 Million

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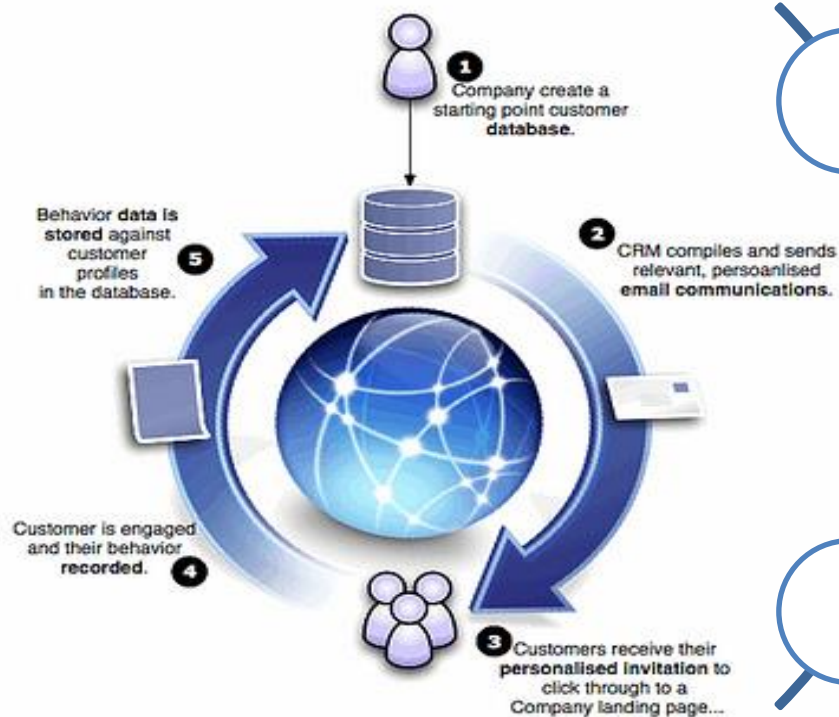
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Recommendation 2

Customer Relations

A CRM that learns by doing.



Every cycle increases the CRM's understanding of the customers. This, in turn, increases the relevancy and personalisation of the next communication cycle ...

Structure big data

Better demand and trend forecasting

Increase loyalty and new customer base

Targeted marketing communications

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How it looks?

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[LOCATIONS](#) [MENUS](#) [PARTIES & CATERING](#) [CAREERS](#) [PROMOTIONS](#) [GIFT CARDS](#) [MyBRIO REWARDS](#)



BRIO MAHI
MAHI FRESCA

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Recommendation



How it works?

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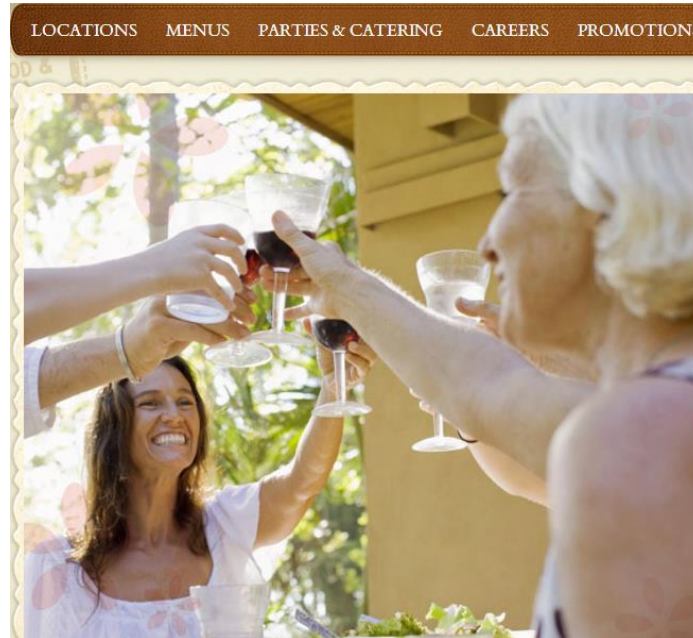
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Name: Dan Tinsen
Sex: Male
Address: 47588
Annual income(optional)
Interests: Family Dinner
Visited : Ohio, Michigan
Rewards

Online Reservation

Customize Menu

Explore locations

Favorites

Loyalty & Rewards

CRM-Financials

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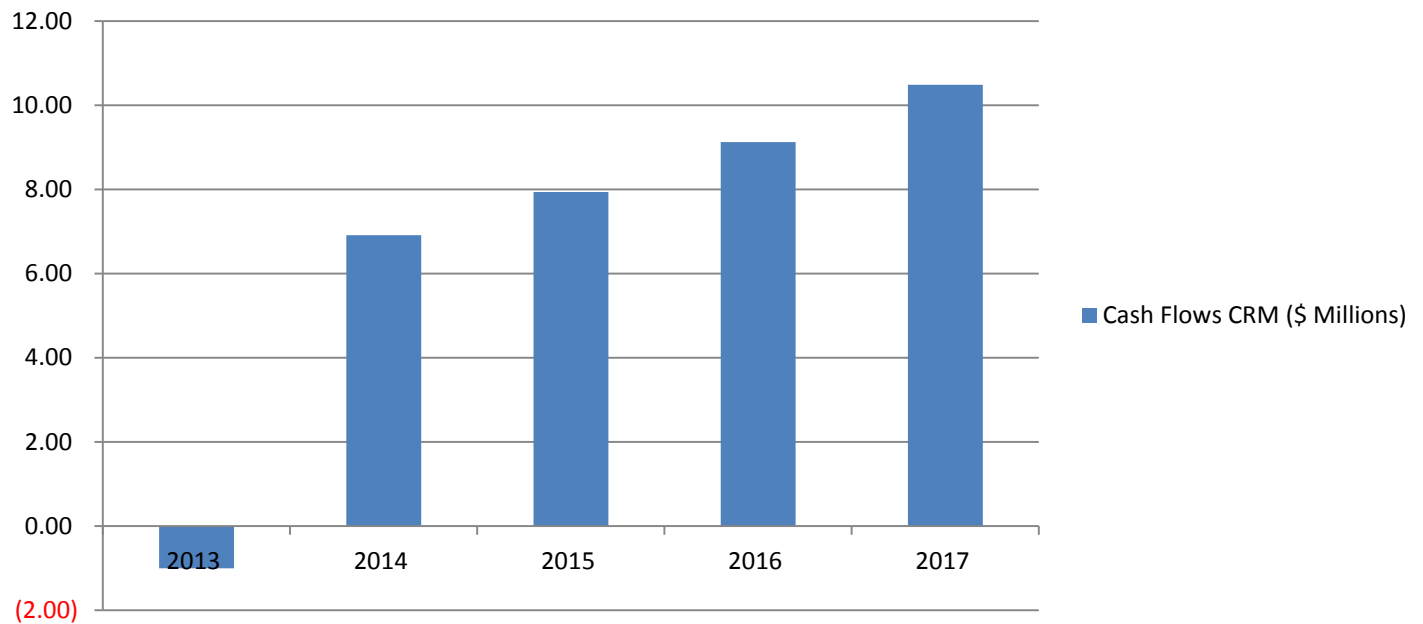
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Cash Flows CRM (\$ Millions)



Revenue Generated: \$52 Million

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Competitive Advantage

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RESOURCE	VALUABLE	RARE	IMITABIE	SUBSTITUTABLE	COMPETITIVE ADVANTAGE
SITE AND LOCATION	✓	×	×	✓	Temporary
BRAND STRENGTH	✓	✓	✓	✓	Sustainable
POSITIONING	✓	×	×	×	Temporary
CUSTOMER SATISFACTION	✓	×	×	×	Temporary
IT	✓	×	×	×	Temporary
MANAGEMENT TEAM	✓	×	×	×	Temporary

Going to Market



Brand beyond the four walls!



Increase your sales



Expand the customer base

Current Picture

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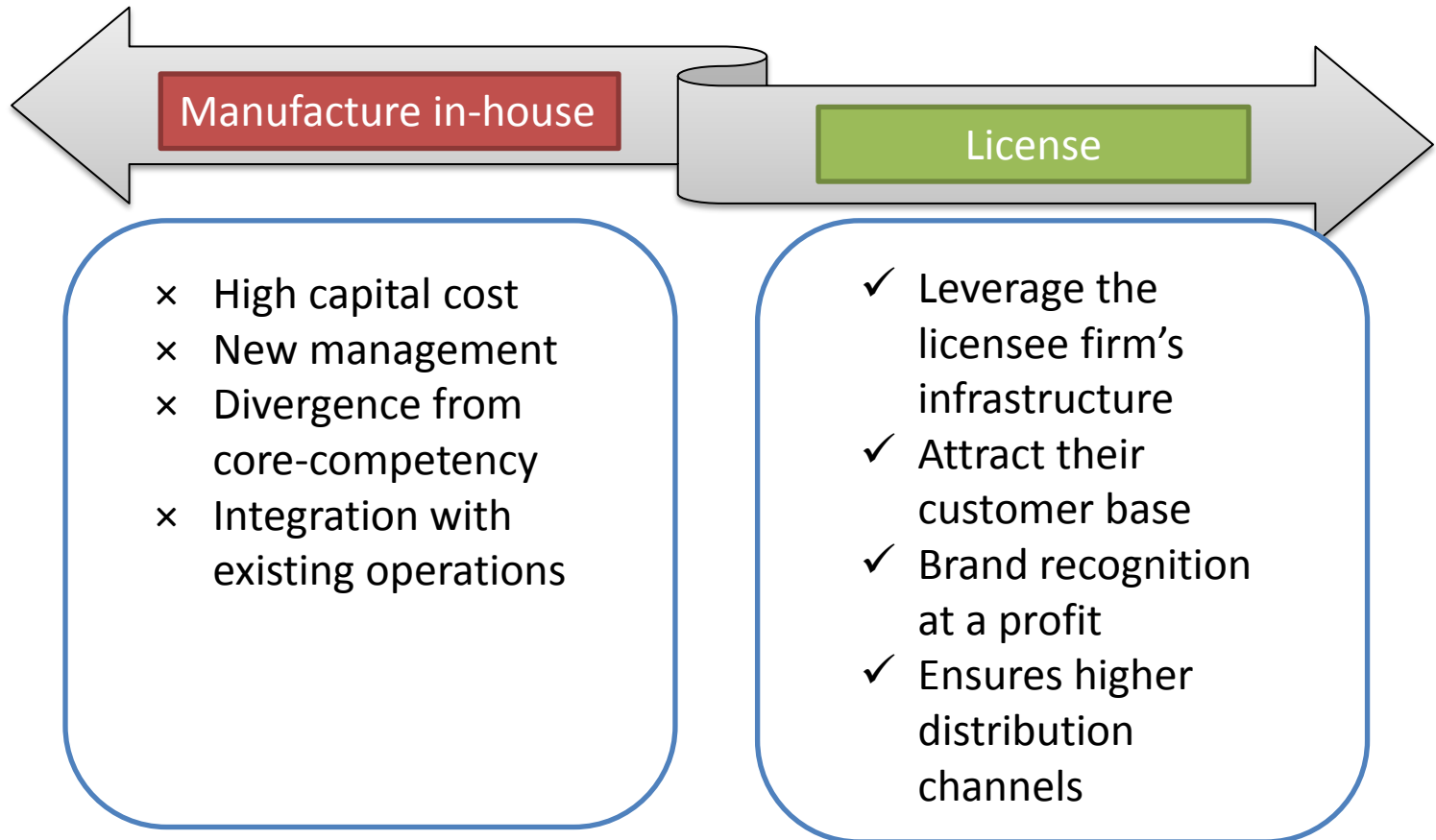
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Entering Retail Industry

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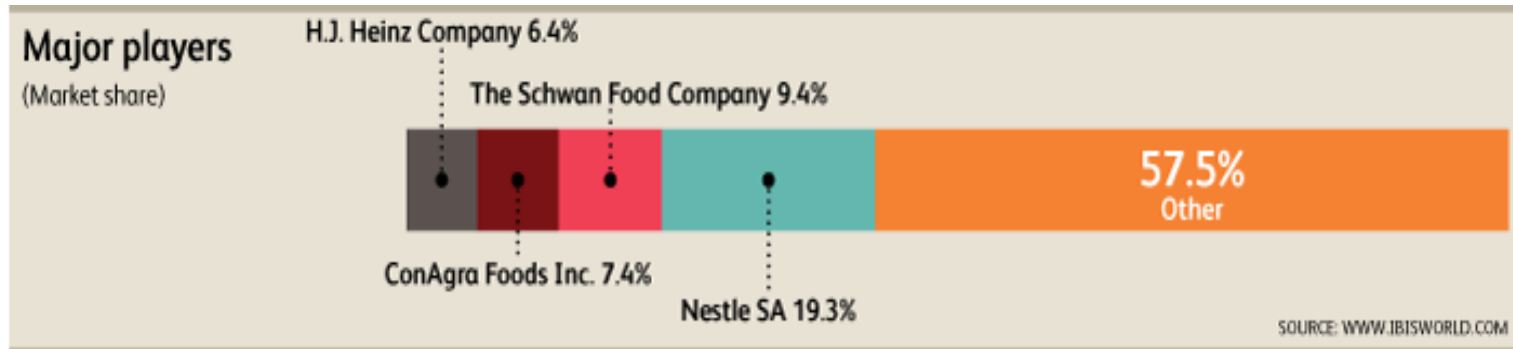
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Find right licensing partners
Build contract

Decide on pricing
Expand product portfolio



Retail-Financial

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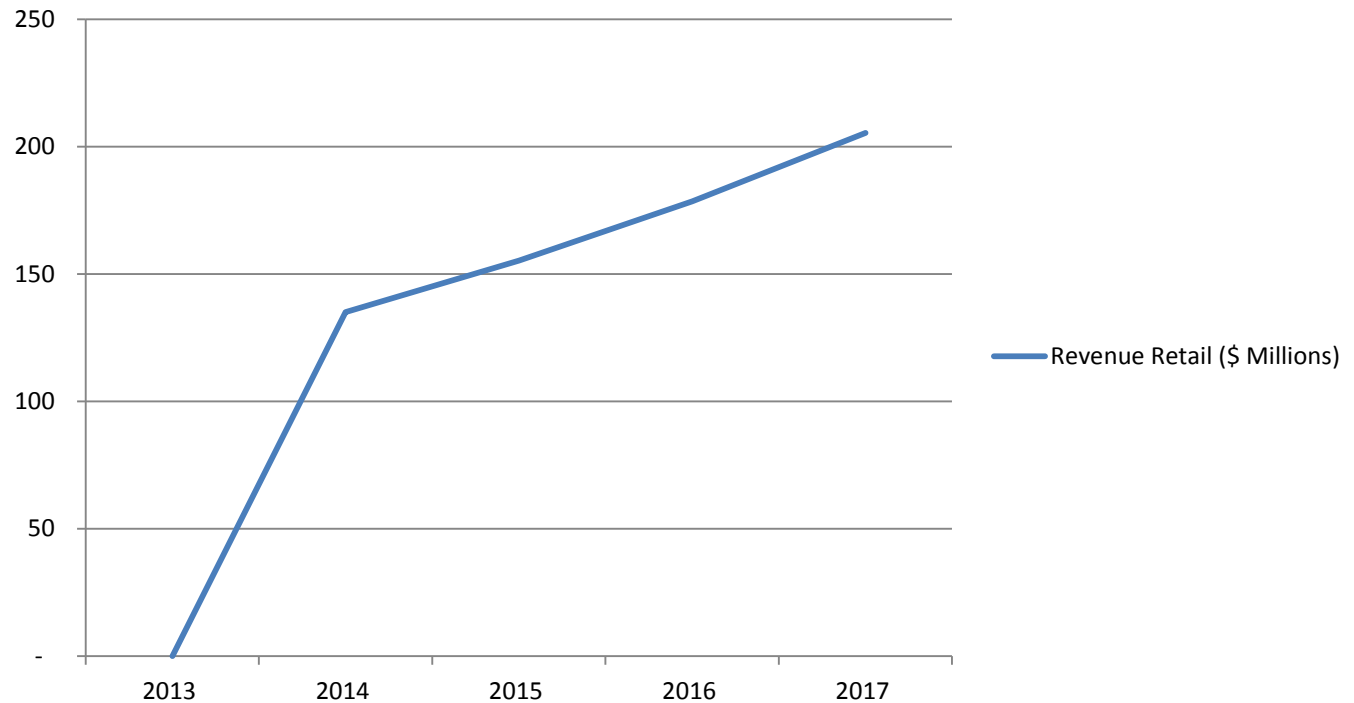
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Revenue Retail (\$ Millions)



Execution Timeline

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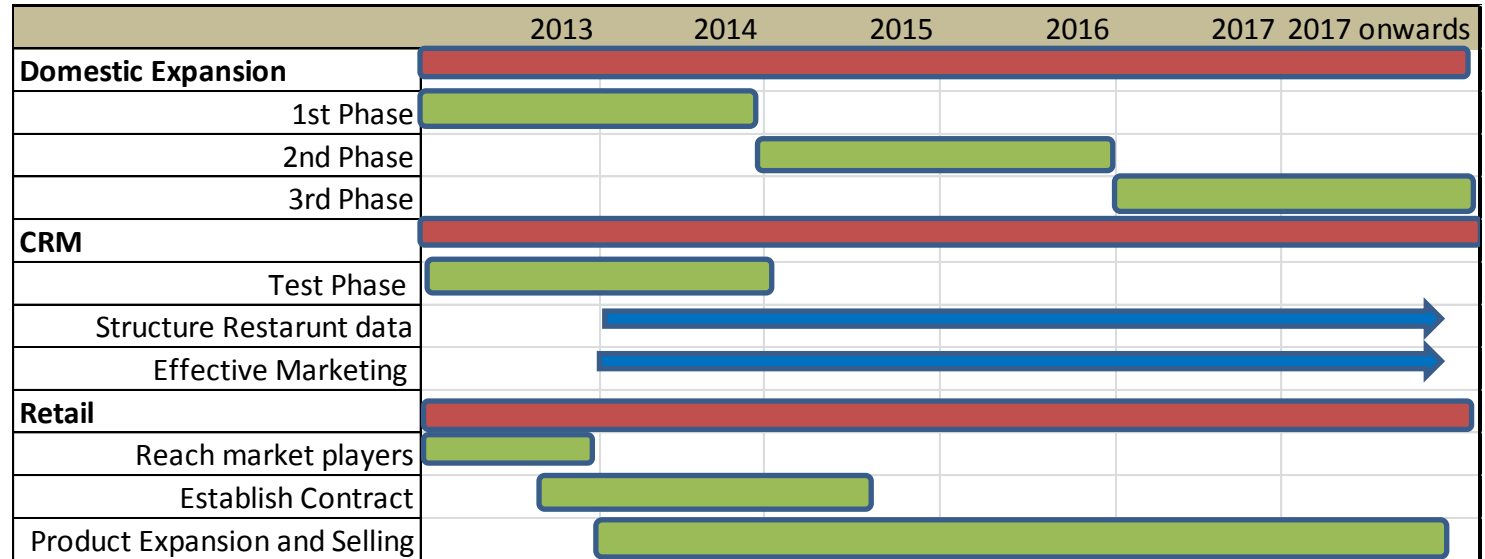
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Caveats

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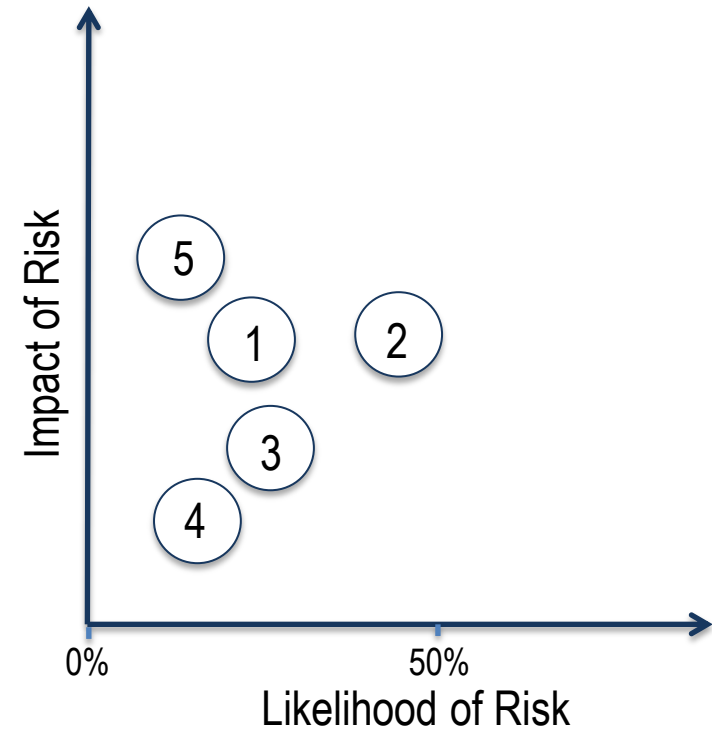
1 Brand Dilution

2 Technology Integration Issues

3 Competitor Backlash

4 Quality Issues

5 Macro Economic Factors



Conclusion

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Now is the time to:

- Expand locally
- Invest in IT (CRM)
- Enter into retail through licensing

Because this will:

- Increase revenue to \$1 billion
- Provide competitive advantage
- Assure sustainable growth

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Porters Five Forces

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Threat of New Entrants – High

Low barrier to entry
Low setup cost
Difficult product differentiation

Bargaining Power of Suppliers- Weak

Low cost of switching Suppliers
Abundant substitutes available
Majority purchase from one supplier
to maintain Quality

Competitive Rivalry-HIGH

Plentiful upscale dining options
Highly fragmented

Bargaining Power of Buyers –High

No switching Cost
High Expectation on Price and
Promotions

Threat of Substitutes-High

No switching cost

SWOT Analysis

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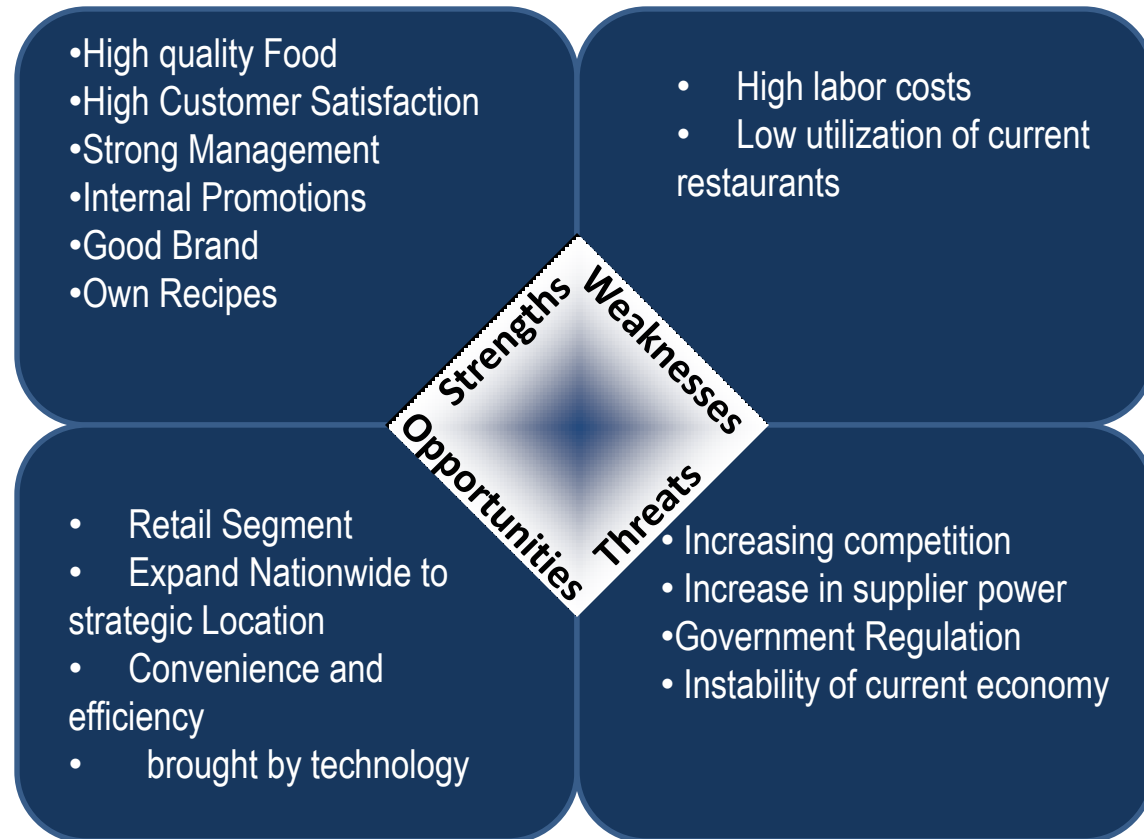
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Stakeholder Analysis

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Customers

- Enhanced customer experience
- Addressing changing behavior

Shareholders

- Creating value by increasing revenues

Employees

- Increased growth opportunity within the BBRG

Investors

- Creating business opportunities through independent retailing
- Capturing Value through Licensing

New Restaurants

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	New Stores					
States	2013	2014	2015	2016	2017	Total Sores
California	3	3	3	2	2	13
Washington	1	1	1	1	2	6
MA	2	2	1	1	1	7
NH	1	2	2	1	1	7
South Dakota	1	2	1	0	1	5
Minnesota	0	0	2	2	0	4
New York	1	2	2	0	3	8
Total New Restaurant	9	12	12	7	10	50
Total Restarunt End of year	112	124	136	143	153	153

NPV- New Restaurants

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NPV Analysis- New Restaurants	2013	2014	2015	2016	2017
Revenue	40,500,000	59,400,000	59,400,000	34,650,000	49,500,000
COGS	(33073349.63)	(48507579.46)	(48507579.46)	(28296088.02)	(40422982.89)
Gross Margin	73573349.63	107907579.46	107907579.46	62946088.02	89922982.89
Depreciation	(15000000.00)	(15000000.00)	(15000000.00)	(15000000.00)	(15000000.00)
EBIT	58573349.63	92907579.46	92907579.46	47946088.02	74922982.89
EBT(1-T)	35144009.78	55744547.68	55744547.68	28767652.81	44953789.73
Depreciation	15000000.00	15000000.00	15000000.00	15000000.00	15000000.00
Capital Expenditure	(18000000.00)	(24000000.00)	(24000000.00)	(14000000.00)	(20000000.00)
NWC	(5000000.00)	(5000000.00)	(5000000.00)	(5000000.00)	(5000000.00)
Cashflow	27144010	41744548	41744548	24767653	34953790
Terminal Value					629168215.16
Sum Cashflows Operations	27144009.78	41744547.68	41744547.68	24767652.81	664122004.89
NPV	451,154,459				

NPV-CRM

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NPV Analysis- CRM	2013	2014	2015	2016	2017
Incremental Revenue	0.00	10,396,000	11,955,400	13,748,710	15,811,017
Cost Savings		1,039,600	1,195,540	1,374,871	1,581,102
Depreciation		(250000.00)	(250000.00)	(250000.00)	(250000.00)
EBIT		11185600.00	12900940.00	14873581.00	17142118.15
EBIT(1-t)		6711360.00	7740564.00	8924148.60	10285270.89
Depreciation		250000.00	250000.00	250000.00	250000.00
Capital Expenditure	(1000000.00)				
Ongoing Capital Expenditure		(50000.00)	(50000.00)	(50000.00)	(50000.00)
Cash Flow	(1000000.00)	6911360.00	7940564.00	9124148.60	10485270.89
NPV-CRM	20,932,772				

Revenue Projections: Retail

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Revenue	Units	Margin	2,013	2014	2015	2016	2017
Salad Dressings	150,000,000	0.30	0.00	45,000,000	51,750,000	59,512,500	68,439,375
Desserts Tiramusu	150,000,000	0.30	0.00	45,000,000	51,750,000	59,512,500	68,439,375
Sauces	150,000,000	0.30	0.00	45,000,000	51,750,000	59,512,500	68,439,375
Total License Income			0.00	135,000,000	155,250,000	178,537,500	205,318,125

WACC

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WACC Calculations	
Rf	0.02
MRP	0.07
Beta	1.78
WACC	0.14

Source: Yahoo Finance

Break Even Analysis

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Brio- Break Even Analysis	Unit
Average Cheque	25.52
Cost	-19.14
CM Per Unit	6.38
Initial Investment	2,200,000
Break Even Customers	344,827.59
Number of years to Break Even	1.8

Bravo-Break Even Analysis	Unit
Average Cheque	20.12
Cost	-15.09
CM perUnit	5.03
Initial Investment	1,800,000
Break Even Customers	357,852.88
Number of Years to Break Even	2.1

Income Statement

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Income Statement	2013	2014	2015	2016	2017
Revenue	452,000,000	665,196,000	764,975,400	879,721,710	1,011,679,967
COGS	(368214634.15)	(541891375.61)	(623175081.95)	(716651344.24)	(824149045.88)
Operational Expenses	(44097560.98)	(64897170.73)	(74631746.34)	(85826508.29)	(98700484.54)
Operating Income	39,687,805	58,407,454	67,168,572	77,243,857	88,830,436
Interest Expense	(2000000.00)	(2000000.00)	(2000000.00)	(2000000.00)	(2000000.00)
EBT	37687804.88	56407453.66	65168571.71	75243857.46	86830436.08
Tax Expense	(15075121.95)	(22562981.46)	(26067428.68)	(30097542.99)	(34732174.43)
Net Income	22,612,683	33,844,472	39,101,143	45,146,314	52,098,262
Profit Margin	0.05	0.05	0.05	0.05	0.05