

Strategic Case Study Exam Pre-Seen Analysis

May 2022 – Aug 2022



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Introduction

Snakwheel is a **quoted company** that **facilitates home deliveries** on behalf of fast-food companies across its **home country**.

It is a listed company. We must discuss the benefits and limitations of being a listed company.

Advantages:

- a) Access to Capital for Growth.
- b) Enhanced Visibility
- c) Liquidity

Disadvantages:

- a) Enhanced reporting requirements
- b) Enhanced government and shareholder scrutiny

We facilitate home deliveries on behalf of food companies in our 'home country'. Which means we are a local company at the moment.

As we go deeper into the pre-seen, we will see if our company has an opportunity to start expanding into different geographies.

This will bring in your F3 syllabus on Capital requirement and Currency risk management

Consumers can order food by **app or through Snakwheel's website**.

Website management, App management and Social media management is key for any modern business and adds to your competitive advantage.

This brings consideration of E3 topics:

-App management, Data management, Big Data, Data Analysis

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You are a **senior manager** in Snakwheel's finance function.

As a senior manager you need to look at the 'Long-term' strategic issues.

Your audience will be the Board of directors and to give a satisfactory answer understanding the full scale of the business operation is very important.

You report **directly to the Board** and **advise on special projects** and **strategic matters**.

Importance of your E3 Syllabus

Snakwheel is based in **Westaria**, a **developed country** that has an active and **well-regulated stock exchange**.

This tells us that
**"Demand
Conditions"**:
Porters Diamond
are strong.

From this we learn:

Westaria is a highly developed economy which means people have the interest and the disposable income to spend on services that we offer.

Westaria's **currency is the W\$**.

Westaria requires companies to prepare their financial statements in accordance with **International Financial Reporting Standards (IFRS)**.

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The fast-food industry

Fast food restaurants aim to serve **food quickly and on demand**. That can often be achieved by **selling menu items that can be cooked in batches** and then kept hot, often by keeping them under bright lamps that radiate heat.

For example, a batch of fries can be kept hot and remains sellable for up to 10 minutes.



Having such items ready-made, with fresh batches in preparation throughout the day, means that more **customers can be served at busy times**.

There are other fast food items **designed to be quick to prepare**.

For example, pizza can be made by spreading a portion of sauce across a ready-made pizza base, sprinkling cheese and other toppings and baking the uncooked pizza in a preheated oven for just a few minutes.



Fast food restaurants are designed to **serve customers as quickly as possible**.

This will have to be replicated in their delivery partners as well.

A very systematic ordering process with quick response and delivery agent assignment systems will be seen as your competitive advantage in this market.

Very clearly, we know that this industry will be technologically motivated and will have new enhancements every day.

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Many have a counter that is designed so that staff can take orders, collect payment and **deliver food as quickly as possible.**



Seating may be provided so that customers can eat their meals in the restaurant, but it is generally **designed to be slightly uncomfortable** in order to encourage customers to **leave as soon as they have eaten.**

Meals are usually served in **disposable containers.** Customers are then free to **take their food away and eat it elsewhere.**

Disposable containers are preferred in the fast-food industry. This can be seen as one of the drawbacks as majority of the customers are now moving towards sustainability.

Companies are being pressured to become more concerned about the environment through their business decisions.

Ethics and CSR comes into the picture here.

E3 Syllabus

Customers who eat their meals in the restaurant can dispose of their containers in the bins provided before they leave. There is no need for staff to **collect and wash dirty dishes.** At most, restaurant staff will only have to remove any litter and **wipe down tabletops with an antiseptic spray.**

Fast food is also **designed to be quick to eat.** Making food easy to bite and chew encourages customers to eat more quickly. Again, that encourages customers to finish their meals and to **leave to create space for more customers.**

Fast food items are generally made with little or **no fibre** in their ingredients and they usually contain sauces that make the **food moist** and so easy to chew and swallow. Bread used in sandwiches and burger buns tends to be baked so that it is **light and airy.**

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The **ease and convenience of purchase** makes fast food popular. It can be purchased and eaten for lunch during the working day or for breakfast on the way to work. Consumers may also be **keen to eat a quick meal to save time** for



some other reason, perhaps dinner on the way to meet friends.

Ease and convenience has to be replicated in your food delivery app/platform as well.

Many consumers enjoy fast food because of the factors that **make it easy to eat**. The sauces that make it easy to chew also enhance the flavour. The lighter breads used in buns and sandwiches make for a more pleasant texture and also create the impression that the restaurant has been generous with the fillings.

The efficiencies associated with making and selling fast food means that it tends to be **significantly cheaper than alternative forms of eating out**. In addition, fast food outlets, unlike traditional restaurants, do not feel a need to incur **unnecessary costs on creating a comfortable** dining experience.

Fast food restaurants can operate as independent outlets, but many belong to **national and global chains**, with **heavy advertising and a consistent brand image**. Customers of chains often know the menus of their favourite chains and know what they will order before entering a restaurant.

This will be a case of linked-demand or directly linked demand. If fast food chains grow, more customers will want to order their favourite foods which in-turn increases demand for food delivery services.

Fast food companies will be an important stakeholder for businesses running food delivery services.

Managing relationships with this stakeholder will be very important for your business.

This is part of your E3 Syllabus.

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There are many different **varieties of fast food**.

These often vary according to **local cultural tastes** as well as the relative success of major brands in any given country.

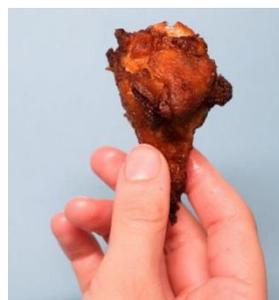
The following types of fast food are popular in Westaria:

Burger restaurants specialise in meat patties made from minced beef, chicken or fish that are fried or grilled and served in a bun, usually accompanied by fries.



Pizza restaurants make their products from a flat base of pizza dough, layers of tomato sauce, grated cheese and toppings. Pizzas usually have to be made to order, which can be done very quickly. That makes it possible to offer customers a wide choice of toppings that can be ordered in any combination.

Sandwich restaurants generally offer customers a choice of different types of sandwiches being made to order from the customer's choice of breads and fillings. Sandwiches are often sold cold, but some restaurants offer the option of having them toasted.



Chicken restaurants sell pieces of chicken that have usually been dipped in batter and deep-fried until the chicken has been cooked and the batter has become crispy.

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Some fast-food restaurants are associated with **bakery chains** that specialise in pastries, sausage rolls and similar products that are essentially pastry wrapped around a filling.



Most fast-food restaurants also offer a range of **soft drinks, side dishes** such as fries or potato wedges and desserts. These generally share the characteristics of the main meal options in that they are quick and easy to prepare and are supplied in **disposable packaging**.



All restaurants offer a range of meat-free and other options to meet specific dietary needs of customers.

Through all of this it is evident that this market focuses on 'un-healthy' fast food items which are quickly prepared and quickly eaten by customers.

Promotion of healthy eating options with more sustainable packaging could be seen as an opportunity for food delivery services.

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The Westarian fast food industry generated sales of **W\$172 billion** during the year ended 31 December 2021, with sales from **55,000 outlets** spread across the country.

Customer segmentation and understanding the perspective of customers placing orders is going to be key.

The more market analysis we do and use technology to support us, the better we can serve this market.

This brings in the concept of data analysis/big data.

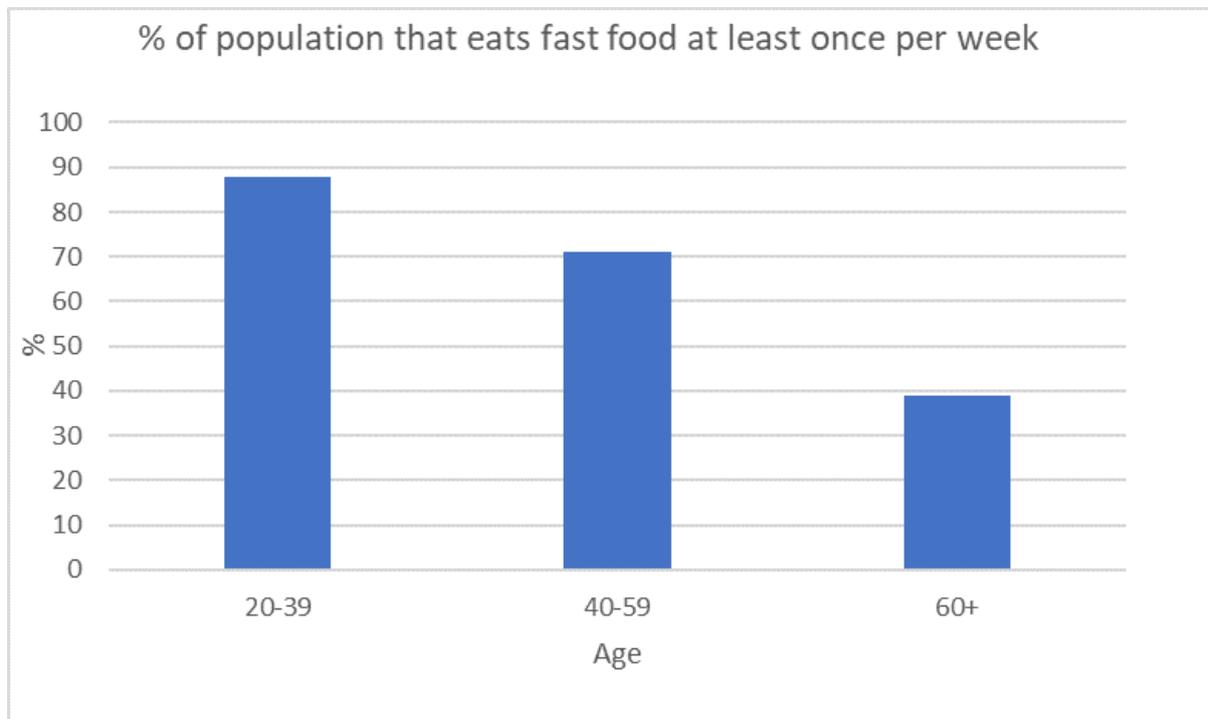
E3 Syllabus

Fast food has **grown steadily for many years**. The number of outlets increased by **36% from 2011 to 2021**.

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Industry surveys show that there are 70% of Westarians aged over 20 who eat fast food **at least once per week** and **23% eat fast food three times or more.** Generally, younger consumers eat fast food more frequently than older.



This gives us a focus area and can help us develop better services with better growth opportunities.

Focusing on segments and curating to their needs is a key competency for any company.

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Fast food home deliveries

The phrase “**home delivery**” **applies to deliveries made to the customer’s chosen location**, regardless of whether it is their home address or places of employment, hotels and any other fixed locations that are safe and accessible.

Home delivery services **started in the early 1990s**, when a major burger chain created its own telephone ordering service that enabled customers to **order food** from the chain’s menu and **pay by credit card** when placing their order.

For different countries this market has different prospects. Online food ordering and delivery service can be considered as a relatively recent development.

The market seems to be in a revolutionary growth stage.

External market analysis will be important here.

This is part of your E3 syllabus.

This was a **major success and was soon copied** by other fast-food chains. Customers enjoyed the ability to obtain fast food from their favourite restaurants **without having to leave their homes.**

The market for home deliveries grew, driven in part by widespread ownership and use of smartphones and tablets with Wi-Fi connections. These gave customers **access to restaurant websites that enabled them to place orders and pay online.**

They also enabled customers to **download apps that simplified** the ordering and payment processes further.

Snakwheel created Westaria's first independent home delivery platform in 2007.

Your company can be called a 'first-mover' and this can bring many advantages.

Also showcases the strong innovation capability of your company.

Previously, fast food chains that wished to offer home delivery had established their own delivery services, using their own websites and employing their own delivery staff.

Snakwheel **disrupted** that approach to home delivery by creating a website that enabled customers to access several fast-food chain menus.

Digital disruption being spoken about here.

Our company fundamentally changed the way this business works. Brings great advantages in terms of capturing the market and developing a brand.

This is part of your E3 Syllabus.

Food ordered through this website would be collected from a restaurant operated by the chain by Snakwheel's couriers and delivered to customers. This service proved attractive to both customers and restaurant chains.

Snakwheel has two major competitors, both of whom provide similar home delivery services. Munchbike was launched in 2009 and Truckbites in 2011.

This is a situation that we call as "brand competitors"

All 3 companies will be serving the same market, same customers and same environment. The only difference will be their brands and some cultural characteristics.

Competition analysis will be key as margins are very tight in this market. We spoke about the same in our industry analysis.

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Snakwheel and its competitors **describe themselves as “platforms”** in recognition of the fact that platforms are defined as online or physical environments that connect different groups and offer benefits based on the participation of others in the platform.

Home delivery platforms share the following characteristics:

1 Customers place orders online, using mobile phone apps, tablets or computers. Apps are promoted heavily through advertising and social media. Customers can create an account that includes their payment details, or they can pay for individual orders using their bank cards. It may be possible to pay by cash, depending on their location.



2 Platforms offer access to a range of different restaurant menus, generally one from each major category of fast food such as burgers, pizza, etc. That means that a family or group of friends can order from different restaurants to suit their preferences, making just one payment and avoiding the inconvenience of placing separate orders with different restaurants.



3 The platform’s software identifies the most suitable restaurant branches from which to fulfil each order. Details are transmitted to the restaurants, which then have responsibility for preparing the food and packing it ready for collection. The food is then collected by a courier (or couriers if the order is from two or more restaurants), who delivers it to the customer.



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4 Couriers are equipped with insulated boxes with battery-powered heating elements. These are mounted on the pillions of low-powered motorcycles or carried in small cars. The boxes keep the food hot on the journey from the restaurant to the delivery address.

Couriers are required to provide their own vehicles. Platforms hold couriers responsible for ensuring that the vehicles are roadworthy and that they are insured for business purposes.



5 Most platforms aim to ensure that food is delivered within 30 to 40 minutes of placing an order.

If customers order from more than one restaurant then food may be collected and delivered by more than one courier.



Platforms are sometimes referred to as “portals” to reflect the fact that they provide access to restaurant menus and can accept orders. They are also referred to as “aggregator portals” to reflect the fact that they “aggregate” or combine access to multiple restaurants through a single app.

Supplementary reading:

Big Data in the online food delivery industry: Must-know facts

With the option of ordering online from their favourite restaurant, the customers are getting spoiled. As more and more people avail the facility of ordering their food online, the food delivery industry is growing phenomenally.

A lot of data is generated when a customer requests food online. The kind of food that user orders, the time of ordering, taste that the user prefers, and so on.

People are generally fussy about their food, and by analysing the data mentioned above, the food delivery start-ups can cater to a delightful experience for their users.

Having a robust Big Data Analytics system can have a positive impact on the bottom-line of a business.

How Big Data Analytics benefits the Food Delivery Apps?

Big Data Analytics in the food industry helps you in understanding the preferences of your customers accurately. By analyzing the choices, you can tweak your offering to suit the taste of your customers. This will help you in improving the average revenue per user.

- ❖ **Improve your menu:** By using Big Data in the food industry, a food delivery app can *gather the feedback of the customers regarding* the items on the menu of various restaurants registered.

It can then suggest the restaurants regarding the menu items that can help the restaurant in increasing its revenues. *By changing the menu items, restaurants can boost their operational efficiency in effect helping food delivery apps.*

- ❖ **Provide faster deliveries:** There are a lot of factors involved in the success of food delivery apps. The most prominent being fast delivery time. If a food *delivery app can provide faster delivery times to its users as compared to its competitors*, then it will significantly outperform its competitors.

Although the process of taking freshly cooked food from restaurants and delivering it to the customers may seem simple, there are many difficulties which need to be tackled.

Using *Big Data Analytics systems, a food delivery app can monitor* various elements like traffic, roadblocks in the route, climate conditions, and give the *shortest possible path to a delivery person*, ensuring that the food is delivered in the fastest possible manner. The Artificial intelligence (AI) and machine learning systems can provide real-time updates to the delivery person so that he/she can change the route and ensure that the customer always gets the food in-time.

- ❖ **Analysing customer sentiment:** In today's world, where social media is playing an essential role in deciding the success or failure of an app, you cannot afford to ignore the *customer sentiment on social media*.

Using Big Data Analytics, you can gauge the inclination of the customers towards your brand. Are your efforts paying off? Are your delivery persons delivering the food quickly? Are your customers happy with your overall performance? You can get the answers to all these questions and more after *analyzing the social media chatter using a Big Data Analytics software*.

Big Data Analytics software will compile and analyze all the mentions of your brand across various social media handles like Twitter, Instagram, LinkedIn, and Facebook. You can then drive your business decisions based on this data.

- ❖ **Predict demand through smart algorithms:** By using a smart Big Data algorithm, a food delivery app can *predict the customer's next order*.

It is easier than you think; by analysing the browsing history of a customer and the past order data, the *food delivery app can predict when the customer is most likely to order*.

For example, Joe is a customer who usually loves to eat cheeseburgers during dinner on weekends.

A food delivery app can partner with Joe's favorite restaurant and offer him some promotional discount on his favorite cheeseburger. The app can also nudge Joe to eat healthy by offering him various other options.

By using predictive analytics, a *food delivery app can estimate precisely how many customers will order* during a particular time of the day or week and from where.

All of this tells us that 'Big data' opportunities are great in this industry.

So, when we move deeper into the pre-seen and start analysing our company we will see if we harness the full potential of 'Big data' or not.

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Back to the Pre-Seen:

Most platforms offer customers a range of payment options:

- Smartphone and tablet apps can be linked to customer debit and credit cards so that payment is taken automatically.
- Customers who do not link their cards can pay by inputting their card numbers through the app or the platform's website every time they order.

We spoke about this in the industry analysis section where the online payment section was showcasing a strong growth rate.

This also brings in the topic of confidential data and data security. **This is part of your P3 syllabus.**

Some restaurants permit their couriers **to accept cash payments for meals.** Most platforms insist on payment by card or app because there are rarely suitable bases to which cash can be submitted.

The platforms **track all sales made on behalf of each restaurant.** The platforms are entitled to an **agreed commission.**

The restaurants will be a big and important stakeholder for your business since your major revenue source (commission) is based on how well the restaurants perform and how many orders are placed.

Managing stakeholder relationships and relationship management is part **of your P3 syllabus.**

The platforms track the amounts collected on behalf of each restaurant from card and cash payments and **they remit the net amount due,** after taking account of any charges such as **commissions and any rent due for use of dark kitchens, on a regular basis.**

Some platforms **operate “dark kitchens”**, which are basically large storage and food preparation facilities that are rented to one or more fast food restaurant

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chains. These dark kitchens are divided so that **each fast-food chain has its own separate kitchen area for food storage and preparation.**

Also called 'cloud kitchens' and is a very popular concept nowadays.

The fast-food chains hire their own cooks to ensure that the food made at the "dark kitchen" is **exactly the same as that from one of their restaurants.**

Dark kitchens are not restaurants. They do not have any seating. They are designed to prepare food, ready for delivery.

Platforms build dark kitchens in areas where the **expected demand is sufficient to justify their construction.**

Data is going to play a big part in this industry.

They are attractive to fast food chains that require additional capacity to **relieve the pressure on the conventional outlets** in busy areas. They can also be a **cost-effective** way to establish a presence and so generate revenues in areas that would not offer sufficient demand to construct a conventional outlet.

The platforms **do not necessarily require a great deal of local infrastructure** in the towns and cities in which they operate.

The barriers to entry in this industry seem to be low. Hence, competition will be high.

Couriers operate remotely, with little or no direct supervision. Couriers are controlled by **means of apps that they download to their smartphones.** The platforms can use these apps to **track their couriers' location and availability.**

That brings us to the end of Part 1 of the Pre-Seen Analysis

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