



## **The Cube**

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## INTRODUCTION

The Cube is a new nightclub that will focus on attracting the students of Winthrop University, with a student population of 6,000. The nightclub will be located one block away from the main campus. The area already has three bars that have been thriving for the past 10 years. (The Money, Scandal's, and The Pub House - new one). Recently, the university Bookworm relocated on campus and the commercial space has become available. The Cube will consolidate this space into a 20,000 square foot nightclub. The location is on Cherry Road, the main street most often used by students.

## MISSION STATEMENT

### MISSION

**Who?** The Mission of The Cube Nightclub is to provide upscale evening entertainment to young adults and university students in the Rock Hill metro area in an enjoyable, pleasant atmosphere. It will provide a stylish, modern place, and opportunity for social interaction with dancing and special events, with an emphasis on the customers. Successful nightclubs are based on an accurate understanding of the changing tastes and expectations of our core customers; i.e. college-age women. If the women come, the men will follow.

**What?** University students need a place to have fun after school, during the weekends, to go for a drink and interact with friends, and meet new students. We solving the problem of boredom in a city like Rock Hill, which is 30 miles away from the larger city of Charlotte, North Carolina.

**How?** We are satisfying the needs of university students by offering a place they cannot find in the local area, very different from the existing bars, where they can have fun, find great lights, music, all kind of beverages: consistent entertainment atmosphere and product quality. The exceptional service will leave an unforgettable impression with our core customers.

Customers will feel safe and comfortable to join us to relax and unwind in the evenings. They will enjoy a low-cost and upscale alternative to local entertainment venues, they will get home safely, and join us for another evening in the near future. Our reputation will be one of our greatest assets.

## VISION

Our vision for The Cube is to become the foremost evening entertainment venue in the Rock Hill metro area: “The place to see and be seen.”

## VALUES

- Our employees are at the core of our business; they are treated as family, and serve as an extension of the brand. Managers and employees should do their best to ensure that customers will have fun and will enjoy their service.
- Employees will have the opportunity to earn according to their productivity; bartenders have the possibility to earn a lot of money with tips if customers are satisfied with the service. Dancers earn tips too if customers enjoy the entertainment they will procure in the club.
- The staff constitute a family, so unless there is a problem, and as long as they do their job properly, employees can keep their job as long as they want.

- Managers should treat employees fairly, solve problems by staying objective in any case, don't show any favoritism for certain employees. Employees and managers should both show respect for the interests of key organizational stakeholders.
- The club focuses on attracting college-age women and will focus on design and musical themes that have mass appeal to college-age women. It will be seen as a contemporary creation that will bring a refreshing flavor that will transform nightlife in Rock Hill. Electric décor, bold colors, futuristic in the style of a cube, The Cube will combine comfort, elegance and energy with the sound of the best DJs. Inspired cocktails and the finest liquor will keep our guests and customers more than satisfied. We give them what they want and need: a fantasy turned reality, to help release the stress of the college years and partying in a new and classy way.
- Dress to impress. The Cube encourages trend setting attire. Appropriate dress is required and management reserves the right to judge what is acceptable. The Cube is the opportunity for Winthrop students to show their best attire, and to show another side of themselves. It is the hottest destination for nightlife in Rock Hill area with an ongoing schedule of exclusive events and Global DJs.

## MAJOR GOALS

### FINANCIAL

Our financial goal is to manage our internal finances and cash flow to enable upward capital growth, and to have a strict control of all costs, at all times, without exception. We maintain tight control of costs, operations, and cash flow through diligent management and automated computer control.

#### Start-up Funding

Start-up Expenses to Fund	\$112,500
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Start-up Assets to Fund	\$97,500
Total Funding Required	\$210,000
<i>Assets</i>	
Non-cash Assets from Start-up	\$20,000
Cash Requirements from Start-up	\$77,500
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$77,500
Total Assets	\$97,500
<i>Liabilities and Capital</i>	
<i>Liabilities</i>	
Current Borrowing	\$0
Long-term Liabilities	\$0
Accounts Payable (Outstanding Bills)	\$0
Other Current Liabilities (interest-free)	\$0
Total Liabilities	\$0
<i>Capital</i>	
Planned Investment	
Owner 1	\$70,000
Owner 2	\$70,000
Owner 3	\$70,000
Other	\$0
Additional Investment Requirement	\$0
Total Planned Investment	\$210,000
Loss at Start-up (Start-up Expenses)	(\$112,500)
Total Capital	\$97,500
Total Capital and Liabilities	\$97,500
Total Funding	\$210,000
<i>Start-up</i>	
<i>Requirements</i>	
<i>Start-up Expenses</i>	
Legal	\$2,000
Stationery etc.	\$500
Consultants	\$0
Insurance	\$1,000
Rent	\$4,000
Research and Development	\$0
Interior Refit	\$30,000
Expensed Equipment	\$20,000
Air Cond. Upgrade	\$5,000
Audio/Lighting	\$10,000
Bar Equipment/Supply	\$10,000
Fees and Permits	\$7,000

Bathroom Upgrades	\$5,000
Initial Marketing	\$3,000
Opening Salaries Deposits	\$15,000
Other	\$0
Total Start-up Expenses	\$112,500
<i>Start-up Assets</i>	
Cash Required	\$77,500
Start-up Inventory	\$0
Other Current Assets	\$0
Long-term Assets	\$20,000
Total Assets	\$97,500
<b>Total Requirements</b>	<b>\$210,000</b>

We will maintain total beverage costs below 25% of beverage revenue, and reach \$1 million in annual sales by the third year of plan implementation.

#### REPUTATION

In the first six months of business, the company will be viewed as an upscale and safe entertainment destination with brand recognition among 80% of Winthrop University Students.

We will capitalize on excellent location opportunity, and launch the venue with a highly publicized grand opening event in the spring of Year 1, bringing 25% of our target on that special night to start the recognition.

#### RETENTION

25% of guests will visit on a weekly basis.

#### GROWTH

50% of Winthrop University students will visit every month.



## COMMUNITY INVOLVEMENT

We will establish monthly special events to support the Greek life of Winthrop.

## SWOT ANALYSIS



## STRENGTHS (INTERNAL)

The Cube retains a number of strategic strengths when entering the Rock Hill, SC area. The location in the former Winthrop University Bookstore on the corner of Charlotte Ave. and Cherry Road provides numerous benefits. As a location within easy walking distance to the Winthrop University campus, the business is positioned to provide a safe and accessible location for The Cube. For those not in walking distance, there is an abundance of parking in and around the area for those choosing to drive with easy access to Interstate 77. Arrangements would be sought with the management of The Winthrop Commons shopping center to utilize parking in front of Earth Fare during evening hours for guests to park across the street. Within the building, the acoustics of the square-shaped building are conducive to a music venue, as well as an upper mezzanine on the main floor that can be used for private parties and as a VIP section. Winthrop University has previously evaluated this space as a potential location for the band and music programs due to the acoustical features of the space.

In order for a customer to enter The Cube, a strict dress code must be met in order to ensure professionalism and safety. This attention to detail and safety will continue throughout the experience a guest has at the venue. Staff from The Cube will be continuously monitoring the overall venue and taking advantage of staff and technology focused on security. The overall feeling of fun coupled with safety will bring in repeat customers from the university community who are looking for a night club experience without traveling to Charlotte. With this location in mind, the management will continuously be monitoring the pulse of the Winthrop campus and ensuring The Cube is catering to the changing needs of students.

## WEAKNESSES (INTERNAL)

While The Cube demonstrates numerous strengths, the major weakness is the student demographic. These students often have limited access to funds due to a minimal income while in school. Many students rely on loans and assistance from parents in order to attend and take advantage of the college experience. Also, not all students will be of age to consume alcohol (a high margin product). Because of this, The Cube will be sensitive to the needs of students and be able to cater the experience towards any student regardless of economic ability and age. There will be opportunities for those at the age of eighteen and over to experience The Cube yet not partake in any alcohol sales.

Another important consideration is the the University calendar. While Winthrop University is continuously focused on enhancing summer course offerings, the student population is very seasonal with limited students on campus over the summer. Staffing levels and inventory will need to be adjusted based on changing demand. Management will need to watch the Winthrop University calendar for other opportunities over the summer such as new freshmen in town for orientation and special dates relating to summer school starting and ending.

## OPPORTUNITIES (EXTERNAL)

Opportunities exist across this market primarily due to the stability in demand for alcohol. In addition, there is weak competition with no other establishment in the Rock Hill, SC area offering the same type of nightclub atmosphere as The Cube. Traditionally, those looking for a classier evening experience would have to travel to Charlotte, North Carolina. With many students not having cars on campus nor the funds to pay for gas to travel to Charlotte on a regular basis, there is an opportunity for The Cube to

fill this void for evening entertainment. And, by providing an entertainment alternative walking distance from campus, this helps keep students off of the roads, especially if alcohol is being consumed.

With multiple higher education complexes in town (Winthrop, Clinton Junior College, York Tech, etc.) there is an opportunity to partner with university and Greek life on events such as fundraisers and other co-sponsored events. The Cube has the opportunity to be the host and destination for a number of community activities. By working closely with these schools and the community, The Cube will gain partners in the community and build a stronger customer base and reputation.

#### THREATS (EXTERNAL)

In York County, SC there is a strong police focus on alcohol enforcement and has received grants to help fund the additional officer time. The Alcohol Enforcement Team (AET) can visit any location that serves alcohol and even have an underage confidential informant attempt to purchase alcohol. This puts additional importance on The Cube staff being very focused on and understanding laws regarding alcohol sale and consumption. The Cube will be addressing this through a very strict ID policy.

Also, there are various legal implications of being licensed to serve alcohol and complying with local regulations. With this comes a general negative viewpoint from community members regarding a night club venue in town. The Cube will be working with all stakeholders to be positioned as an asset in the community rather than a nuisance. Through community events, The Cube will be an active and valued member of the community. And, with a reliance on university students for a majority of the business, The Cube must ensure the needs of the target customer are always met in order to be sustainable.

## INDUSTRY ANALYSIS

Before conducting an industry analysis for The Cube, there are several important factors to keep in mind. One is that the industry is highly fragmented and highly competitive. These two factors will be discussed in greater depth later on in the report when discussing business level strategies. Another thing to keep in mind is that, although nationwide industry statistics are good indicators, The Cube will be targeting the Winthrop University and surrounding Rock Hill area exclusively. Also, because the industry is so fragmented, benchmarking to a publicly traded company is difficult because there are no publicly traded nightclubs. Franchising in the U.S. bar and nightclub industry is extremely difficult because of differing state liquor licensing laws. For benchmarking purposes we will use industry statistics and indexes. Also, it will be helpful to look at the service sector as a whole as well as a few related industries such as the restaurant industry, entertainment, and recreational goods, etc.

The service sector itself has recovered significantly over the past year. An index of the entire sector shows that from April 18th 2010 to April 18th 2011 the services sector has increased 12.59%. Also, Economicindicators.gov shows that personal income, personal spending, and disposable income all steadily increased in 2010 and 2011 so far. The restaurant industry which is closely related grew 17% over the last year while recreational activities grew 16.57%. Other industry statistics and financial ratios that can be used for benchmarking purposes can be drawn from the general entertainment industries and the restaurant industry.

### General Entertainment (Yahoo Finance)

Market Capitalization:	101B
P/E ratio:	39.6
Price/ book:	4.2
Net Profit Margin:	8.7%
Price to free cash flow:	126.5
Return on Equity:	7.9%
Total Debt/Equity:	56.4
Dividend Yield:	2.2%

### Restaurant (Yahoo Finance)

Market Capitalization:	1,155B
P/E ratio:	19.3
Price/book:	8.4
Net Profit Margin:	9.9%
Price to free cash flow:	28.9
Return on Equity:	28.2%
Total Debt/Equity:	89.4
Dividend Yield:	2.6%

Although a lot of their data differs, IBISWorld and Hoovers both provide relevant industry information as well as some key industry statistics. According to IBISWorld, industry revenue in 2010 was \$21,292 million dollars and grew 1.1%. Industry Gross Product was \$5,514 million dollars. The number of

establishments and enterprises are both just over 67,000 units. Also, according to IBISWorld employment in 2010 was 363,174 and total wages were \$4,347 million. Although the recent economic crisis hurt the industry a couple of years ago, the recent increase in consumer spending is a good sign for the future. Not surprisingly, the main source of revenue for bar and nightclub establishments are alcoholic beverages. The following chart from IBISWorld shows the breakdown in products and services for the U.S. bar and nightclub industry:

### Products & Services



IBISWorld defines the U.S. bar and nightclub industry as bars, taverns, and various drinking places that primarily serve alcohol and have limited food service. Hoovers bar and nightclub industry data is somewhat different because they may have a broader scope of the industry and include businesses that are not just drinking establishments but also offer food services. According to Hoovers the industry has over 45,000 establishments and has an annual revenue of over \$18 billion. On average, workers in this

industry receive an annual revenue of around \$50,000. Also, the 50 largest companies only account for five percent of total revenue showing the fragmented nature of the industry. Hoover’s breakdown of the major sources of revenue are as follows:

Source of Revenue	Percentage of Total Revenue
Beer	35%
Distilled spirits or hard liquor	30%
Food and non-alcoholic beverages	20%
Wine	7%
Other	8%
<b>Total</b>	<b>100%</b>

**TARGET DEMOGRAPHIC**

Although U.S. nightclub and related industry data is important, it is essential to gather information and key statistics for the local area The Cube will be serving. Researching information regarding The Cube’s target demographic will provide insight into the market niche and help with setting financial goals, projected sales, planning, etc.

According to the 2009 Census, Rock Hill has a total population of over just over 69,000 with over 25% of the population being between the ages of 18-34. This age group along with the



6,000 plus Winthrop students is The Cube's target customers. 68% of the total population makes up Rock Hill's total labor force with 31,389 employed. Per capita income is \$22,550 while median household income is \$42,016 and median family income is \$51,690. The following table breaks down household income for the city of Rock Hill:

<b>Total households</b>	<b>24,559</b>	<b>+/-577</b>	<b>24,559</b>
Less than \$10,000	2,567	+/-364	10.5%
\$10,000 to \$14,999	1,436	+/-262	5.8%
\$15,000 to \$24,999	3,324	+/-403	13.5%
\$25,000 to \$34,999	3,045	+/-393	12.4%
\$35,000 to \$49,999	3,868	+/-438	15.7%
\$50,000 to \$74,999	4,443	+/-378	18.1%
\$75,000 to \$99,999	2,700	+/-324	11.0%
\$100,000 to \$149,999	2,102	+/-322	8.6%
\$150,000 to \$199,999	561	+/-172	2.3%
\$200,000 or more	513	+/-148	2.1%
Median household income (dollars)	42,016	+/-2,177	(X)
Mean household income (dollars)	56,798	+/-3,078	(X)

Winthrop University also has a very diverse body of students that will be essential to The Cube's success.

Some general information about the university:

### **Enrollment Profile**

- **5,998 Total Enrollment**
- 1,065 graduate students
- 4,933 undergraduate students
- 961 freshmen population
- 34 percent minority population
- 42 states and 48 countries represented

There is also a significant Greek life presence at Winthrop University with around 16 fraternities and sororities.

## **FIVE FORCES**

In the five forces model, the stronger each of these forces is, the more limited the ability of established companies to raise prices and earn greater profits. First of all, we analyzed the risk of Entry by Potential Competitors. A high risk of entry by potential competitors represents a threat to the profitability of our company. As we know, the higher entry barriers may keep potential competitors out of an industry by increasing the costs that potential competitors must bear to enter the industry. Important barriers to entry include economies of scale, brand loyalty, absolute cost advantages, customer switching costs, and government regulation.

Economies of scale arise when unit costs fall as our company expands our output. We can realize significant economies of scale in advertising, marketing and purchasing. As a new nightclub, we do not have a strong brand loyalty right now. However, we can create our brand loyalty through continuous advertising of our brand-name and our good quality entertainment equipment and service through a variety of highly targeted methods to reach our customers including local radio, billboards, billboard trucks, Internet, newspaper and magazine ads, and professional sporting events. Moreover, the nightclub has a high startup cost in equipment and inventory. Those costs include Leasehold improvements, Equipment/Fixtures (audio/lighting lease payment, DJ sound system, bar equipment, lasers, smoke machines, stage sets, mirror objects, other equipment), Kitchen Equipment (draft dispenser, microbrew equipment, hand sinks), and alcohol inventory, etc. Therefore, if the potential competitors want to enter into nightclub industry, they have to bear the high setup cost. In the terms of government regulation, the government controls opening of businesses serving alcohol. It is not that easy to get the alcohol serving license.

Our business is also regulated by local and state liquor licensing, local ordinances and state and federal, time, place and manner free speech restrictions. Those government regulation can be viewed as the barriers to entry. It is worth pointing out that customer switching cost is low in nightclub industry. Customers can switch from our nightclub to other new entrants. In order to reduce the risk of low switching cost, our nightclub will provide membership discounts and incentives.

The second of Porter's five competitive forces is the rivalry among established companies. First of all, we analyzed our industry's competitive structure. According to our research, the nightclub industry is highly competitive with respect to price, location and quality of the facility, entertainment, service, and food and beverages. The US bar and nightclub industry includes about 45,000 establishments (single-location

companies and branches of multi-location companies) with combined annual revenue of about \$18 billion. No major companies dominate the marketplace. The nightclub Scandal's is the only semi-successful nightclub in Rock hill. There are more nightclubs that are approximately 30 minutes in Charlotte, like Suite, Forum, and Whisky River. These successful nightclubs are our major rivalry. Secondly, public acceptance and demand for the premium quality nightclubs have become common. There is a strong existing and developing market among college students, businessmen, professionals and other affluent persons for first-class nightclubs. Thirdly, we analyzed the cost structure of a nightclub. Fixed costs of operating a nightclub are low. Fixed costs include rent payment, loan repayment, salary of supervisor or managers, advertising fee, and etc. Variable costs include variable staff wages, heat, light, power, costs of alcohol, and etc. The fixed costs are low in operating a nightclub. Most of our costs come from variable costs. Therefore, we will not be struggling to cover our fixed cost. Another important fact that determines the risk of rivalry is the exit barrier. In the nightclub industry, there are a number of potential investments in assets such as audio/lighting leases, DJ sound system, bar equipment, and lasers that are unique to the entertainment industry. If the company wants to leave the nightclub industry, it has to sell these assets. However, the depreciation of those assets are high. The resale prices will be very low. Therefore, the exit barriers are high.

The third of Porter's five competitive forces is the bargaining power of buyers. Our buyers are the individual customers who purchase beverage in small quantities. The customers will not threaten to enter the industry and produce the service themselves. Because of low switching costs, it is easy for customer to frequent other businesses. Customers could visit other businesses for alcohol. However, our nightclub will provide membership incentives. The bargaining power of our customers that refers to the ability of customers to bargain down prices charged by our nightclub are low.

The fourth of five competitive forces is the bargaining Power of Suppliers. First, music is vital to our nightclub in the entertainment industry. There are strong music industry copyright laws. Playing music without the permission of the music suppliers is illegal. Therefore, the pop music suppliers have strong bargaining power to raise prices. Secondly, DJ Services is also important in the nightclub. A good DJ will attract more customers. There are few famous DJ in this area. Therefore, the DJ has strong bargaining power for the commission. Moreover, there are limited alcohol suppliers due to government regulation. The profitability of alcohol suppliers is not significantly affected by the alcohol purchases of nightclub. In addition, the nightclub would experience significant switching costs if we moved to the product of a different supplier because a particular supplier's alcohol is unique, like Jack Daniels. Although the alcohol suppliers will not threaten to enter our nightclub industry, the bargaining power of the alcohol suppliers is still strong and they may charge higher prices on the alcohol.

The final part of Porter's Five Forces is the threat of Substitutes products. One of the substitutes are house parties. Some people like to host house parties because it is more private and cheaper. Other substitutes are Bars and Pubs. Customers can go to bars or pubs to purchase alcohol or food and satisfy their needs for socialization with friends. There is no switching cost in visiting other venues.

## **DISTINCTIVE COMPETENCIES**

The development's central location, demographics, and lack of direct competition are major advantages to this project. One of the major advantages that the Cube will have over its competition will be its location, which is in easy walking distance for the entire university community. The area around The Cube is already a regular place students gather to socialize in the evening with the presence of the Pub House a few feet away. The location itself used to be the bookstore (known as The Bookworm) for the

university, so students already know the building, and will be curious to see how the facility was changed into a nightclub.

The upscale and modern atmosphere will create differentiation with the competition, and students will also feel safe, comfortable, and relaxed, which is not the case in the other bars around the campus. Guests will feel comfortable to stop by and dress up, without any judgment from staff or other guests, and without fear of being attacked by drunken customers.

The Cube will provide exceptional service. In order to reach and maintain a unique image of quality, The Cube will provide attentive and friendly service. We will offer what other bars in Rock Hill don't offer: A larger ladies room area. Beyond its traditional uses, it's also a place of social gathering and conversation. As a result, we will add additional square footage to this part of the venue including a couch, TV, music, and plenty of social space.

The design of the club will also make all the difference. Our floor and roof design will be impressive. Careful consideration will be put into everything from colors, to fabrics, and materials, in accordance to the theme of the club, the Cube. We will design the bar, the dance floor, the bathroom and the VIP section with a futurist and cubic design.

The music will also answer our customer's need and preference. We will hire DJs who have the best satisfaction rate with the college clientele.

## FUNCTIONAL LEVEL STRATEGIES

Functional-level strategies are direct at improving the effectiveness of operations within a company such as manufacturing, marketing, materials management, product development, and customer service. They are aimed at improving the effectiveness of a company's operations by its ability to attain superior efficiency, quality, innovation, and customer responsiveness.

### SUPERIOR EFFICIENCY

Superior Efficiency in its simplest form is the quantity of inputs that it takes to produce a given output, therefore  $\text{efficiency} = \text{outputs}/\text{inputs}$ . The Cube, being in a service based industry must attain superior efficiency in the way that it manages its employees as well as its opportunities to provide a unique atmosphere and setting. Productivity measures output per employee.

### MANAGEMENT

The first level of employee is management. The general manager must lead and direct the different levels of operations to achieve the company's mission statement. When creating a club such as the Cube a well-informed manager is essential. They must be plugged into the exact vision of what The Cube is supposed to resemble and must make sure that every aspect of the business reflects back to their identity. This person should be able to relate very closely with our target market and be well aware of their likes and dislikes. It would be very wise to hire a manager that has had a great deal of experience working in this particular industry and will be able to reflect back to past experiences.

## EMPLOYEES

Employees are going to be a vital part to the success of this business. Because this is a service related business, having a well trained professional staff is a necessity. By enforcing very high standards for our employees we can differentiate ourselves from the competition. Most of the local competition has low standards of what is expected and required of their staff. If the Cube's employees are able to do their individual jobs at the highest level eventually the public recognize and reputation will be known that The Cube is extremely well run.

## CLEANING CREW

A particular part of the employees that will prove to be extremely important is the cleaning crew. Nightclubs and bars can get very messy and dirty quickly. Not only do they get this way each night but the overall cleanliness and upkeep of the building deteriorate very quickly over time. The Cube is going to resemble an upscale atmosphere and any sort of filth would simply tarnish the image. The building being located on the outskirts of the school campus will be a landmark symbol all hours of the day, not just when it is in operation at night. Simply put the cleaning crew has to be top notch. Every morning the cleaning crew has to work the entire building. Budgeting for cleaning has to be a priority as cutting costs in this area might as well be cutting costs from the bottom line.

## BOUNCERS

The Cube is focusing on keeping a safe environment; it is part of the identity. We have to remember we are on a college campus and we are targeting college students. With safety a high priority, The Cube will need to hire its own crew of bouncers. Prior experience and a keen eye to prohibit trouble are necessary. Without a close attention to this level of employment the type of crowd and customer



that a nightclub attracts can change very quickly. A proper bouncer crew will help keep our customer and reputation safe.

## SERVING STAFF

The serving staff is the staff that will have the most interaction with the customers. They will be the employees that have the closest relationships and will have the largest effect on the customers in terms of customer service. The method at which they pour drinks, serve drinks, and keep customers satisfied will reflect directly on the club's brand image and perception to the public.

When hiring all the different types of employees the Cube must hold them to the highest standards and the most rigorous of testing. In a service based business your employees will have the greatest importance on customer satisfaction. Moderately over paying your employees can actually serve as an investment. If we are able to make these employees extremely happy then it will show in their work ethic and efforts. These employees need to be trained thoroughly to keep the level of service at a premium.

When trying to achieve superior efficiency, you can either focus on the lowest cost structure in the industry or create the most valuable product in the eyes of the customers. The Cube is focused on differentiation and creating a valuable product. The way to create a valuable product is through quality in everything that you do.

## SUPERIOR QUALITY

Superior Quality offers two advantages, first it builds a strong reputation that allows the company to differentiate its products from rivals and secondly eliminating defects in the processes or service will

reduce waste, increases efficiency, and lower the cost structure which increases profitability. So you may ask how does The Cube plan on attaining Superior Quality?

Quality is essential for a business that is focused on providing an upscale look and feel. The highest quality standards must be met in all aspects of the company. The choice of music, servers, bouncers, lighting, chairs, atmosphere and much more. Total Quality Management is based on a five step chain reaction improved quality means that costs decrease because of less rework, fewer mistakes, fewer delays and better use of time and materials. This relates directly back to the employees. If the serving staff is fast and efficient then they will ultimately lower mistakes. They will get orders right the first time and will eliminate the amount of rework necessary. Customers will become accustomed to the professional staff and this will build a good reputation fast. When employees are praised and respected the result is usually productivity improvements. Employees will begin to take ownership and a sense of pride in what they do and work to appease and impress customers. This is the perfect receipt for success. As the quality level increases so will market share and companies can then have the flexibility of increasing their prices. This may not necessarily hold true with The Cube as we have to keep in mind who our target market is as well as our location. Quality improvements lead to a company's profitability and ability to remain in business. Providing the highest quality is focused around The Cube's overall experience that customers will return for.

## SUPERIOR INNOVATION

### *Technology and Information Systems*

As information systems have advanced in the recent years, there are many different opportunities that exist that can help promote the Cube as well as allow it to further differentiate and surpass the competition. The first form of technology that we want to implement is those fancy touch screen

ordering systems. These systems allow the employee to quickly charge and order drinks to different customer tabs. This technology will be able to add value in multiple ways. For starters it looks really cool and hip; this will play nicely with the upscale look and feel of the Cube. If there were some dumpy old computers it would make the place look outdated. Secondly it is efficient; employee's won't need to mess around with calculators or try to remember or count up drinks all the information will be easily stored in one system. Third, the data will all be stored into the system for further review and analysis. This will allow management to take a closer look at what exactly is being served, how much is being served, what are popular, trends, and so forth. This tool can be very useful in understanding what exactly customers are buying.

The next form of technology that we want to be able to have is a customer database. We want to create a membership program so that we can keep a close eye on our customer base. By creating a membership and gather that customer information, we will be able to have contact, through email with our customers. We will be able to send them specials, ask their advice, invite them to events and make them feel a part of the Cube. Although some places have a membership program, a lot of the close completion to the Cube does not. We will be able to use this customer information for marketing ploys, understand who is coming to visit, and a great way to get feedback.

## SUPERIOR CUSTOMER RESPONSIVENESS

Achieving superior responsiveness is about giving customers what they want, when they want it, and the price they are willing to pay for it. Making customers happy is the only way to make them come back.

## MARKETING

Marketing is so important to the success of this company. Ways in which we can help market The Cube is the way the general public will be coming to view the company. There are many different ways to market a product or service but before that is done, you must know who you should design you're marketing too. Therefore you need to determine your target market is going to be. As we previously discussed our target market is young adults between the ages of 18-34. Due to its proximity to the Winthrop campus it only makes sense to focus most of the market resources and efforts on the student base. Ways to reach this student base are through fliers and bulletins on campus. There is the opportunity to associate with the Greek life. Local radio stations also are able to draw a lot of interest and create awareness.

One area that could potentially be extremely helpful is the social media avenues. Through Twitter, Flickr, Blogs, and most importantly Facebook we could reach a very large customer base with very little cost. Nearly half of the US population is on Facebook now and 51% of those Facebook users are between the ages of 18-34. This is the exact age demographic that The Cube is trying to attract. Students use Facebook daily, in fact the average Facebook user spends 15 hours a month and 23 minutes each time they log on. These students share pictures, videos, and information about what they recently did and where they went. If our customers are happy with their experience they will show it on Facebook and all of their close friends will see and hear of this awesome experience. Through word of mouth, as well as other promotions, fan pages, and friends Facebook can be a very low cost but highly affective way of attracting customers and building our brand image.

Relating back to having advanced technology, The Cube plans to keep a robust customer database. This database will be designed to helping management understand the amount of customers it sees each

night. It will also record the age, gender, type, and any other relevant information we feel it needs to store. Having this information will allow the management to make adjustments and changes to the different events, type of music, and ways in which it attracts its customers. This database will also be used to email and communicate with customers and well as link through social media avenues. Through these different ways to communicate with our customers we will be able to notify them of promotions, events, theme nights, guest appearances and much more. This essentially provides a free but affective way to market.

## **BUSINESS LEVEL STRATEGIES**

When developing a business-level strategy for a nightclub the industry environment must be taken into account. Different industry environments provide different opportunities and threats and require different strategies to sustain a competitive advantage. The nightclub industry is both a highly competitive and highly fragmented industry. The industry is mostly so fragmented because of various liquor laws from state-to-state which make it hard to form chains across the country. There are no major companies that dominate this market because of this fragmented nature. As previously stated, the US bar and nightclub industry includes over 45,000 establishments that combine for \$18 billion in annual revenue yet only 5% of this revenue is going to the largest companies. The larger companies do have scale advantages on purchasing, financing, and marketing. However, because of the fragmented industry, larger companies can often experience diseconomies of scale because customers could prefer the unique style of a local nightclub, bar, or restaurant.

Fragmented industries are characterized by low barriers to entry. This is true for the nightclub industry because the start-up costs are not too high and can be borne by a single entrepreneur. Companies within this industry can focus on customer group, customer need, or geographic region. As a new

company, The Cube will be a small company that specializes in these areas in order to compete in the local area. The business model for The Cube will have a focus on meeting customer needs through differentiation and offering a unique service in order to create value.

Once we identify the industry environment, strategies for fragmented industries must be developed and implemented in order to be a successful nightclub. In this particular industry, personal income and entertainment needs are generally the major forces that drive demand. Personal income as a major force behind demand was apparent in 2009 when unemployment was at an all-time high and people had to be selective in spending their money which meant cutting out certain luxuries such as frequent visits to bars or nightclubs. However, in 2010 consumer spending did grow. Despite the economic downturn it is still possible for a nightclub in an area with a demand for such entertainment needs. Smaller companies compete by being unique and servicing a local market. Businesses within this industry are highly dependent on driving traffic and developing loyal clientele. Serving Winthrop University as well as the Rock Hill area and creating repeat customers are essential to the success of The Cube.

It could be argued that the bar and nightclub industry is still in the growth stage of the life cycle. The Cube is entering into an existing market and must take customers away from competitors to gain market share. One of the challenges of an industry in the growth stage is that the attributes of customers change over time and new groups of customers who have different and evolving needs surface. The Cube will try to implement a market concentration strategy to find a viable competitive position. Effectively outsourcing entertainment services, such as DJ's, to meet customer demands will help with specializing and focus the business model to reduce investment needs.

## STRATEGY AND TECHNOLOGY

Through the nightclub is not in a high-technology industry, managers still need to aware of the technological advances relevant to the nightclub industry. The Cube will use nightclub technology software to ease operations and data collection needs. Using inventory management software, the company can accurately keep track of the liquor inventory at all times and use OPS management system to keep track of sales.

There are always new emerging technologies for this industry to adopt such as high-tech laser projectors and cutting edge audio systems, and advanced security systems to protect the building, equipment, and customers. To make sure that everybody that comes into our nightclub is of legal age, we will install an age verification system in the club so that we can do a good job of checking out every ID that people present. Otherwise we may lose our liquor license and entire club might be on the chopping block if we are discovered selling drinks to minors by omission.

In addition, with the widespread use of Facebook and Twitter, we can built our own web page and create our customer network. When launching on Facebook or Twitter, we have the unique opportunity to connect with and introduce our exist or future customers to the face of our brand. Moreover, the Facebook or Twitter page can also support a variety of operating goals, including special event advertisement, staff recruitment and retention of employees, customer engagement, morale building, branding, and awareness. In a word, using high-technology equipment and software, we can attract more customers to our nightclub and operate the nightclub more efficiency.

## GLOBAL ENVIRONMENT

Although our nightclub is focused on the local community and college students, it does not mean that we do not need to consider the global environment. There are more than 300 international students at Winthrop university and the number is growing every year. Management should understand the diverse student population & interests. Furthermore, our nightclub may follow international entertainment trends that may begin in other parts of the world and spread to the United States.

## CORPORATE LEVEL STRATEGY

### SINGLE INDUSTRY STRATEGY

When a company confines its value creation activities to just one business or industry it allows the company to focus its total managerial, financial, technological, and functional resources and abilities on competing successfully in one area. The company in a single industry, “sticks to the knitting,” meaning staying in tune with what it knows best. The Cube will initially begin just as this, a single industry business that will focus on bringing a high quality level of entertainment to the Rock Hill area. By focusing all of its available resources on just this nightclub the company can put forth a full effort to ensure the company’s success. Without having to manage any other business or share resources this should provide the best probability for success.

### STRATEGIC OUTSOURCING

Strategic Outsourcing is a corporate level strategy that The Cube can focus heavily upon and use to its advantage. There are many parts of this business that can be strategically outsourced and will not



jeopardize the core competency of the business. In fact many of the components that will be outsourced will add a great deal of value to the company. The music and entertainment is an avenue that we feel can greatly prosper being outsourced. This will allow The Cube to have constantly different and popular DJ's come and perform. Constantly having new, fresh, and popular DJ's will keep The Cube playing the newest and most popular music. It will constantly be creating a buzz and hype about these different entertainers coming in. Over time The Cube will build a reputation for having these popular DJ's and the customers and local area will feel confident knowing that the entertainment will never be a disappointment. We are sure that we could hire a full time DJ at a lower cost than outsourcing to many different popular DJ's, but we understand that the additional cost of entertainment will actually be a very wise investment in the company. The increased customer base and new attractions will well compensate for the hire cost to outsource this part of the business.

Another area that strategic outsourcing proves to be profitable would be in the cleaning crew. When trying to differentiate yourselves apart from your competition by having the highest quality atmosphere cleanliness is essential. To make sure The Cube is consistently extreme clean we would like to outsource this responsibility to professionals that focus on this. The cleaning crew will become accustomed to what is expected and the best methods to provide this service to The Cube. Other areas that would also prosper from strategic outsourcing would be valet parking and security.

## HORIZONTAL AND VERTICAL INTEGRATION

There are a few different opportunities with Horizontal Integration. A few of The Cube's close competitors are in the local area and this provides the opportunities to merge or acquire with them. Scandals, The Money, The Pub House are all competitors that are in a short drive of where The Cube is to be located. Through horizontal integration these companies could be purchased and combined or

purchase and left separately. Purchasing or merging would allow these companies to share resources. We have chosen that this is not in the best interest for The Cube. The Cube is determined to offer an different type of entertainment and atmosphere that we feel will be more attractive than what the competition can offer. We simply feel that by providing this higher level of quality that the competition would not be able to compete and therefore it would not be a wise investment to join forces at any level.

Vertical Integration is slightly different in a service based business such as The Cube versus a product business. With that said there are still ways that we thought eventually we could vertically integrate. One example would be purchasing a radio station. If we were able to purchase an outright radio station than both companies could mutually benefit as well as vertically integrate. The Cube would be able to promote events and draw awareness through broadcasts and radio recognition as well as the radio station would be able to get recognition and a customer base to tune in. This may be a wise choice for The Cube down the road, however during its startup stage it would not be wise to allocate that amount of funds and resources to purchasing a radio station.

## DIVERSIFICATION

As The Cube becomes successful and continues to grow another corporate level strategy comes into play. At that point diversification becomes a way that will allow The Cube as a business to lower its risk, expand into either new industries or locations, and will allow the business to keep growing. A great problem to have is when a company becomes wildly successful; when this happens it eventually will reach its capacity. There will become a point where The Cube is completely packed each night, profits are at a maximum, and there is no other opportunity for this single location to grow. The trick is before it hits this capacity to begin to diversify its business. There are two different methods that we have

come up with. You can either choose related or unrelated diversification. We can either choose to use the same principles that have made The Cube successful and apply them to a totally different industry and type of business or we could simply replicate The Cube in a different location or market. If we chose to create a new “Cube” we would most likely want to have it relate and associate with the already profitable original Cube. This method would allow these two locations to share knowledge, resources, and brand image. We don’t want to limit ourselves at this point to deciding which type of diversification strategy is best for the company. We feel that it is extremely important for our company to remain flexible. Companies that are in a growth industry such as The Cube need to keep their options open and remain flexible as customer needs and habits quickly change. We don’t want to limit ourselves or declare which method in which we plan to grow or diversify until the time is necessary.

A diversified company can create value by transferring competencies among these existing businesses as well as leverage those competencies to create an entirely new business. Let’s say for example that The Cube decides the best way to diversify is to open a new location. They can use the knowledge and experience from the first location to know what typically works and doesn't work. They would have access and knowledge to small operating details such as ways to manage the lines, ways to treat frequent customers, and the best ways to communicate with the customers to entice them to return. Another way they can increase profitability through diversification would be through product bundling. We plan on using a membership program and when signing up for a membership we are able to include or bundle a few things together. Customers may have a drink or a night in the VIP section included when they join. We may be able to bundle products such as free parking for a designated driver when they bring two or more guests. Another great advantage for The Cube opening in another location is that it will allow one another to manage rivalry. They will be able to hold in check a competitor that has either entered into the industry or has the potential to do so. Working together can cause a tag team effect.

The Cube companies can position themselves so that the new entrant has to compete against both of them.

## CORPORATE PERFORMANCE, GOVERNANCE, AND BUSINESS ETHICS

### STAKEHOLDER IMPACT ANALYSIS

#### *Stakeholders:*

- Internal Stakeholders: employees, managers, owners. Among the employees: bartenders, waitresses, dancers, doormen, security crew, clean-up crew.
- External Stakeholders: customers, Greek system

#### *Stakeholders' interests and concerns:*

Maximizing long-run profitability & profit growth is the route to maximizing returns to shareholders, as well as satisfying the claims of most other stakeholder groups

The most important stakeholders for the organization are the customers. In order to build a positive image to the club and to make our customers come back, we need to make sure we answer all their needs. To grow profits, The Cube must be doing the following:

- Participate in a market that is growing: New students come each semesters, and graduates students leave, the market will change but will always be here, and growing.
- Taking market share away from competitors: The other bars around the campus cannot offer what every customer wants. We will take this part of their market share thanks to our distinctive competencies.

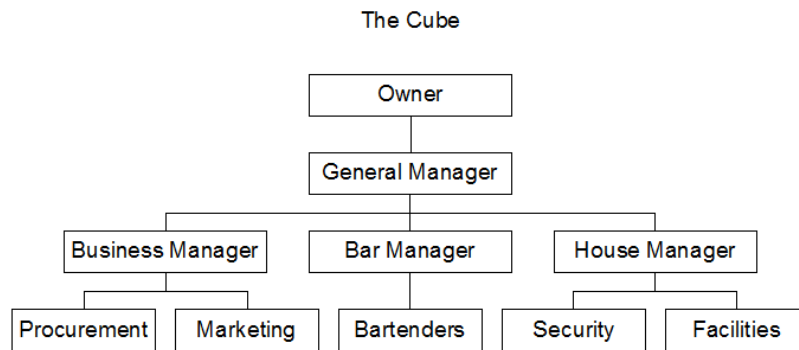
However, the managers of the club and the owners are different people. It is important that the **Agency Theory** doesn't bring an issue in the management of the organization. We want managers (Agents) and owners (Principal) to always establish a good communication. They need to share the same vision to avoid the agency problem, which could happen for instance if the owner would want more customers, when the manager would want less customers, but only wealthy ones, to keep a good image to the nightclub, or if the manager's taste of music would be different from the customers. Communication between agents and principal is the only way to maintain a good relationship, after both parties agreed on a same mission and vision.

#### ETHICS AND STRATEGY

It is very easy for a nightclub to have a very negative image. The Cube is upscale and classy, and respects the laws. Guests under the age of 21 will not be served alcoholic beverages in any circumstance. ID cards will be asked from every customer at the door. Even if the doorman already knows the customer is 21, there will be no exception. If the customer does not have a valid ID to present, the entrance to the club will be refused. The ethics of the Cube will not violate the accepted principles.

## IMPLEMENTING STRATEGY IN COMPANIES THAT COMPETE IN A SINGLE INDUSTRY

### ORGANIZATIONAL STRUCTURE



The Cube will be owned by an investment group and organized by functional area. A general manager will oversee the day to day operations of the business and supervise the business, bar, and house managers. Decision making will be centralized at the manager levels. This centralized decision making is important because legal implications of decisions are very significant. Only limited decision making power will be delegated down to general employees in order to protect the business and brand reputation. Overall, this structure is relatively flat and provides for limited bureaucracy in a small business environment. Managers will be able to make decisions quickly on the floor as needed.

By keeping this structure simple, we are able to remove a lot of the costs associated with additional supervision and bureaucracy. While the organizational structure addresses limiting the span of control and providing for unity of command, the employees will all be cross-trained to handle any area of the business. Especially in a small business, it's important that every employee be able to step in and help anywhere in the organization and fill in when staff are out.

## STRATEGIC CONTROL SYSTEMS

Strategic control will focus on behavior control. With collaboration from the owner team, the managers will develop a standardized customer experience that involves dictating the way interactions with customers will take place from entry to departure. This across the board training and implementation will provide consistence for customers and ensure employees clearly understand their role and expectations in facilitating a positive experience.

## ORGANIZATIONAL CULTURE

The organizational culture of The Cube is based upon a fun, yet professional atmosphere. The staff understand that everyone has an equal role in providing a positive customer experience. The team works as a large family, complete with camaraderie in and out of the workplace. Every employee will feel as if their services are vital to the success of the business and will be invested in the success of the company and providing positive experiences for the customers.

## NARROW PRODUCT LINE

The product offering at The Cube is very narrow with simple product and service offerings. As a destination, The Cube is focused on reducing costs while facilitating positive experiences for customers every night. The functional structure of the organization is vital to the success in having an inexpensive control system in place. And, through the relatively small structure, The Cube is able to quickly adapt to the changing environment.

## **IMPLEMENTING STRATEGY IN COMPANIES THAT COMPETE ACROSS INDUSTRIES AND COUNTRIES**

### **GLOBAL OUTLOOK**

The Cube serves a very diverse clientele, but looks to compete only in the Rock Hill, South Carolina market right now. For nightclubs and businesses serving alcohol, there are a great deal of regulations and cultural differences when attempting to replicate the nightclub atmosphere to fit a local demand. Expansion is not currently viable.



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## SLIDE DECK

The following are slides used for presentation to investors on 4/14/11.