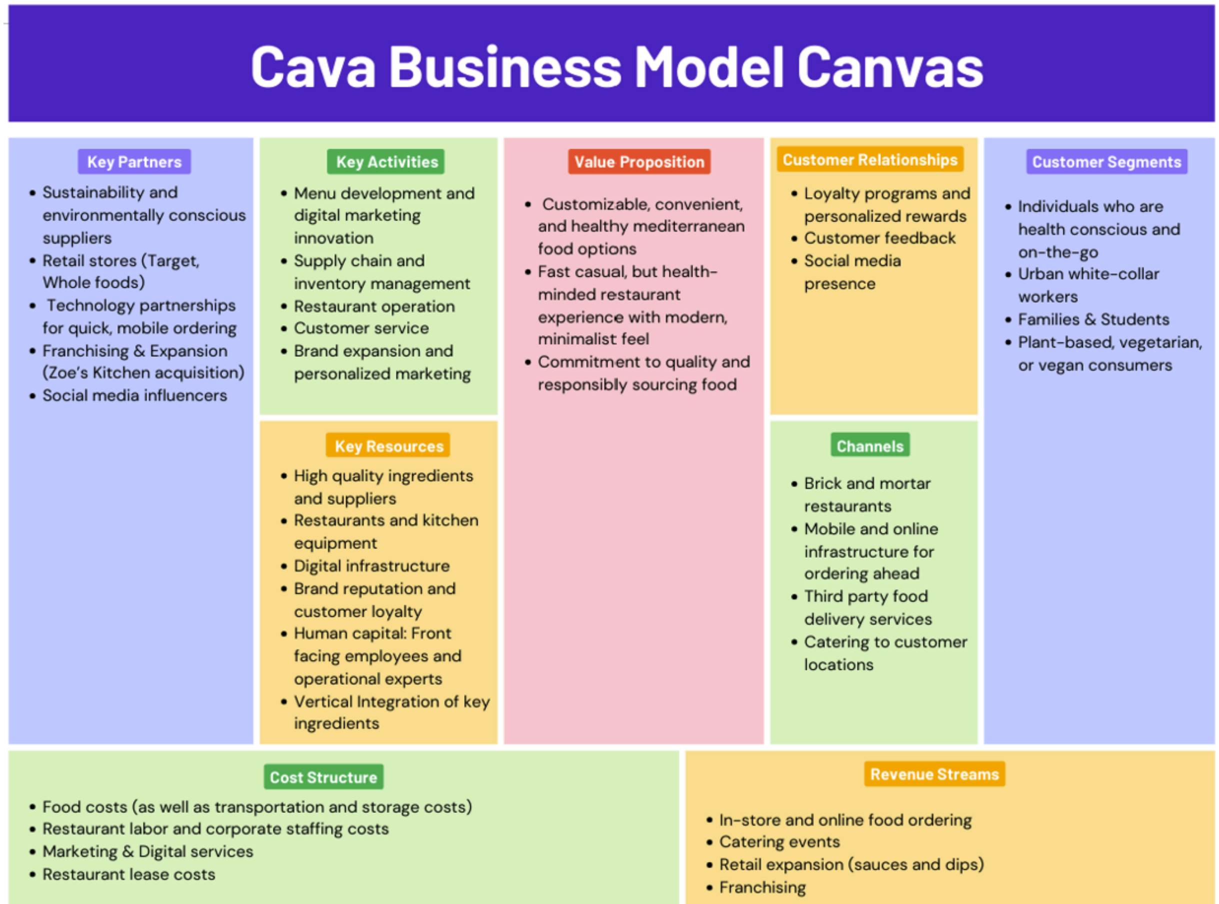
Cava Group Inc. Complete Strategy Analysis

Introduction

Cava, a fast-casual chain which offers healthy and convenient Mediterranean meals to customers, began in 2006 as the dream of three friends (1). Their dream quickly became a reality as Cava was able to differentiate itself from competitors and grow quickly. By balancing sustainability, health, and excellent customer service with the quick convenience standard expected in the fast casual dining industry, Cava has achieved rapid growth and widespread success. Cava's ability to meet customers demands and exceed their expectations, while continuing to innovate and improve operations has helped them scale up and deliver more value to customers throughout the years (2). Despite beginning as a single restaurant, it has quickly grown into a nationwide company. Cava's initial public offering (IPO), which took place on June 15, 2023, demonstrated this argument. In just three months, the stock's value nearly tripled by September of the same year. Today, Cava's current valuation of $140.62 highlights the increasing trust that investors and shareholders have in the company's growth and profitability (3). We first became interested in Cava because of its extensive success in the fast-casual industry. Throughout the semester, we have been analyzing the strategy of Cava, as well as the industry and environment in which it operates. This paper compiles our research on Cava and focuses our analyses onto the key findings and recommendations on Cava's business strategy.

Business Model Canvas

Before conducting full internal and external analyses of Cava, we first examined its business model canvas to better understand Cava's ability to create and deliver value. A business model canvas is a visual tool used to organize and communicate the key aspects of business that are "configured to create and deliver on a firm's value proposition" (4). Our business model canvas for Cava is shown below.



When interpreting Cava's business model canvas, we discovered Cava's strong value proposition offers high-quality, customizable Mediterranean food that is health conscious, sustainable, and convenient. Cava is able to deliver on this proposition through its various distribution channels using online platforms, third-party delivery services, and its mobile app. Cava's vertical integration further highlights its continued commitment to food quality and excellence, granting them an extreme competitive advantage through superior food quality, better cost efficiency, and higher ability to innovate. Finally, Cava's rapid expansion and clever merger with Zoe's Kitchen allowed it to dominate the fast-casual Mediterranean food market, and its continuous focus on customer service through both in-store operations and personal marketing using data analytics has only added to its current dominance.

Concluding on our analysis of Cava's business model canvas, it is apparent that maintaining their brand reputation of being a healthy, convenient meal option is crucial to their success, and Cava should continue to ensure that it is able to deliver its value proposition to customers through its various channels without compromise. Something Cava should look out for in the future is ensuring that they are able to control costs to maximize profits. While continuing to deliver a fresh, health conscious dining experience to customers, Cava should be able to continually navigate fluctuating food costs and find ways to ensure quality as well as price effectiveness. Additionally, Cava is committed to delivering a superior customer experience, especially through the use of excellent front facing customer service personnel in the restaurants. Cava prides itself on the ability to connect on a human level and maintain its customer relationships as in *Nation's Restaurant News*, CEO Brett Schulman proudly declares "The idea of welcoming everyone, and the human connection we're able to deliver in our restaurants, we work very hard at that (5)." The cost of labor is something that Cava should also work on balancing with the desire to achieve high value customer service for its patrons, to ensure they are able to go above and beyond in delivering value while also maintaining a manageable cost structure.

Strategy Analysis

Following our evaluation of Cava's business model canvas, we shifted our focus to a strategy analysis to better understand how the company aligns its mission with its operational goals. We were able to determine Cava's objective by reviewing their website, where Cava emphasizes "heart, health, and humanity to food," essentially calling to action their goal to help people eat and live well using sustainable sources and healthy food options, while also continuing to be affordable and convenient to everyday individuals. According to DFC Modeling, Cava had set a goal of sourcing 100% of their ingredients sustainably and reducing their carbon footprint by 30% by 2025 (1). These objectives are a critical part of Cava's strategy to target health conscious and sustainable markets, and highlight areas of ongoing improvements that Cava focuses on. We were also able to determine Cava's scope: As of today Cava has over 300 locations nation-wide, making it a dominant force in the fast-casual dining industry. Even after its merger with Zoe's kitchen, the company still hopes to expand to 1,000 locations by 2032 (2). Cava leverages its vertical integration, making it able to monitor many aspects of their supply chain by partnering with local and sustainable suppliers. Lastly, we took a look into Cava's advantage. Cava's ability to remain sustainable and health focused while delivering superior flavors and customer service is what sets it apart from other fast-dining competitors. Cava's vertical integration allows it to control sourcing and quality production. It is uniquely health conscious, customizable, and held at a convenient, affordable price. Cava further has strong technological advancement through its mobile app, website, and delivery platforms, and its strong loyalty program and social media presence directly reaches customer's needs (3). To conclude, Cava's objective is to help people eat and live better lives by offering healthy, sustainable, and convenient Mediterranean food through a fast-casual lense. This is achieved through its scope of its ever expanding 300+ US locations with an advantage lying primarily in its internal sourcing, strong technology, and customizable customer engagement.

External Analysis Introduction

After evaluating Cava's core competencies, we expanded our focus into Cava's external environment in the fast-casual dining industry. External analyses are powerful tools used to understand the macro, industry-level trends and forces that influence a company's ability to sustain itself and position itself competitively for long-term success. Identifying emerging opportunities, threats, and environmental trends can allow Cava to proactively adapt their market position to best aid in lasting profitability. We utilized three strategic frameworks including the STEEP, Five Forces, and Strategic Group Analysis to provide a comprehensive view of the company's external environment along with the strategic challenges and opportunities it will face in the future.

STEEP Analysis:

Once we established Cava's background, we began to examine the company from an external perspective, beginning with the STEEP framework. We conducted a STEEP analysis to identify and interpret trends in Cava Group, Inc.'s operational environment. STEEP analysis allows for evaluating external forces to Cava Group, Inc. that may affect the way it operates. The external macro environmental forces that STEEP analysis focuses on include socio-cultural factors, technological factors, economic factors, ecological factors, and political and legal factors. Analyzing and understanding the external environment of Cava Group, Inc. will help with decision making and strategy formation (20). The results of the STEEP analysis were concluded by compiling extensive articles detailing the Social, Technological, Economic, Ecological, and Political factors facing Cava today. We referred to Ch. 6 of the textbook "Strategy in 3D" to refine our analysis. From the information we collected, we analyzed the information and created a comprehensive view of pressing external factors that may affect the company along with the ways in which Cava is positioned to handle these varying forces. Our STEEP analysis for Cava is shown below.

Sociocultural Factors	
Trend	**Explanation**
1. Increasing Health Consciousness - Opportunity (+) Ref: 1 & 2	Increasingly in the US today, consumers are desiring healthier options, leading to growing demand for nutritious and fresh meals. Cava's ability to deliver both convenience and health through Mediterranean menu-options captures a large portion of this demand and positions the company in a strong position should this trend continue.
2. Emphasis on Sustainability and Ethical Sourcing - Opportunity (+) Ref: 3 & 2	Consumers continue to prioritize sustainable practices and ethical decision-making in their dining options. This sociocultural factor has led restaurants to become more climate-conscious by sourcing locally or using ethically sourced ingredients. Cava aligns closely to this growing trend as it publicly shares details about its supply chain and patterns with sustainable farms, increasing consumer trust and confidence in Cava's product.

3. Need for Convenience - Opportunity (+) Ref: 4 & 5	The increasing consumer demand for convenience heavily influences fast-casual restaurants such as Cava. Today's consumers require quick, conveniently ordered meals that fit seamlessly with their busy lifestyles. Cava has embraced this trend by tailoring ads to their individual preferences and adopting a user-friendly app that allows for mobile ordering.
Sociocultural Conclusion: From our analysis, many current sociocultural trends present opportunities for Cava to grow and develop. Customers are increasingly putting emphasis on health, sustainability, and convenience. These are three ways that Cava strives to provide value for it's customers: by providing healthy, sustainably sourced meals to customers quickly. Cava should focus on going above and beyond in these areas to fully take advantage of the opportunities these sociocultural trends present.	
Technological Factors	
1. Focus on Digital Ordering and Delivery - Opportunity (+) Ref: 6 & 5	Rise in restaurant digitalization has dramatically changed the fast-casual dining environment. Consumers more frequently use mobile ordering or third-party apps to get their food. This may allow Cava to reach a broader customer base and appeal to its strategic advantage of being convenient. Cava has embraced this shift and has implemented a mobile app and third-party ordering. It also uses a loyalty program to maintain relationships with repeat customers, giving the company a competitive edge that can meet this growing demand for digitalized convenience.
2. AI & Data Analytics to Reach Customer - Opportunity (+) Ref: 6 & 5	AI and business intelligence will continue to be crucial to the customer experience and ability to compete in the restaurant industry. Cava creates personalized marketing promotions and targets audiences based on their past order preferences. Cava could continue to strengthen its investment in AI and personalization to enhance its operational efficiency and profitability.
3. Contactless Payment - Opportunity (+) Ref: 7 & 5	Along the theme of convenience, consumers want a streamlined experience, where contactless payments are available. Cava has adopted this technology, allowing consumers to pay quickly and securely, which allows the brand to strategically align with its convenience and customer-centered value proposition

Technological Conclusion: Current trends in technology offer various opportunities for Cava to take advantage of. There is an increasing focus on digitization of ordering and delivery processes, the use of contactless payment, and usage of AI and data analytics to evaluate customer bases. Cava already focuses on digitizing these processes for customers, as well as leveraging data analytics to see how to better reach customers and improve their overall experiences. They should continue to invest in these areas and work on continuous improvement of their use of technology.	
Economic Factors	
1. Rising Food Costs - Threat (-) Ref: 8 & 9	Food costs in America continue to rise, namely for ingredients such as meat, vegetables, and grains - which Cava relies heavily on. Cava may have to deal with higher operational costs, which could threaten profit margins. Strategically, this leaves Cava at a disadvantage as rising prices may deter budget-conscious customers. For example, Cava's competitor Chipotle has suffered in recent months because of its recent increase in product prices. Cava could circumvent this by continuing to emphasize its superior quality and commitment to sustainability.
2. Potential for Economic Recession & Spending Shift - Threat (-) Ref: 9 & 10	As tariffs loom and economic recession becomes a possibility, consumers tend to cut back on free spending, which can be a threat to fast-casual operations such as Cava. Strategically, Cava could market itself as more affordable; However, this may eat into their profit as food prices continue to increase. Cava will be dependent largely on consumers willingness to spend within the upcoming years
3. Labor Shortages & Increased Wages - Threat (-) Ref: 11 & 10	Many fast-casual chains are experiencing increased labor shortages, forcing these industries to increase their wages and employee benefit packages, which drives operating costs. Cava positions itself as a company that has a reputation for creating a positive work environment, which could reduce turnover. Cava will have to closely watch its competitive pricing and ability to make a profit.
Economic Conclusion: The threat of potential economic recession and labor and food costs present potential problems regarding Cava's profitability. However, Cava can continue to focus on its superior offerings including quality, positive work culture, and environmental sustainability as these strategies may help capture demand, despite rising costs.	
Ecological Factors	

1.Environmental Sustainability & Eco-Friendly Packaging - Opportunity (+) Ref: 12 & 3	As mentioned in the sociocultural trend, consumers are increasingly aware of environmental issues, leading businesses to adopt better practices that are more environmentally conscious. Cava has already taken steps to reduce plastic waste, but could continue to expand upon reducing food waste and emphasizing its sustainable practice more.
2. Local Sourcing - Opportunity (+) Ref: 12 & 3	In order to appeal to demand for restaurants to reduce its carbon footprint and uplift local communities, Cava could continue to source local, organic ingredients through regional food production; However, this may drive up food costs that are already increasing.
3. Climate Change & Natural Disaster Affecting Food Security - Threat (-) Ref: 13 & 14	Climate change continues to pose a threat to food security, especially as extreme weather events could potentially affect the ability to produce reliable crop yields. Cava may need to invest in sustainable farming practices or explore vertical farming to limit the impact of these disruptions, although it is unlikely it will have a drastic impact on the company as a whole.
Ecological Conclusion: Cava can continue to capitalize on these growing demands for sustainability by continuing to emphasize its commitment to “heart, health, and humanity.” It can also begin expanding upon eco-friendly packaging and focus on sourcing locally. Climate change may threaten food security in future years, making it more likely that the company may face supply chain issues in the future.	
Political and Legal Factors	
1. Pressure to Increase Minimum Wage - Threat (-) Ref: 15 & 16	Many cities and progressive states have pushed to increase their minimum wage, which may increase Cava’s labor expenses. As the company already positions itself as one that empowers and graciously compensates its employees, it could use this time to focus on reducing turnover and maintaining an ethical public image. It may pass the cost of this change to its customers, which could affect increasingly price-conscious buyers.

2. Health and Safety Regulation - Threat (-) Ref: 17 & 18	Health and safety regulation will continue to impact the restaurant industry, especially in a conscious, post-pandemic political landscape. Cava has committed itself to cleanliness and safety, which positions itself successfully in the public eye and reduces its chances of litigation; However, recent reports have mentioned Cava failing its regular sanitation inspections, which is contrary to what the company claims to value. The company will need to restructure its public image in this light
3. Changes in Environmental Regulation - Opportunity (+) Ref: 18 & 19	Under the most recent administration, environmental regulations could be rolled back, especially those concerning emissions waste and waste management. This could allow Cava flexibility in implementing its sustainability initiatives that it emphasizes and also allow the company to highlight how important sustainability is, even under greater administrative flexibility.
Political and Legal Factors Element Conclusion: Cava faces regulatory challenges, such as higher labor costs and strict health safety standards that they have failed in certain regions. However, Cava can mitigate these risks by focusing on retaining their employees by fostering a strong work culture and improving upon their health standards.	

From this STEEP analysis, we can conclude that Cava is strategically positioned to succeed as it continues to capitalize ongoing sociocultural trends surrounding health consciousness, sustainability, and need for convenience. It has embraced technological advancement, such as digital ordering and AI-driven personalization, resulting in improved customer experience and efficiency. It is worth nothing, however, that rising food costs, potential economic downturns, and labor shortages threaten Cava's growth and ability to maintain a profit. Cava commits itself to sustainability and superior value, but it must strike a balance between quality and managing potentially high operating costs. Increasing regulations and health sanitation requirements may raise costs and could damage public perception if not addressed. Overall, Cava must balance its strong value proposition surrounding digital convenience, health, and sustainability with its rising overhead costs, economic uncertainties, and regulatory pressures rising from both its labor and external enforcement in order to secure its long-term profitability.

Five Forces Analysis

Continuing with our external analysis of Cava, we conducted a Five Forces analysis to evaluate the industry in which Cava operates, as well as the participants in the industry, such as the suppliers, customers, and competitors who interact with Cava. Five forces analysis helps develop a holistic industry knowledge that allows management to analyze how profit potential may be impacted by key players in an industry, as well as how to increase profit potential (1).

The Five Forces Analysis was conducted by compiling extensive research on Cava Group, Inc. as well as the fast-casual industry as a whole, and applying that research to the five forces model. We evaluated each factor within each of the five forces and ranked Low, Moderate, or High. We then explained the reasoning behind our ranking and determined how the ranking would impact the industry as well as Cava Group, Inc. Our five forces analysis is shown below.

Five Forces Analysis		
Negotiating Power of Suppliers		
Factor	**Power of Factor**	**Explanation and Impact**
Supplier concentration Ref: 8 & 3	High	Cava relies on specialty items that are sustainable and high quality. This means there are limited suppliers, allowing them more power in negotiation.
Differentiation of inputs Ref: 8 & 21	High	Cava uses high-quality Mediterranean ingredients, which are not easily substituted. This increases the negotiating power of suppliers.
Switching costs to different suppliers Ref: 2 & 4	High	Since Cava's menu is based on premium ingredients, it becomes increasingly difficult to find alternatives, especially in the fast-casual landscape. Additionally, changing suppliers is risky as it could impact consistency and brand image if not done properly. This results in more supplier power.
Lack of substitute inputs Ref: 2 & 5	High	Few substitutes that would allow them to maintain authenticity and quality of ingredients. This gives suppliers more power.
Threats of forward integration by suppliers Ref: 6 & 7	Low	There is limited risk of suppliers moving into this business directly. The highly specialized nature of Cava's quality food and strong emphasis on promoting sustainability, even with extra associated costs, makes this less likely. This decreases the negotiating power of suppliers.

Negotiating Power of Buyers		
Factor	**Power of Factor**	**Explanation and Impact**
Buyer volumes Ref: 9 & 10	Low	Cava serves many customers, so no individual customer has a significant advantage. The fast-casual industry continues to be split among many competitors. No single customer has a large share of power.
Buyer switching costs Ref: 10 & 11	High	Consumers can easily switch between competitors, such as Chipotle or Panera with little to no costs involved in the decision making. This increases the negotiating power of buyers.
Increased information available to buyers Ref: 12 & 13	High	Consumers are able to access review and nutrition information through platforms such as google or social media, which allows buyers to make fairly informed choices.
High seller dependence on buyers (i.e., seller dependence on a few customers) Ref: 14 & 15	Moderate	Cava depends on a loyal customer base, but it is also largely focused on expanding its base and growing. Like all restaurants however, it still depends on consumer loyalty for continued success.
Threat of backward integration by buyers Ref: 16 & 17	Low	It is unlikely that buyers will want to start their own business as this would require high investment costs and motivation. This decreases the negotiating power of buyers.
Levels of product differentiation Ref: 18 & 19	Moderate	Cava offers Mediterranean, high-quality, health conscious meals which differentiates it slightly. However, competitors such as Chipotle and Sweetgreen also have similar offerings.
Substitute products available to buyers	High	There are plenty of substitute products and strings of fast-casual chains and restaurants looking to dominate the market. This increases the negotiating power of buyers.

Ref: 5 & 20		
Level of Rivalry Between Competitors		
Factor	**Power of Factor**	**Explanation and Impact**
Exit barriers in the industry Ref: 22 & 23	High	High exit barriers are present due to capital investments required to open a fast casual restaurant would need to be repurposed or sold. Intangible assets like brand reputation and customer base will be lost upon exiting an industry. Exiting a long term lease has the possibility of incurring high costs. There is more rivalry in the industry because there are higher exit barriers.
Levels of industry concentration Ref: 24 & 25	Low	There are a large number of restaurants in the fast casual dining industry. A few players have more market share, but the ability to innovate and capture demand keeps rivalry high.
Fixed costs to operate Ref: 26 & 27	High	Fixed costs such as rent, staffing, equipment, and utilities can be high, especially in times of high inflation. These costs remain whether there is a steady stream of customers or not, which can cause high costs even in times of low demand. This increases rivalry for demand among players in the industry.
Industry growth Ref: 26 & 28	High	The fast casual industry has been experiencing high levels of growth due to innovation and technology, and there have been substantial increases in levels of demand as well. This means that restaurants do not have to increase market share purely by capturing it from its rivals, market share can increase via growth of the industry.
Overcapacity in the industry Ref: 24 & 25	Low	There has been large amounts of growth in the fast casual industry, but there is also a lot of demand growth.
Product Differences	Moderate	The Mediterranean style and flavor profile of Cava's products offer slight differentiation, and competitors such as Tzikis with

Ref: 24 & 26		similar Mediterranean offerings do not offer the same build your own bowl approach to customers that Cava does. Some key product features are similar to competitors, intensifying rivalry.
Switching costs for buyers Ref: 29 & 30	Low	There are not significant costs incurred by customers associated with switching between Cava and other competitors such as Chipotle and Sweetgreen. This increases the level of rivalry between competitors in the industry.
Threat of New Entrants Into The Industry		
Factor	**Power of Factor**	**Explanation and Impact**
Economies of scale within the industry Ref: 22 & 25	Moderate	There could be changes for economies of scale within supply chain and marketing functions in the fast-casual restaurant industry, however there is also a chance of diminishing returns upon expansion. This could make it slightly easier for new entrants to compete with incumbents in this industry.
Product differentiation and/or brand equity Ref: 21 & 24	Moderate	Cava offers a mediterranean style product, which differentiates it slightly from other competitors Cava is an established brand but new entrants with similar offerings may capture some of Cava's demand.
Capital requirements Ref: 23 & 25	Moderate	The fast-casual dining industry does not require as much capital as restaurants with sit down service which makes it more vulnerable to new entrants. There are still some capital requirements to factor in such as start up costs and renovation/equipment costs.
Switching costs for buyers Ref: 29 & 30	Low	There are no significant costs for buyers to switch to others in the industry. This is attractive to new entrants.
Easy access to distribution channels Ref: 25 & 26	High	There are a large number of suppliers and distributors in the fast casual dining industry, as well as lots of flexibility. This makes establishing distribution channels easier for new entrants.

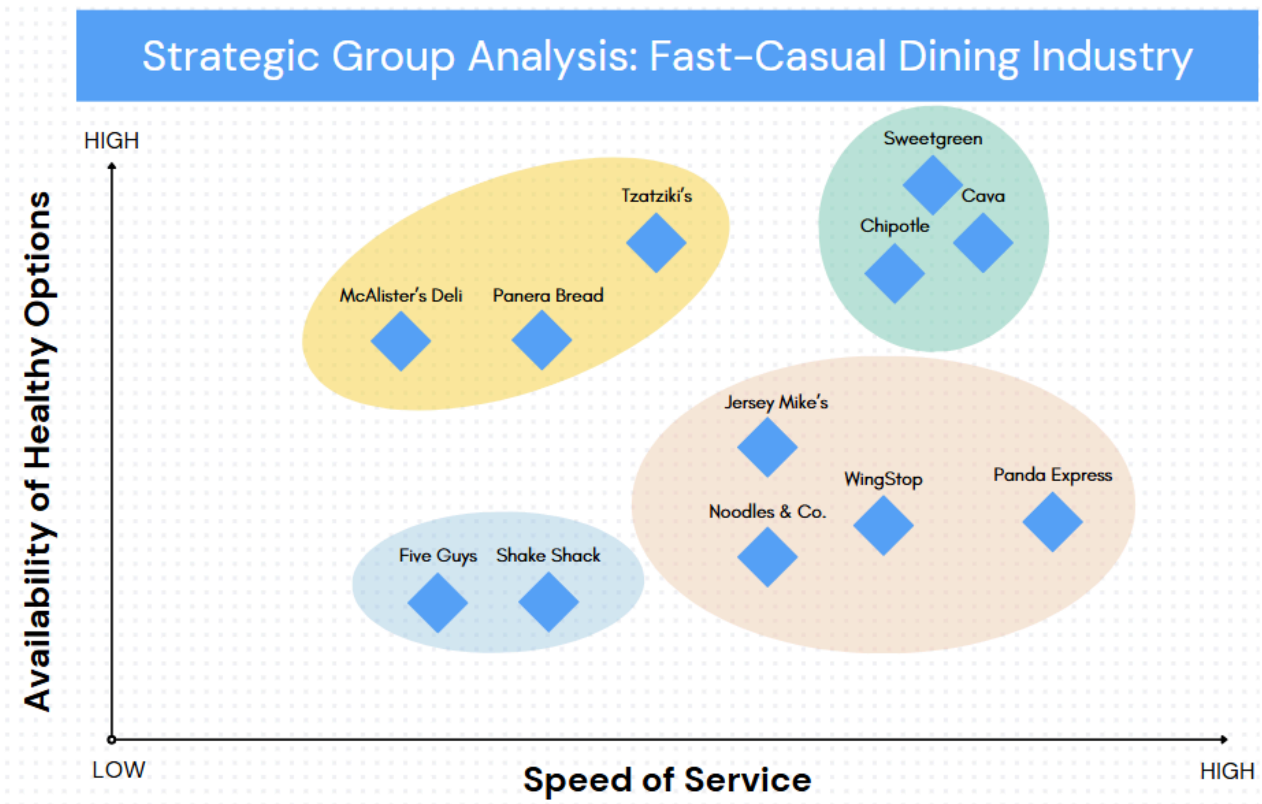
Government policy restricting industry Ref: 22 & 24	Low	There is not any federal policy that would provide barriers to new entrants into the fast-casual dining industry. There may be health requirements and alcohol licenses needed to operate.
Access to necessary inputs Ref: 22 & 25	High	There are generally low barriers to obtaining the necessary equipment and ingredients needed to operate a fast-casual dining entity. This makes it easier for new entrants to establish themselves in the industry.
Learning curve benefits for incumbents Ref: 24 & 25	Moderate	A fast-casual dining business model is straightforward for new entrants, and innovation and differentiation may allow for demand capture. Brand recognition and industry experience helps incumbents.
Expected retaliation from incumbents Ref: 24 & 24	Low	Incumbents do not generally target new entrants in the industry. This makes the industry more attractive to new entrants.
Patent and trademark protection Ref: 31 & 32	Low	Patents are not typically used in the fast-casual dining industry. There is a possibility that new entrants may replicate menu items or ideas from incumbents.
	Threat of Substitute Products	
Factor	**Power of Factor**	**Explanation and Impact**
Switching costs Ref: 33 & 34	Low	Many of the restaurants in the fast-casual industry have similar pricing and consumers are very price sensitive due to inflation. There is a high threat of substitute products due to lower switching costs.
Buyer inclination to substitute Ref: 21 & 33	High	There are various types of restaurants in the fast-casual industry which encourages people to explore other options. This indicates a high buyer inclination to substitute, which increases the threat of substitute products.

Price-performance tradeoff Ref: 29 & 30	Moderate	There are a few competitors with similar price-performance offerings as Cava such as Sweetgreen and Chipoltle. However there are other competitors with higher levels of price-performance tradeoff, which increases the threat of substitute products.
Ability to substitute Ref: 21 & 24	Moderate	There are a few key competitors that offer similar innovative and customizable menus, however the Mediterranean niche makes Cava slightly most difficult for customers to substitute.

Based on our analysis, we concluded that Cava's profit potential could be impacted by the high level of rivalry between competitors, the high level of buyer power, the moderate/high supplier power, the high threat of new entrants into the industry, and the high threat of substitute products. The high levels of competition are heightened by high exit barriers and fixed operating costs, as well as the low switching costs for buyers and low barriers to entry for new firms. Buyers are easily able to find alternatives and switch at a low cost; however, Cava's niche mediterranean style helps it differentiate against competitors. That being said, Cava should still aim to set prices that their buyers will accept because there could be adverse impacts to profits if prices are set without keeping Cava's price sensitive buyers in mind. Cava must continue to differentiate itself and capture demand, or it risks losing profits due to buyers moving to competitors and new entrants. To maintain its differentiation from other fast-casual competitors, Cava must continue to innovate and improve its menu, as well as its supply chain, as the suppliers have moderate to high bargaining power and are crucial for their role of delivering unique, high quality mediterranean ingredients sustainably. Because suppliers have moderate/high bargaining power, Cava's profit margin could diminish if suppliers decide to raise prices. Overall, the industry is attractive and has high profit potential as there are relatively low barriers to entry and there is an increasing demand for fast-casual cuisine; However, it is important to keep in mind the large number of competitors as well as the strong buyer and supplier negotiating power, because these factors could affect Cava's ability to secure long-term profitability.

Strategic Group Analysis

As a final component of our external analyses for Cava, we conducted a strategic group analysis to identify Cava's direct competitors and the strategic group that it is a part of. A strategic group analysis allows for evaluating which competitors share specific features or customer offerings, and it allows for grouping competitors with similar strategies. Understanding the key competitors of Cava Group, Inc. will allow for more informed strategies and the development of competitive advantages. We began our strategic group analysis by identifying customer needs that firms in the fast-casual dining industry meet. Customer needs we identified were: convenience, affordability, and control over inputs for preferences/health. From there, we determined key features that players in the industry may offer customers. We identified features such as quick service, high quality ingredients, customization, mid-tier pricing, healthy/nutritious products, and digital ordering. We decided to use speed of service and availability of healthy options to evaluate the key players in the fast casual dining industry. Using our sources to gather qualitative information on various fast-casual industry participants, we scored each competitor quantitatively based on speed of service and availability of healthy options (1, 2, & 3). Then, we transferred the quantitative scores onto a graph and grouped each company with its most likely competitors. Our strategic group analysis is shown below.



Based on our strategic group analysis of the fast-casual dining industry, we conclude that Cava's main competitors are Sweetgreen and Chipotle. Both of these competitors have similar service styles to Cava, where customers order at a line of ingredients and are able to build their own meals. They all put lots of emphasis on using fresh and healthy ingredients and delivering their product to the customer quickly. Competitors in the orange circle are not very direct competitors with Cava because while they deliver their product quickly, they do not focus on healthy options. While the competitors in the yellow circle focus on having healthy options available for patrons, they do not deliver their products as quickly. Lastly, the competitors in the blue circle have slower service and less availability of healthy options, which indicates a very different strategy from Cava's. Cava's strategic positioning helps them focus on customers looking for a healthy and convenient choice, but Cava's main competitors also seek to deliver value to customers in this way. Cava must continue to differentiate itself and develop a loyal customer base in order to continue growing and developing. By focusing on enhancing customer experience and differentiating themselves from top competitors, they will be able to capture demand and thrive.

External Analysis Conclusion

From our external analyses, we can conclude Cava is positioned for success in the fast-casual dining industry as it aligns itself with prominent market trends surrounding healthy living, sustainable choices, and convenient delivery, emphasized in the sociocultural and technological sections of the STEEP analysis. It is important to know Cava operates in a competitive market as in our Five Forces analysis, we examined how the company's heightened supplier power could threaten its ability to procure high quality products at a sustainable price. Intense rivalry exists in the landscape as Chipotle and Sweet Green fight for market share in the search for healthy, convenient dining options. Also externally, economic threats including rising food and labor costs along with political pressures advocating for higher minimum wages and stricter health regulations could cut into the restaurant's profitability. Despite these challenges, it is Cava's core differentiators surrounding convenient, healthy service and strong brand positioning lend it a healthy advantage among its strategic group. To maintain this position, Cava must continue to innovate its food creations, invest in more control over its supply chain, and enhance its ability to hold its customers through digital convenience, all while managing their operating budget and adjusting dynamically to competition. In balancing these forces, Cava can continue to thrive in a sustainable, profitable manner.

Internal Analysis Introduction

Now that we have successfully analyzed Cava's external environment and industry forces, we can turn to an internal analysis of Cava. Internal analyses are used to evaluate the internal environment and components of a company, such as its strengths and weaknesses, as well as its resources and capabilities. Internal analyses are helpful for determining significant parts of a company's overall strategy, such as their competitive advantages or disadvantages, or their activities that add the most value and least value to the overall business. If a firm is unable to understand their internal operations and environment, making informed strategic decisions becomes significantly more difficult and arbitrary. For the purposes of our analysis of Cava's overall strategy, we conducted a VRIO analysis and value chain analysis to reveal Cava's potential to maintain a long-term competitive advantage and the resources and capabilities that allow it to do so, as well as its internal stream of value creation.

VRIO Analysis

We began this internal analysis of Cava with a VRIO analysis, which is used to identify capabilities and resources within a company and determine if these qualities sustain a competitive advantage through their ability to be Valuable, costly to Imitate, Rare, and Organized to fully capture value. (17). Our VRIO analysis for Cava is shown below.

Resources / Capabilities	V	R	I	O	Competitive Conclusion	Performance Metrics	Reference No.
Brand Reputation	Y	Y	N	Y	Temporary Competitive Advantage	Customer loyalty; high Net Promoter Score; brand awareness	Ref 1 & 2
Digital Ordering	Y	N	N	Y	Competitive Parity	Percent digital orders, order speed, app ratings/reviews	Ref 3 & 4
Limited Time Menu Items	N	Y	Y	Y	Competitive Disadvantage	Marketing ROI, short-lived spikes revenue	Ref 5 & 6
Loyalty Program	Y	N	N	Y	Competitive Parity	Repeat customer percentage, active loyalty members	Ref 3 & 7
Not Openly Franchisable	Y	Y	N	Y	Temporary Competitive Advantage	Capital expenditure; consistent operational control	Ref 4 & 8
Prime Urban Locations	Y	Y	N	Y	Temporary Competitive Advantage	Urban density, foot traffic, YELP reviews	Ref 4 & 9
Culinary Innovation	Y	Y	N	Y	Temporary Competitive Advantage	Customer satisfaction surveys, culinary reviews	Ref 10 & 11
Strong Financials with Investor Confidence	Y	Y	Y	Y	Sustainable Competitive Advantage	Revenue growth, EPS, EBITDA	Ref 4 & 12
Personalized Customer Experience	Y	N	N	Y	Competitive Parity	Customer feedback, Repeat purchases	Ref 13 & 14
Vertical Integration	Y	Y	Y	Y	Sustainable Competitive Advantage	Cost savings, performance/quality consistency, supply chain speed	Ref 15 & 16

The chart above effectively summarizes Cava's VRIO analysis using ten key resources and capabilities identified for the Mediterranean fast-casual restaurant change. Each capability or resource is evaluated on its ability to be Valuable, Rare, Inimitable, and Organized, allowing us to draw a conclusion about its competitive position. These capabilities are organized into categories such as temporary competitive advantage, competitive parity, sustainable competitive advantage, and competitive disadvantage, which allows individuals to successfully analyze Cava's internal strengths that allow it to compete in its competitive industry landscape. Resources that are not a sustainable, competitive advantage may need to be re-evaluated or modified to fit the VRIO standard, else it is possible for a competitor to threaten the company. Metrics identified assess how these resources impact Cava's measure of performance and include data surrounding ROI, EBITDA, and customer loyalty. References have been compiled to identify and support the claims made in the analysis.

Drawing conclusions from the VRIO analysis, it is evident Cava utilizes a majority combination of both temporary and sustainable competitive advantages to compete in the fast-casual restaurant industry. Cava's strong brand reputation and incredible financial performance allow it to maintain an edge as these resources are valuable, rare, inimitable, and organized in a way to support continuous growth. Its revenue growth and EBITDA suggest strong, long-term viability (12), and its vertical integration allows the company to maintain its inimitability and rarity as a unique, high quality dining establishment (15). Cava is one of the first Mediterranean, fast-casual chains emphasizing its commitment to sustainability, health, and technological convenience within a growing urban demographic. On the other hand, competitive disadvantages can still be found within their capabilities as limited-time menu items may fail to provide long-term value to the company and leave customers dissatisfied (6).

Its non-franchisable business model allows Cava to control many aspects of its business operations, but this strategy is not unique and easy to imitate and organize for competitors. Similarly, while loyalty programs and personalized experiences offer Cava competitive parities, the idea of customer-centered loyalty incentives are not new and are highly used by many businesses in the fast casual landscape, and their impact remains neutral in comparison to more innovative resources, such as culinary innovation and prime urban locations (7 & 13). Overall, Cava holds a strong position in the fast-casual space by leveraging sustainable advantages like brand reputation, financial strength, and vertical integration. These resources align with the VRIO framework and support long-term growth. However, capabilities like loyalty programs and limited-time menu items offer limited differentiation. To stay competitive, Cava should focus on high-value and hard to imitate strengths while refining areas that currently offer only parity or short-term value.

Value Chain Analysis

Finalizing our internal analysis of Cava, we conducted a value chain analysis. Value chain analysis is used to identify a firm's current and potential sources of competitive advantage, and can be used to determine the optimal allocation of firm resources. By breaking down the activities of a firm and viewing them as a stream of value creation, value chain analysis helps with evaluating which activities create the most value and competitive advantage for the firm (18). Our value chain analysis of Cava is shown below.

Primary Activities				
Activities	**Components**	**Value Created**	**Cost of Value**	**Interdependencies**
Inbound Logistics	Ingredient Sourcing Ref: 8 & 9	High - Cava promises healthy, fresh, and sustainably sourced ingredients for their customers.	High - Higher quality ingredients come at a higher cost and may be more difficult to buy in bulk and achieve cost savings through economies of scale.	Ingredient Preparation Customizable Meals Innovation Supplier Relationships Vendor Management High Quality Inputs
	Vendor Management Ref: 1 & 17	Low - Managing vendors is important for maintaining consistent quality in ingredients, but customers are not directly impacted.	Low - Effective vendor management takes time and staff, but not much capital.	Ingredient Preparation Customizable Meals Innovation Supplier Relationships Ingredient Sourcing IT Systems
	Ingredient Preparation Ref: 2 & 3	High - Ingredients must be ready for use at any time to satisfy demand needs.	Moderate - Cava's use of centralized kitchen facilities can have high startup costs, but bring down per unit costs and reduce waste.	Ingredient Sourcing Customizable Meals Supplier Relationships Vendor Management Quick Preparation
Operations	Quick Preparation Ref: 10 & 16	High - Customers want more convenient, quicker meal preparation in fast casual restaurants.	Moderate - Technology and preparation is required to deliver quick service to customers, as well as costs associated with labor.	Ingredient Preparation In Store Dining Online Ordering Customer Service IT Systems
	Customizable Meals Ref: 9 & 15	High - More customization and options increases customer satisfaction and loyalty.	Moderate - Wide running menus can make inventory more complex, but also attracts more customers, boosting sales and enticing customers to return.	Vendor Management Ingredient Sourcing Ingredient Preparation
	Friendly Staff Ref: 4 & 7	High - Cava places a large emphasis on	Moderate - Requires investment in hiring	Brand Management Customer Service

		genuine connection with customers.	exceptional staff, training them, and maintaining a positive work environment.	Hiring and Training Employees Culture Building
Outbound Logistics	In Store Dining Ref: 10 & 11	High - Customers feel more connected and loyal to restaurants with comfortable in store atmospheres and dining experiences.	High - Redesigning and changing restaurant layouts and scenery can result in large capital expenditures.	Quick Preparation Customizable Meals High Quality Inputs Friendly Staff
	Online Ordering Ref: 14 & 16	High - Online ordering increases convenience for customers and makes up a large amount of Cava's revenues.	Moderate - Costs are incurred with developing and maintaining an online platform, but there is opportunity for scaling and efficiency.	Quick Preparation Customizable Meals High Quality Inputs Mobile App & Website IT Systems
	Delivery Ref: 11 & 16	Low - Delivery helps deliver convenience to customers, but is not being utilized enough to drive significant value creation.	High - Third party fees and logistics complexities incur high delivery costs for Cava.	Quick Preparation Customizable Meals High Quality Inputs Mobile App & Website IT Systems
Marketing and Sales	Digital Marketing Ref: 12 & 17	High - Digital marketing allows for increased customer engagement and brand awareness across many demographics.	Moderate - Investment is required to advertise and create content, but digital marketing is easily scalable and increases company returns.	Mobile App & Website IT Systems Brand Management Loyalty Program and Rewards
	Loyalty Program and Rewards Ref: 9 & 14	Moderate - Effective rewards programs increase customer retention and average transaction values.	Moderate - There are costs incurred through technology and reward fulfillment, however customers are more likely to repeat business.	Mobile App & Website IT Systems Brand Management Digital Marketing
	Brand Management Ref: 9 & 12	High - Cava has been able to differentiate itself and create	High - There must be consistent investments when managing the	Culture Building Innovation Leadership and Strategic

		customer loyalty through developing itself as a modern and convenient yet healthy brand.	company brand, especially with message and design creation.	Planning Digital Marketing
Service	Customer Service Re: 4 & 7	High - Cava strives to provide excellent customer service and maintain human connection to its customer base, creating high customer satisfaction levels,	Moderate - This requires significant employee training.	Friendly Staff Brand Management Customer Feedback Hiring and Training Employees Culture Building
	Customer Feedback Ref: 4 & 16	High - Customer feedback is used to improve Cava's menu and customer service to ensure they are meeting their customers needs.	Moderate - Implementing feedback systems and maintaining them requires investment for infrastructure to collect data as well as analyze it.	Customer Service Brand Management Innovation
Support Activities				
Activities	**Components**	**Value Created**	**Cost of Value**	
Infrastructure	Leadership and Strategic Planning Ref: 4 & 13	High - Having a creative vision and strategic plan are imperative for the success of Cava and identifying how to deliver value to customers.	Moderate - Compensation for leadership as well as strategic initiatives and planning require significant investment, but also generate significant returns.	Innovation Brand Management Culture Building
	IT Systems Ref: 5 & 9	High - Digital ordering systems as well as the use of data to improve efficiency of operations are important for delivering value to customers.	High - Creating, implementing, and maintaining IT systems requires significant capital.	Online Ordering Delivery Customer Feedback Vendor Management Quick Preparation Mobile App & Website Loyalty Program and Rewards

				Innovation
Technology	Mobile App & Website Ref: 14 & 16	High - Digital channels account for a large portion of revenues and are more convenient for customers.	Moderate - Significant investment in technology and personnel are required, however the resulting returns justify the costs.	Online Ordering Delivery IT Systems Customer Feedback Brand Management Loyalty Program and Rewards
	Innovation Ref: 5 & 15	High - Technology and menu innovation make Cava more efficient, and help it deliver more value to customers.	High - Innovation requires constant research and improvements, and can either generate significant return or no return.	Leadership and Strategic Planning Brand Management Customizable Meals Customer Feedback
Procurement	Supplier Relationships Ref: 1 & 17	Moderate - Cava emphasizes the need to have good supplier relationships to ensure constant delivery of high quality goods to customers.	Moderate - There is some investment required for maintaining strong supplier relationships, but the costs are easily offset once the systems are efficient.	High Quality Inputs Ingredient Sourcing Vendor Management Customizable Meals
	High Quality Inputs Ref: 8 & 9	High - High quality ingredients are essential for delivering healthy and sustainable meals to customers.	High - There are significant costs with sourcing premium ingredients, especially from sustainable and trustworthy suppliers.	Supplier Relationships Ingredient Sourcing Vendor Management Brand Management
Human Resource Management	Hiring and Training Employees Ref: 4 & 5	High - Cava works to grow and develop internally through its employees, as well as deliver superior customer service.	Moderate - Employee training and development does require investment, but savings are generated via lower turnover rates and improved efficiency due to employee satisfaction.	Customer Service Brand Management Quick Preparation In Store Dining Friendly Staff
	Culture	High - Building a	Moderate - Culture	Friendly Staff

	Building Ref: 4 & 5	growth and quality focused culture allows for Cava to deliver more value to its customers.	building initiatives do require investment, but more operational efficiency and employee satisfaction offsets these costs.	Customer Service Brand Management Leadership and Strategic Planning Innovation

The above chart identifies key activities that Cava engages in while delivering their goods and services to customers, and further breaks those activities into the components involved in them. Each component was evaluated by how much value it creates for Cava on a scale of low, medium, and high. Additionally, each component is evaluated on the cost of the value it adds, also on a scale of low, medium, and high. The most valuable activities are those that contribute a lot of value to the business, and the activities that are the least important to the business are the ones that generate the least amount of value. It is important to also keep the cost of the value creation in mind as well. The benefit that the activity contributes to the firm should outweigh the costs to achieve the benefit. Therefore, the activities that create the most value for Cava are those that have high value creation, for moderate or low costs. This table also evaluates the interdependencies between each of Cava's primary and support activities, to show where each part of the value chain is connected and how they can work together to create value and a competitive advantage.

From this analysis, we can conclude that many of Cava's activities create significant value for the company as a whole. They have created a value chain that is very interconnected and works great for improving efficiency of value creation relative to costs. Their value chain sustains their ability to differentiate from other fast casual dining competitors, and allows for them to scale and grow rapidly. The primary activities that drive value for Cava are their operations, service, and marketing and sales. Cava derives a large competitive advantage from their superior operations: they are able to deliver customized, healthy meals to customers in a fast, yet meaningful way (13). Cava's marketing and sales activities allow it to position itself as a healthy and sustainable option, and allows them to reach a large audience, bringing in more business and further differentiating them from competition. Both of these activities are significant for creating customer loyalty and repeat business. Cava's support activities that seem to drive the most value creation are their use of technology, and their human resources. Cava has been able to use technology to create new menu items and innovate ways to deliver customer value, but they have also been able to use analytics and digital infrastructure to make their operations more convenient and efficient, increasing customer satisfaction (5). Additionally, by working to build a positive culture, Cava helps drive innovation and efficiency with their staff. By placing an emphasis on human connection and great customer service, and combining that with their quick service and high quality, differentiated meals, Cava is able to attract, retain, and satisfy their customers (4). These are things Cava is already doing well, and they should continue to invest in and improve these areas to create even more value for their business.

There are a few business activities that do not offer as much value to Cava. For example, vendor management (part of Cava's inbound activities) does not add as much value because it is less visible to customers, though it is important for operations. For outbound logistics, delivery does not add much value to Cava's business, mainly due to third party fees and underutilization (11). Cava should look to grow this operation to make it more beneficial, or should focus on delivering value in store and via online orders. If they would like to continue offering delivery, they should look for alternatives to using third party delivery partnerships (16). Cava should continue to invest in technology and innovation to improve efficiencies and reduce costs, especially in the areas that are necessary but do not drive much value, such as in logistics and procurement areas. Overall, Cava seems to be engaging in lots of activities that create lots of value, however there are a few areas that are necessary but don't drive much value. Cava should work to allocate their resources to improving the activities that are just necessary to make them more valuable to the company, while also expanding their high value adding activities.

Internal Analysis Conclusion

From our internal analyses, we are able to conclude that Cava's internal environment is strategically sound, and that the fast-casual dining chain is set up for sustained success through leveraging their competitive advantages and value added activities, as long as they are able to allocate resources strategically. Our VRIO analysis identified that Cava has various sustainable competitive advantages, as seen in their brand reputation, financial performance, and vertical integration. They also have an efficient value chain with various key high value adding activities, such as their operations and technology, marketing and sales, and human resource management activities, as shown in the value chain analysis. That being said, there were a few areas of shortcomings. For example, the VRIO analysis displayed that limited time menu items and loyalty programs are only able to offer temporary value and are imitable by their competitors. Our value chain analysis also pointed out that Cava had a few low value adding activities, such as their vendor management and delivery activities, which are necessary for operations, but need to be optimized to better balance their value and costs. From these internal analyses, we can conclude that Cava should focus their resources on their competitive advantages that competitors cannot imitate, as well their high value adding activities. They should work to limit their reliance on strategies that do not allow full differentiation and sustainable competitive advantages from their competitors. Cava should also refine or change their lower value activities to either create more value or make their activity costs more efficient. By taking these steps, Cava will be able to use their unique value drivers to continue growing and thriving.

Overall Conclusion

Throughout our extensive internal and external analysis of Cava, we have concluded the company to be one that is strategically positioned as a leader in the fast-casual dining industry. Their ability to craft healthy, customizable meals in an efficient and sustainable way has allowed the company to fully deliver superior value to its customers. Internally, Cava's vertical integration, innovative digitalization, and strong branding have enabled the company to sustain its rapid growth and customer loyalty. Externally, the restaurant chain is favored as socio-cultural and technological trends push towards sustainable, healthy eating and digital convenience. Yet, as an expanding and popular company, Cava must stay weary of potential growing economic uncertainty through rising supplier costs and intensifying competition from others in the industry looking to take greater market share.

Using STEEP and Five Forces analysis, we can confirm that Cava is aligned to capture value on large scale trends such as healthy, quick, and environmentally sustainable food options, contributing to its overall rise and success. However, the company still faces many challenges. For example, while Cava does own many stages of its supply chain, it still faces supplier challenges and has limited options when it comes to sourcing high-quality, environmentally resourceful products, allowing their suppliers to have a higher bargaining power. Also, consumers have many options in their healthier, convenient eating options such as Panera or Sweetgreen, allowing buyers to easily switch to other restaurants. Even with these pressures, we believe Cava stays competitive through its ability to align with powerful consumer demand for healthy dining combined with its ability to deliver through digital investment. While the external environment may be challenging, Cava's strengths lie in its ability to strategize and execute, giving them the resilience and competitive edge needed in this industry. Our VRIO and Value Chain Analyses continue to reinforce this idea, noting Cava's sustainable competitive advantages lie in its vertically integrated operations, brand reputation, and technological investment, allowing the restaurant to consistently deliver high value to its consumers. At the same time, the company's lower value trade-offs rest in its delivery logistics and vendor management, accruing high costs with limited movement away from its competitors. Cava's internal foundation is strong; However, there is still room to improve its resource allocation and cost efficiency on an operational level so that it can truly differentiate itself away from similar competitors.

To continue delivering value and mitigating risk, we suggest the following steps. First, we believe Cava must continue to invest in diversifying its network of suppliers to reduce supplier buying power and price volatility. They should work to create a stable network of suppliers who compete amongst themselves to offer high quality and sustainable goods to Cava for reasonable prices. In doing so, they would be well equipped to deal with supply chain disruptions and increasing costs while improving sustainability and manufacturing transparency. Additionally, Cava should work to improve their business operations that hinder them from fully capturing value such as their delivery services that highly rely on third-party delivery party apps. Instead, Cava might work to build an in-house delivery brand to increase quality and consistency while leveraging their technology to create real-time delivery tracking that builds further rapport and loyalty among consumers. Not only will this allow for enhanced brand control, but it will also give greater customer insight and increase transparency.

Next, Cava should continue to strengthen its already dominant personalization and digital innovation as it works to find greater customer insights and lean down operationally. To achieve this, Cava could possibly use AI integration to craft targeted promotions and create projections for improved demand and supply integration. Finally, Cava must continue to focus heavily on its strong internal culture of sustainability and superior customer service. This could be done through employee wellness and training programs to reduce turnover and increase service consistency, allowing the company to stay competitive and capture market share based on its promised values. Cava's sustained success relies not only on its internal strengths, but also on its ability to be dynamic and strategic in an ever-changing business landscape. With focused investment, innovation, and proper resource allocation, Cava will be positioned to scale and expand rapidly, while retaining and growing its customer base, as it continues to lead into the future of the fast-casual dining industry.

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