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Darden Restaurants: Serving Up the Future

Andrew Madsen looked out the window and pondered over the strategic direction of his company. It was September of 2013, and the president and chief operating officer of Darden Restaurants Inc. was looking back on 2012—the first year his company had not outperformed its competitors. Following the 2008 financial crisis, consumers with less discretionary income were, more often than not, dining at home. Darden Restaurants had become a successful business based on selling its customers an experience, and previously those experiences had allowed the company to weather difficult financial times.

Madsen wondered which short-term strategy would allow the company to maximize shareholder value through operational excellence. He also thought about the long-term opportunities from innovations that were complementary to Darden's core competencies. He tried to determine which strategies would help Darden to compete in a changing demographic landscape, shaped by coming-of-age millennials and the cultural changes brought about by an influx of Hispanic and Asian consumer immigrants. He was also concerned with new forms of competition, such as quick casual restaurants like Chipotle, where consumers pressed for time could get food made with quality ingredients in a fraction of the time they would spend at an Olive Garden or Red Lobster.

With a national War on Obesity under way, the company had faced some pressure from regulatory agencies and consumers to divulge caloric and sodium content, and to stop using trans fats. With less discretionary income and a trend toward healthier recipes, consumers had begun buying healthy lunch- and dinner-to-go at supermarkets like Whole Foods, or buying the ingredients to make the meals themselves. Madsen thought about the strategic implications of changing consumer preferences and the intersection of public policy and business.

He and his team would have to come up with strategies to address each of these issues at the next board meeting, and time was running out. The board meeting in which he would lay out the company's strategies for the next five years was in two months.

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