

Kfc information management analysis



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Introduction

To analyse the impact of information management within KFC, it is necessary to understand and apply various theories. This essay will begin by applying the five force models established by to KFC's competitive position in the relevant market. This will assist in determining KFC's influence and strategy in the market place, whilst acknowledging the limitations to the theory. Next the value chain model theorised by will assess how KFC's organisational structure assists in adding value to its various activities. Hence, these models determine the input of computer management that is required to satisfy KFC's requirements, in order to compete against its rivals over a long period of time. Finally the use of ICT within KFC's management will be discussed to determine the competitive advantage that is achieved and defended using the Strategic thrust model that has been advanced by Whilst discussing the current uses of information technology within KFC, the essay will conclude by suggesting improvements to information management practices, which could add to the organisation's efficiency and competitiveness.

2. Five Forces Model

is an important tool in analysing an organisation, such as KFC. This tool assists in assessing the profitability of its current and future products. Hence, in part, it helps to determine strategic processes especially in a competitive industry. The Five Forces can be summarised as follows.

- Competitive rivalries within the market place
- Bargaining powers of customers

- Bargaining powers of suppliers
- Threat of substitution
- Threat of new competitors entering the industry

KFC

“ KFC is a multinational organisation that provides fast food to 12 million customers in 109 countries. Kentucky Fried Chicken was originally founded in 1930 and changed its name in 1952. Globally, KFC is ranked amongst the top 10 fast food restaurants in the world and has a worldwide annual turnover of \$11 billion. Although KFC has performed extraordinarily well over a sustained period of time, the franchise ranks behind McDonalds and Chicken Cottage, Burger King, which illustrates that the industry is competitive.”[1]

The Fast Food industry is in a competitive market especially in the UK. KFC has numerous branches within the UK and the branch located in Southall will be analysed. Southall is located in West London and is a vibrant industrial area. KFC provide a diverse range of products ranging from chicken, to salads, which increases their scope in the market place.

Competitive Rivalry:

KFC have a wide range of fierce competitors within this industry with the market share being shared. KFC’s direct rivals in Southall are McDonalds, Chicken Cottage, Burger King and The Fried and Grill. Innovation and competitive prices become the focal point for KFC in their strategy. However, any competition based solely on price can be dangerous in an Oligopoly market, as responses from competitors are likely to be swift and can trigger

a price war. There is an understanding within the industry to not compete on price.

The indirect rivals to KFC are Subway and Pizza hut. These fast food branches result in the requirement for KFC to innovate and diversify their product range, in order to negate the effect that their indirect rivals have on them.

KFC's innovations such as the bargain bucket have ensured that customers are provided with diverse products to differentiate them from their main rivals. Also, the use of information management systems to communicate secret recipes (old or new) and intellectual property rights to the Southall branch from headquarters ensures efficiency and profitability.

Bargaining powers of Customers:

The bargaining power of customers is determined by a range of factors and also depends on the product range.

KFC's customers are likely to be consumers i. e. families or individuals.

Customers are likely to change preferences over increase of price. Also, since there is fierce competition, this provides customers with choices and gives the impression of strong bargaining power.

However, KFC is globally recognisable and face to face interaction with customers increases brand loyalty. KFC's slogan "finger licking chicken" sums up their identity and uniqueness. Also the diverse range of products means that there is a decreased scope for substitutability, which weakens bargaining power.

Bargaining Position of Suppliers:

KFC's use of economies of scale to purchase their raw materials increases dependency of the suppliers on them. Hence, suppliers receive a good proportion of their business from KFC and are required to remain loyal and to offer the best possible deal to retain the fast food restaurant as their customers. This reduces the bargaining power of customers.

However, the competition in Southall is fierce with limited range of suppliers in the area. KFC is able to cover the delivery costs from other parts of the UK, which enables it to weaken the bargaining position of its suppliers in the local area. Plus, the franchise would require quality raw materials to maintain the standard and reputation of its brand.

Threats of new entrants:

KFC have a large market share in Southall, which is achieved through efficient information management of their accounts, products, suppliers and marketing. This enables them to streamline their operations and to maximise their profitability.

Also, brand image and marketing enables KFC to increase brand loyalty amongst customers, which creates difficulty for new companies to enter the market place. KFC's logo is protected by intellectual property rights and this prevents other companies copying or keeping a similar name or slogan. Already the market for fast food is saturated, which diminishes the opportunities to enter the market.

All these factors minimize the risk of new entrants entering the market place. Despite this, there are smaller companies that can enter the market and offer lower prices.

Threats of Substitutes:

The substitutability from KFC products to other products is determined through market research, which is conducted each year by the organisation.

KFC have diversified their product range, which enables them to control the transition from one product to another. This is clearly evident from the transition from fast food to more healthy food i. e. the introduction of salads and reduction in salt in their food.

Current trends suggest that customers within the UK are becoming more health conscious and KFC have responded accordingly by expanding their product range.

Despite this, there remains a risk that customers will change from one product to another i. e. from chicken to pizza, however the costs for this to occur remain high. Instead the threat of substituting similar products remains the biggest danger, due to the high level of competition.

3. Value Chain Model

The Value Chain Model was introduced by Porter and is a conceptual tool used to improve profitability through strategic planning. Porter states that competition of an organisation is not solely dependent on improving sub functions.

Value chain analyses the stages of a competitive strategy. This enables an organisation to understand its activities and to build each stage of the value chain in the most effective way. The value chain assists in understanding behavior of costs and sources of differentiation.

KFC market Analyze by Location

For KFC to successfully develop in the fast food market, they must add value to their activities. This is achieved through improving products, training staff, looking after customers and bargaining with suppliers. KFC creates value through processes, which are divided into interrelated economic activities and these add value to the organisation. Also, KFC conducts other related activities like production, marketing and selling, which creates a value chain. These activities assist in managing the organisation, thus creating a chain.

A competitive strategy is imperative for the continued existence and development of KFC, especially within Southall, where competition is fierce.

Southall is busy industrial area located in West London. This area is populated by 90% of Asians and majority are muslim. Recently KFC introduced new products and services into geographic and demographic areas. The product introduced by KFC indiscriminately targets all age groups. KFC have a recognisable brand image and the cost of their products are reasonable.

The organisation divides into two dissimilar value activities process.

1. Primary activities.
2. Support activities.

Primary activities are concerned with production

- Inbound logistics
- Outbound logistics
- Operations
- Marketing and sales
- Service

The Support activities are the internal activities of the company, which includes:

- Firm Infrastructure
- Human Resource Management
- Technology Development
- Procurement

Both activities work together and add value that passes on the cost of adding the product to the customers, hence resulting in a profit.

Primary Activities

Inbound Logistics: The headquarters or the branch in Southall use economies of scale and its reputation to receive discounts for raw materials saving costs. Also the location of the branch in Southall enables easy access saving travel costs for the supplier, who is likely to be located locally, subject to quality assurance. There is a direct link between various products i. e. chicken and chicken burgers, which means that the same raw material is used.

Outbound Logistics: KFC's finished product is kept in a freezer, so that it can be cooked and served by staff using the equipment within the branch. The

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information to cook the products is provided by headquarters in return for royalty payments. This links with staff training and uniform infrastructure layout of each branch, which in turn justifies the prices that are charged to customers.

Operations: The raw materials used by KFC are combined together to make the finished product, which increases its value i. e. spicy chicken or combination meals. This links with differentiation and innovation to provide KFC with a competitive advantage.

Marketing and Sales: KFC have a variety of methods for recording customer preferences. The organisation has an internal procedure, where they analyse their sales figures for each product over a period of time to establish a trend. Also, there is an external procedure where market research is carried out each year. This allows KFC to target specific innovative products to specific consumer segments through Television marketing.

Service: KFC provide efficient customer service to add value to the organisation. This requires thorough staff training, development and providing the right equipment for the branch in Southall. Also, the branch provides a unique facility for free delivery in the area. The infrastructure and control from headquarters has to be adhered to rigorously. This enables KFC more flexibility on price, based on brand loyalty, despite competition.

Cost advantage:

KFC aim to decrease costs for their products by implementing the value chain. This begins with the primary activity of ordering raw materials i. e. ingredients from headquarters or from local sources at the best price

possible. Since over 40% of customers/consumers are Muslims, it is essential to obtain supplies from the right source. The secondary activity is procuring the order in advance from headquarters or for Halal meat supplier ensuring that it complies with the Halal Food Authority requirements. Also, KFC uses technological developments to add value i. e. using streamlined manufacturing processes to increase profit margins.

Infrastructure of KFC: (By interviewed)

- KFC vision for high quality products.
- Highly impressive and uniform design structure.
- All services under one roof.
- Trained & qualified staff.

KFC's market strategy and development plan. The Infrastructure of KFC is fascinating and charming all over the world. Ideal colour schemes, pleasurable lighting outlets, comfortable sitting arrangement, trained staff and their proper division of work, art interior beautiful, speedy cooking process, special block for kids, etc. by survey

- Customer
- Place Order
- KFC Franchise primary activity Process: by surveyRaw Material
- AssembleWork in Progress
- Cook
- Deliver

Restaurant Manager KFC Franchise staff Infrastructure:

Kitchen Staff

Shift In Charge

Counter staff

Assistant Manager

Delivery man

Area Managers are sourced internally, so you will need to earn this position in the Company through promotion.

Support Activities

Human Resource Management:

“ KFC’s vision is to maintain a world class organisation, which is attained through building people quality, creating commitment and motivating organisation effectiveness. The role of HR is to recruit and hire operational staff. They also provide training for management and operational team by head office. KFC recruiting procedure is easy and they have online systems, where they have all available vacancies by post, location or area”. (Accessed date 26-11-10)

Technological Development:

Many companies use technology all over the world to save cost and for process management. KFC use information system to their advantage and they have incorporated two types of systems. One is an electronic cash register system, which they use for sales operations and to maintain daily sales report. The other is an “ Inventory Control System,” which is very beneficial and helps the franchise to formulate their strategy. The Inventory Control System is directly integrated with KFC headquarters. KFC

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headquarters received sales reports on a daily basis via the system . The system is called “ ARMS System”. Also, the system has important features installed, such as storing information in relation to recipes, cost of products, purchasing management e. t. c. KFC have a website, where information in relation to all products and their nutrition value is provided in line with a health conscious society.

Procurement:

KFC headquarters have a uniform policy for all their franchises. The branch located in Southall is required to purchase all its raw material, cooking ingredients and equipment from KFC approved suppliers. KFC buy products in bulk to control purchasing costs and supply line from suppliers. KFC regularly review delivery, quality and cost from their suppliers to increase efficiency and streamline the process of procurement. KFC is directly linked with their franchise and receives orders for supply of raw material. The franchise in Southall can place orders through Information system or by phone.

4. KFC Information System

KFC have over recent years adopted and changed their information system structure through streamlining their processes and implementing amendments in line with evolving requirements. KFC, as an organisation have utilised their information system for different operational processes. This assists in reducing the cost of raw material and recruiting less working staff. All the necessary information, such as supply chain management, franchises or new promotion stores is part of the system. Also, KFC have a comprehensive online website, which assists in increasing business

advantage. On the website there is information in relation to updating prices, latest activities, promotions, advertisements and customer feedback.

Recently, the Southall franchise has upgraded their information system software to include credit card payment facilities. This increases payment method for customers and enables the organisation to collect customers' information. This an innovation that KFC has adopted to remain competitive in the market.

Also, Information system can be used to organise time management.

Technology evolves each year and new technology involves many communication system channels, which can be electronic or by actions.

5. Competitive Advantage

Differentiation:

KFC have differentiated their manufacturing process to ensure that they retain a competitive advantage by using information system and have created their own unique requirements, which is different from their main rivals. Primary activity involves creating products that are unique. The strong distribution channels enable them to procure or produce within a short space of time and for discounted rates, in accordance with quality assurance. KFC have integrated with some aspects of its supply chain i. e. owning farms within the UK, which allows the organisation to control quality. This unifies produce across all the branches including Southall, thus justifying its prices and perceived consumer benefits. Innovation in new products requires maximising the use of technological developments.

Innovation:

KFC new products innovation is “ Popcorn Variety Bucket Chicken, ITWIST with two flavours and All Stars Box Meal,” which creates an identity that can be differentiated from their main rivals.

Growth:

KFC is the largest worldwide fast food organisation and runs a globally successful business. The international growth of KFC is recognised through the location of restaurants across 100 countries. KFC have 700 restaurants in UK alone.

Cost:

KFC restaurants are well renowned for offering products at affordable prices, which links in with efficiency and streamlining information management. Particularly, KFC are able to offer special deals, which provide value for money and enable the organisation to compete with its rivals.

6. How can improve the IMS

By analyzing KFC’s information management systems in the context of the current market, it is clear that there is room for improvement. The marketing strategy i. e. advertising, planning and direction is currently inadequate to compete with the likes of McDonalds and Pizza Hut. KFC should introduce more promotional materials i. e. reward cards for customers, which has been adopted by other fast food restaurants. Alternatively, KFC can introduce coupons or souvenirs, which consists of all customers’ related information.

7. Conclusion

Overall it is clear that the five forces model, value chain and strategic thrust have been used by KFC to attain a competitive advantage over its rivals. The theories assist in establishing the information management requirements for the organisation to operate efficiently and effectively i. e. the use of the ARMs system. The five forces model enables KFC to analyse its competitive position within the fast food market and to formulate a competitive strategy to increase its influence in the market. It can be seen that for example KFC has strengthened its bargaining position with suppliers by integrating with some aspects of its supply chain. The value chain enables KFC to add value to its activities to justify the prices it charges customers and the perceived benefits. The primary and secondary activities link with each other to provide insight into how to increase efficiency within the value chain. The strategic thrust provides an insight into how KFC is able to differentiate itself and its processes from its rivals to gain a competitive advantage. Reducing costs and providing unique products are the focal point for distinguishing KFC in the fast food market by utilising its brand reputation. Information management systems such as effective communication between headquarters and the franchise in Southall enable analysis of marketing strategy. Also the use of new technology, such as chip and pin systems have benefited the branch in the area of Southall, as more payment methods are covered. However, it is evident that there is still room for improvement through using coupons and/or souvenirs to attract customers.