

Evaluation of the environment of aandw malaysia



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1. PURPOSE OF REPORT

This report will present a finding from strategic evaluation of the environment of A&W Malaysia. It also presents a turnaround strategic for A&W Malaysia which increases the chance of survival.

2. SCOPE OF THE REPORT

In this report that will be microenvironment analysis, internal analysis, macro environment analysis, as well as any strategic to A&W Malaysia. It also given strategic option and explain about the implementation of strategic, and finally the recommendation for A&W Malaysia to turnaround.

3. LIMITATION OF A&W MALAYSIA

In 2001, A&W Malaysia was bought over by KUB Malaysia SDN BHD. In 2008, boarded on a destructive expansion drive to renovation and expand its objective. However, the company reported that will close 24 A&W outlet that is not making money will be shut down or repositioned, which include 24-hour A&W drive-in restaurant in Petaling Jaya in this year.

4. OVERVIEW OF A&W MALAYSIA

A&W Restaurants is a chain of fast-food restaurant well-known by its draft root beer and root beer floats. It was the first fast food franchise restaurant in Malaysia and Asia. A&W is still operations until today. A&W is committed to deliver customers with delicious, safe meals and operation restaurants that meet the highest food safety standards. It also quickly became a favorite gathering place for students, especially from the nearby secondary school such as La Salle and Assunta. The fast food industry is growing rapidly. It has more doubled in a few years such as, Mcdonald, Pizza Hut, <https://assignbuster.com/evaluation-of-the-environment-of-aw-malaysia/>

KFC, Burger King and Subway. Within this year, A&W lost its market and plan to close down 24 outlets in Malaysia because they wish to relocate its business and operations to attain sustainable growth in future. A&W are undertaking a counteractive strategy and reviewing the performance of each outlet. A&W's market gradually been replaced by other fast food restaurant due to the lack of advertising. The image of A&W brand image is easily substituted by other fast food restaurant that always doing all kinds of advertising, because A&W's branding is not strength enough to stick in customer's mind. According to group managing director Wan Mohd Nor Wan Ahmad, he state that 24 outlet in Malaysia will close down in this year, to relocate its business and operations to attain sustainable growth. He will only retain outlets that have heavy traffic based on the increase in sales, and looking at ways to increase customers' satisfaction. The A&W outlet is predictable to reopen in 2018, added by the source. The losses were mainly recognized to the group's food operations, directed by its subsidiaries A&W Malaysia. A&W Malaysia challenged major setbacks in the 2011 fiscal year where it recorded losses totaling RM44. 5 million, 50% which was caused by impairment losses. (Wan Mohd Nor Wan Ahmad, 2014) Members of the public had expressed their frustration over the imminent closure of the iconic restaurant in December. (Local Business Daily, 2014) A Facebook page "Save iconic A&W" was set up barely hours after the report surfaced. The page has gathered 260 likes within five hours of being set up, checked by The Rakyat Post. The iconic A&W Malaysia is going to be revamped and will only be shut for the next three years to expedite the construction of the KUB Tower project. (The Pakyat Post, 2014) A&W needs to be strategized or it will never happen of revamping after three years, and go bankrupt.

5. STRATEGIC ENVIRONMENTAL ANALYSIS

In considering the micro and macro impacts on a business, internal and external factors must be considered. There is a variety of tools in planning to consider these impacts of businesses, including the PESTLE, SWOT, and Porter's 5-Forces Analysis.

1. Macro environmental Analysis

A macro environmental analysis has been conducted using PESTLE tool, which is political, economic, social, technological, legal and environmental.

The findings of A&W Malaysia have been summarized in the table shown below.

APPLY TABLE

(Table 1)

The macro environmental analysis review A&W Malaysia faces more threats than opportunities. The most serious the economic loss, the harder to invest on development of A&W Malaysia which company has relied on.

In political factors and legal view, Government introduces the Good & Service Tax (GST), and all those application of licenses which involve law and regulation, affect the prices for consumer. Legally, the problems of cleanliness and hygiene caused the problem in maintenance.

In economic factor, the increasing of franchised of other fast food restaurant such as McDonald, KFC, Subway and Pizza Hut impact the economy downturn in short period very quickly. The cost of raw material increases also affect

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A&W faced major setback. The inflation of rate increases which caused impairment losses.

Social factor of A&W is there are out of young people budget. Due to the economic factor, which leads to increasing of prices, young people are not affordable for the fast food. Besides, currently a lot of people start to increase health condition and increase living condition, so many people started to quit or stop eating fast food. Therefore, A&W Malaysia end up by reporting that A&W Malaysia will be reposition its business and operation to achieve sustainable growth by close down 24 outlets in Malaysia in end of this year.

For technological factor, A&W outdated computer system and lack of invention and development system, affected the attractiveness to the customer.

Environmental factor of A&W are ecological footprint because A&W reduced packaging and use more recycled material wherever possible. A&W eliminated own paperboard fry cups in favors of a paper bag, containing at least 70% recycled content. This impact A&W brand was eco-friendly and ecological fast food restaurants.

2. Micro Environment Analysis

A macro environmental analysis has been conducted using the Porter's Five Forces. Five forces analysis assumes that there are five important forces that determine competitive power in a business situation.

APPLY TABLE

(Table 2)

The micro environmental analysis review A&W Malaysia faces more threats than opportunities.

The bargaining power of buyers are strong, the cost to consumer of switching from A&W to those competitors. A&W are deal with powerful buyers, which often able to switch to other competitors easily.

The supplier power of A&W Malaysia is weak which affect many competitive suppliers. Number of supplier of A&W is high for each key input, mostly frozen food, which a lot of supplier on market. The supplier doesn't have the power and strength to control over A&W in pricing.

The threat of new entry of A&W is easy to enter and exit, it also few economies of scale in place and training easily available. This impact new competitor is able to enter quickly and weaken the position of A&W in Malaysia, and lead the reducing of profit.

A threat of substitute of A&W is strong which impact many affordable substitutes. There are too many similar fast food restaurants in industry which are more attractive in service and product. A&W seldom improve and develop in their business, therefore is easier to let other substitute to weaken A&W position.

Competitive rivalry is high leads to buyer and supplier can switch to competitor with equally or more attractive product and service. A&W have many competitors with offering equally or attractive products and services,

so A&W have little power in the situation, because supplier and buyers will go to competitors of A&W if consumers do not get a good deal from A&W.

3. Internal Environmental Analysis

A&W Malaysia has a state of great-tasting ingredients, farmed with care. A&W is proud to have high standards when it comes to A&W food and drinks, which can taste it in everything they serve. A&W's product are patented that need to apply for franchise license which are unique resource. Unique logo design license of A&W are hard to get shows that A&W are unique resource. A&W's food is not fully utilized which mean supply more than demand. This lead to waste of food, it shows that A&W are threshold competency. A&W Malaysia are unique resource and threshold competency, this explain that A&W stay marginally.

4. SWOT

Strength of A&W is the first fast food restaurant invented in the United States in 1919. A&W Malaysia has listed in The Malaysia Book of Records as the first franchise restaurant in Malaysia. A&W also became the first Drive-in restaurant in Petaling Jaya as Iconic A&W outlet. A&W symbol, The Great Root Bear and their company orange color stated in people's mind.

Weakness of A&W, due to the problems or repositioned or close down outlets that cost its lost profit because location is not considered or rented fee is too expensive, so A&W is closing down 24 outlets in Malaysia. A&W has not advertised comprehensively in Malaysia. People might not find the latest promotion of A&W. however the competitors have strong advertised in anywhere caused the people will almost forget A&W existing and lost its

reputation in the market. In order to serve the food on time and make sure the food quality is fresh by commit some improvement on their servicing and food quality. The price of A&W is slightly higher than other competitors. A&W having a Sen Saver lunch set but after included all the charge of beverage and service tax, it cost around RM10, which are out of budget for a normally student or worker. People could switch to mamak stall rather than fast food restaurant. A&W did not fully use of the technology of updating their detail of outlets location and closing down outlets information at website and social network, which confuse consumer.

Opportunity of A&W is having reasonable saver lunch treat meal to target in teenage which giving them to have more affordable meal set with food quality, in the same time save their budget. A&W can plan to have more Festival Promotion such as Chinese New Year, Ramadhan dinner and etc, to interest another target market. People can have their Ramadhan open dinner in A&W. A&W also can come out with a new set meal with collectibles gift but only for limited time only. Due to strong competitors in the market, A&W have to strengthen in advertising or commercial by publicize their products or brand image astutely to avoid consumers forget about their existing in the market due to strong competitors in the market. A&W also can increase publicity in market by corporate with some big event such as " Running Day" or visiting to orphanage.

Threats of A&W are there are lots of other fast food restaurant competitors are challenging with A&W is increasing rapidly in the market. Having fast food will increase a person's risk of health by weight gain and obesity. Expensive fast food restaurants rented fee costly in increasing franchise in

everywhere. Fast food restaurant chain changes in approach of leading in coming years which lead economic crisis.

6. STRATEGIC OBJECTIVE

In last year, A&W Malaysia's revenue is predictable to reach RM42 million by Dec 2014. For 2014, A&W is expected to push up the fast-food operator's revenue to RM60 million next year. KUB announced a net loss of RM61. 86 million for financial year ended Dec 31, 2011 compared to a net profit of RM11. 48 million in 2010. (Bernama, 2012) according to Datuk Wan Mohd Nor, he said that A&W need to be capital inoculation but not selling it. He also state that working hours in shopping malls are limited and the rent is expensive, so the fast-food chain was continuously improving and optimizing its resources in present outlets to better serve its customer. To achieve profit, accounting a corrective strategy and reviewing the performance of each outlet. Any outlet which not making profit will be shut down or repositioned. Besides, preserve A&W loyal customers and grab new segments like youngsters and lower middle income earners via value treats. Increase on the advertising and marketing strategy to create consciousness for public to after A&W repositioned or open new outlets in Malaysia. KUB which is owner of A&W targeted to list A&W on Bursa Malaysia in 2015.

7. STRATEGIC OPTION

1. Basic Strategic

To achieve profit with revenue of RM60 million in 2015, A&W Malaysia need to be consolidation and turnaround. 40% of stake in A&W Malaysia Sdn Bhd are not selling decided by KUB Malaysia Bhd (owner of A&W) as the fast-food

chain is assertive of a profitable turnaround after restructure its business operations. The new outlets need to be concentrated in bustling Klang valley where are predictable to push up the fast-food operator's revenue. 24 outlets of non-profitable outlets in Malaysia close down for business consolidation exercise. By doing this action, in the same time increase A&W strength by develop core competences and downsizing company weaknesses. A&W Malaysia needs to be strengthen performance by property, argo, engineering and construction, and food sectors in the quarter contributed to higher profits. A&W CEO Samad Mohd Shariff told to the media after briefing on its 50th anniversary event in Petaling Jaya about, reviewing at the process of opening better stores in good locations and this will bring in the revenue. (Malaysian Reserve, 2013)

2. Strategic Direction

To achieve profit with revenue RM60 million in 2015, by using Porter's Generic Strategy method is suggested to apply differentiation in A&W Malaysia. Due to the price and product & service of A&W, their cost is not the lowest in the industry, but the target market of A&W is broad due to A&W brand image value. A&W has many strong competitors such as McDonald and KFC which are strongly advertised, in order to strengthen the 'First Fast food Restaurant' in Malaysia slogan, A&W needs to make their product and services different and more attractive to their competitors. To make a success of a differentiation strategy, A&W need to have good research, development and innovation by having transformation of buildings and well train staff. A&W need to strengthen the ability to deliver high quality product and service since the cost are not low but giving better value for customer.

A&W can implement it by giving out limited toys or attractive gift in several set meal, and also offer promotion of buy more get more with attractive packaging and food, make sure the food are fresh and quality. A&W competence on the signature Root Beer Float, they can make good use of the uniqueness of innovation of the product and strongly advertise that no other competitor cannot imitate. Because of the product's unique qualities, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily.

3. Specific Strategic

To achieve profit with revenue RM60 million in 2015, in Ansoff Matrix strategy, A&W should be using market penetration method to boost up their business. A&W is the first fast food restaurant in Malaysia; therefore there is existing product to existing customers. A&W need to practice several ways to achieve the target. A&W should be changing the pricing, packaging, and adding minor features and most importantly, strongly increase advertising or add more sales people to increase sales. A&W owners giving out discounting, vouchers to win business from competitors through competitive pricing. Besides, A&W also can introduced fat free or low fat version of set lunch to counter a trend towards reduced consumption since people start to increase health condition. A&W can plan to have more Festival Promotion to push dinner set for target market like family to have their gathering open dinner in A&W. By choosing market penetration, this strategy is the lowest risk to have growth of A&W Malaysia for survival. (Igo H. Ansoff, 1957)

8. STRATEGIC IMPLEMENTATION

The current style of the management of A&W Malaysia is middle of the road leader in Blake and Mouton's Leadership Grid. Manager of A&W did not push their staff to hit sales or stress them with cleaning up the environment.

Manager did not offer additional training or opportunities to attend promoter training. Customer gets their order on time alright, but no additional services like welcoming customer from the door to the seat. As a result, employees of A&W neither satisfied nor dissatisfied with their job, and their performance is average. Brandy is a middle-of-the-road-leader. The leader of A&W has balanced concern for both production and people, settles for average performance from employees. This leadership is good, but A&W manager leadership can be better. Manager should perform like team manager, which very concern about people and high task concern. With this style, A&W could maximize the concern for both task and people. At the same time, employees promote active participation and teamwork creates open and comfortable environment, enough to keep staff motivated. (Kat, 2014)

In Hersey and Blanchard model, A&W Malaysia manager has leadership of participating or supporting. Leader attitude is low task focus with high relationship focus. The worker atmosphere is good but the tasks are not well commitment, able but unwilling or insecure in doing task. Staff of A&W can do the job, but is refusing to do and showing insufficient commitment.

Manager did not fear about reminding them what to do instead of concern with finding out reason the staff is rejecting and thence encourage them to cooperate. In this case, A&W manager are suggested to be delegating and observing, a low task and low relationship style where the leader allows the group to take responsibility for task decisions. Staff at this level has do not

need for support or frequent praise, although as with anyone, occasional acknowledgment is always welcome. Staff must have an attitude with high willingness and ability to change or motivated. (Hersey, 1999)

9. STRATEGIC CONTROL

The balanced scorecard complemented traditional financial measures with criteria that measured performance from three additional perspectives, such as got those of customers, learning and growth, internal business processes and financial. Some companies move beyond early vision for the scorecard to determine its value as the foundation of a new strategic management system. By using that way, the scorecard addresses a serious shortage in traditional management system. (Robert S, 2014)

There are four processes in managing strategy, which is translating the vision, communicating and linking, feedback and learning and business planning. A&W are recommended to apply this strategy by controlling the company vision and strategy. This strategy helps managers to build a compromise and let managers communicate their strategy up and down the organization and link it to departmental and individual goals. The scorecard would give manager of A&W a way of confirming that all levels of the organization understand the long-term strategy and that both departmental and individual objectives are united with it. This strategy enables A&W to integrate their business and financial plans. When managers use the motivated goals set for balanced scorecard measures as the basis for assigning resources and setting primacies, they can undertake and synchronize only those initiatives that move them toward their objectives. With this strategy also gives companies the volume for strategy learning, <https://assignbuster.com/evaluation-of-the-environment-of-aw-malaysia/>

company can monitor short-term results from the three additional perspectives and appraise strategy in the light of recent performance. (David P. Norton 2014)

10. CONCLUSION

In conclusion, A&W Malaysia Sdn Bhd needs to be innovated. By referring to strategy that mentioned in the report, it will have chance of survival and profitable.