

Assessment of the burger king chain commerce essay



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Burger King is one of the fast food chains which is abbreviated as BK, it is operating almost all over the world with its headquarter in Florida, United States. The first store was opened over the piece of Insta Broiler. This equipment was so much popular for cooking burgers. In 1953, BK began as a franchise chain in Jacksonville, a place in Florida. In 1955, where this franchise was facing a financial problem, it was then purchased by David Edgerton and James McLamore and then it was named as Burger King.

Burger King is operating in 73 countries with over 12000 outlets, of which 66% holds in US and 90%, has been run by the private owners. It became a Corporation in 1959, and this is where when all the franchisees purchase the right to open stores and operate it.

Initially, when the company started they used to sell burgers, French fries, soft drinks and ice creams. Then later in 1957, BK introduced Whopper which turned out to be the signature for them and they adopted the motto as "The Home of Whopper", (Mouw, 2007).

Theoretical Background

The development of new ventures makes the way for most individuals to come up with an idea and develop it by generating a product or service (Gyamfi and Tontoh, 2007). According to (Morse and Mitchell, 2006), the new venture development can be competitive in the market because many activities are involved in creating a business. Barringer and Ireland (2006) said that the establishment of new ventures gives the society globalization, job creation and innovation.

Different scholars and institutions have proposed many ways of developing new ventures from different angles. Moreover, many entrepreneurs have established new ventures competitively without any external influence.

Wickham (2004) defined an entrepreneur as a manager which carries out a particular activity; an individual which possesses a personality, psychology and personal characteristics and an agent that adds the value to the society.

Sarasvathy (2001) found the dependency of a venture issue on an individual's past knowledge, the experience of its formation, culture and his other distinctive achievements.

According to Timmons (1999), the development of a new venture involves the vital factors team, opportunity and resources that are seen to be in a corresponding process.

Although there are numerous ways for venture creation, there are also various failures and even it does not become successful in the long run for the few ones (Gyamfi and Tontoh, 2007). Gilkerson and Paauwe (1998) showed that most businesses fail because the choice of business opportunity was poor. Gartner (1988) suggested that entrepreneurship depends on your action and not on your identification.

This has generated the interest of looking at business planning process in new venture development. It is important to know about the variables or considerations in developing the new ventures that makes the process feasible or practical and this is what has been presented in the report in accordance with the opinions of different authors (Bhave, 1994).

Discussion

Business planning is an important aspect that needs to be considered to fulfil the plans for a new venture or renewing an existing venture. It serves as a method to achieve the desired goals (Gyamfi and Tontoh, 2007). According to (Davidsson, 2003), a good planning process provides a good approach of having a niche in the market. It also gives you a process view of entrepreneurship. He believes that it is impossible to take a business in one decision or one act from its non-existence to existence in one step. Therefore, in creating a business, entrepreneurs have to do a number of activities sequentially.

Business planning helps in finding the competitive advantage of the operation by finding, describing and refining it (Stan et al., 2003).

Profit (2007) says that the planning process gives very good steps needed to reach the goals that have been set for the future. It describes the opportunities, business strengths and a road map for continuous improvement.

As the growth and success of a business lies in creating a road map for it but many entrepreneurs, having the knowledge of it, do not have a good planning process (Profit, 2007). This makes it difficult to start up ventures successfully (Gyamfi and Tontoh, 2007). Harper (1991) noted that as many novices do not hesitate to position and elaborate themselves well in the market so the trial and error methods have been unfavourable for them.

Profit (2007) suggested that the requirement of an entrepreneur can be accomplished by analyzing the business issues and refining the goals from a <https://assignbuster.com/assessment-of-the-burger-king-chain-commerce-essay/>

good planning process. Timmons (1999) clarifies that it is important to take a decision about the investment of time and effort because some ideas may not lead to business or success. One should also size up about the existence of potential business.

Therefore, a good planning method helps one to get confidence, test ideas and see the flaws in his business to avoid the waste of resources and to take the right steps forward (Gyamfi and Tontoh, 2007). “ In fact, for every 100 ideas presented to investors in the form of a business or proposal of some kind, usually just 1 or 2 or 3 get funded. Over 80% of those rejections occur in the few hours; another 10 to 80 get rejected after the business plan has been read carefully” (Timmons, 1999).

Theoretical Spheres

The development of a new venture has been discussed by many authors in entrepreneurship. The theories from three experts of business administration, in a sequential mode, have been chosen to make the report more exigent and practical. These are of Hult et al. (1991), Stan et al. (2003) and Profit (2007).

Opportunity Analysis of Burger King

SWOT Analysis

After the goals have been set by managements, it is their responsibility to analyse the company's current position. And to evaluate the position of the organisation, the management use SWOT analysis. This helps the upper management to plan and compare the internal organisation strengths and weakness with the opportunities and threats which are external to the

organisation. This helps the management to fulfil the objective which they have stated in the mission statement.

Main core competencies of the company are the main strength of the organisation in which they are best at. It is the strength which the customers value and pay for it and which the competitors lack of. Company's faces problem when they know their weaknesses and did not work on it, the environmental threats will probably molest the weaknesses of an organisation. And these weaknesses can be overcome if they avail the opportunities which can create value to the firm (Marke, 2006).

Burger King

Strengths

Burger King or BK is a worldwide brand which everyone knows about.

It attracts all type of customers such as sex, race, age, income etc.

It is one of the largest fast food hamburger restaurants (FFHR) in the world

It not only distribute in US, it has many franchises situated around the globe.

Weaknesses

The main weakness of the BK is that they have operated mainly in US; almost 65% of their operations are in United States.

BK has not focused on their brand name very well, it relies mostly on franchisees which are carries their brand name along and any mistake by them will decrease the Goodwill of the organisation.

BK has the menu which is unhealthy and it does not appeal to the consumers.

They brand their products less likely than their competitors such as McDonalds etc.

Opportunity

BK should develop a new product which can attract customers in the breakfast as well.

BK is called the House of Whopper so they should emphasise their brand focusing mainly on Whopper Virgins.

They should expand their business in countries like India, Malaysia, and Kuwait etc. Where there is an emerging market.

Threats

The main threat of BK is that they have to face a healthy competition with McDonalds, KFC's and other restaurants.

BK menu is healthy food which the consumers don't prefer much, they should change their habits to attract customers diverting to healthy food.

It may affect the profit margins of BK, when the labour cost rises.

Source: (Kurtz, 2008)

Environmental Analysis

It is critical to identify the variables which can affect the supply and the demand of the products and services by analyzing the macro environment.

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Whenever there is a change in the environment or the place where the company is operation, it has an impact on the organisation as well. So there are possible criteria's which the analyst has to check which can have the effect on the organisation. And these can be Political, Social, Economical and Technological factors. PEST analysis examines the impact of the factors which can affect the business.

If Burger King opens its new Venture in Pakistan, they can first analyse the factors which can affect their business or they think that if it is feasible to open up a chain in Pakistan.

Burger King PEST Analyses

Political: This includes the regulations imposed by the government in the country where they are operating. This relates to the elections, law of employment, environment laws, war, terrorism, governing body, and its structure. These are the factors which the burger king has to analyse before opening their chain in Pakistan.

The political condition of Pakistan is not stable at the moments, there are lots of suicide attacks but they can still open a franchise in the popular city such as Karachi and in those areas where the security is high.

Economic: It is the level of spending the local government does, taxation, growth of the country, unemployment, rates such as interest and inflation.

Country such as Pakistan is one of the developing countries. This country has seen the growth but the interest rates and the inflation rates has been double in over few years but people living there are more keen to have fast

food restaurants and a places like these so that there can be an increase in the economy.

Social Factors: Social relates to age, gender race etc. It is the standard of living which the people adopt.

Technological Factors: These factors are the inventions, research and development and information systems.

In Pakistan, investments in terms of social and technological will increase the competition and requires a lot of investment. BK can invest in salads, and low fat food but again there will be a danger for moving away from its identity. It can be good economic purposes of changing their policy to sell high calorie menus because there are few costs which are attached to it.

Investments in terms of technology can give an advantage over its competitors such as McDonalds. They can open up a call centre which can be centralizing where the customers can place their orders online. This will increase speed of the customer services and will cut the staff cut.

After analyzing the current situation in Pakistan with the help of macro environmental analysis, we can conclude that opening a chain of Burger King, it will not be difficult for them to make money because there are so many restaurants today who have lock their suppliers and the largest companies which are already operating in Pakistan such as McDonalds have the high bargaining power and are able to bare cost such as advertisement. BK can invest more on the products and technology, they can advertise

heavily on their new products so that they can attract more customers towards themselves, (Mowen, 2001).

Porter 5 Forces Model

Porter 5 forces model deals with factors that is outside the industry that influence the environment of competition. A firm has to know about the industries in which it is operating and should know how to compete in the market. It the forces from the competition can be drive. Competition can be created by the interaction of 5 forces which is the threat of new entrants, the power of suppliers, the power of buyers and the threats of substitute.

The threats of new entrants are very high because of the fact that it does not require high investment to open up a small restaurant. But BK can advertise heavily on the advertisement where by the customers can only buy the burgers for them. Burger King appears to be in the list of those industries that have the recognized brand with all their benefits are linked with new customers so that they can attract.

Supplier power: for the burgers, the ingredients require are just meat, buns and soft drinks, which can be supplied by any of the supplier and there are other supplies which also provide the services such as restaurants premises including the equipment and staff. Golden state foods started supplying McDonalds but now they are supplying the beef and other products to KFC's and BK's as well. There should always be an upper hand on the supplier by the firm. Burger King has a large number of franchised outlets almost 89%. Since after the increase in franchise for BK, they have the limited control over the franchisees and that is the main reason why there are experiencing

problems in removing their supplier again and again, Bk seems to be unhappy with the supplier every time.

There is a low buying power in the burger industry. It depends on the customers and their taste to which burger to want to have. There is low switching cost and lots of substitute available so the buyer power has increase.

As we all know that there are so many substitutes available, there is lots of restaurant and therefore the threat of substitute is relatively very high. And this is the reason why the fast food restaurant like McDonalds and BK do more branding in order to attract more customers.

Competitive Rivalry in the burger restaurant is high because there are so many restaurant but we look for the differentiation, BK promotes its burger as the tastiest burgers because it is flame grill. Differentiation is only weapon in this industry, and those customers who have realized the taste can reduce the competitive rivalry (Kurtz, 2008).

Competitors Analysis

Analysis of the competitive is very important and useful in the sense that the company should know how their rivals are operating and performing. This evaluation is very critical for the use of strategy formulation. A company has to identify the factors both the external as well as the internal to the organisation which can impact the forces. These factors can affect the company's objective and the goals because on these factors they can change their strategy.

When KFC came in to the market, they follow the initiatives of Burger King and follow the price cut strategy; it was named as the Big King competitor to the Big Mac.

When Burger King came to know about this strategy they responded by:

BK lowering the prices and cutting the cost on their standardize menu based on burgers, fries and soft drinks.

Revenue and growth for BK are the mixture of their strategy but in the late 1990's, the volume was falling especially in US which cause their market share to decline as well.

BK boosts their volume by cutting the prices and behaves accordingly to the competitors.

They then use their resources and capabilities to turn into a financially strong company.

The strategy used by KFC get an aggressive response from Burger King but the burger market in the world today faces a lot of competition between Burger King, McDonalds and KFC's.

Source: (Youngman, 1998)

Strategic Analysis

For the strategic analysis it is very important to define the industries broadly, there should detailed analysis on the competition through which they can focus on the markets that are drawn narrowly in terms of both the products

and geography. In the strategic analysis, the process of industries which has many dimensions is divided into segmentations.

In an industry, sub markets can be differentiating through Segmentation. A company can sometimes avoid competition if they change their strategy into the segmentation. Burger King has maintained its sales by selling more Whoppers. They analyse probability at the level of customer's individuality.

Through Segments, key success factors can be differing. In the restaurant industry such as Burger King and McDonalds, the success of an industry can be analyse by segmenting the customers of the fast food and the luxury restaurant, (Grant, 2005).

Conclusion & Recommendations

When the company have enough resources to utilize to its capability, the company just focus on those products for the customers demand more. After the success in the domestic market, company tries to exploit in the international market. But first they will analyse the factors which can affect them in operating in that country.

They have to understand the objective that has been set by the competitors and looking into it they should make their own international strategy. There will be an effect on the market share, if the competitor is a large company, this can be a threat to the company who is entering into the market.