

Kfc vietnam essay



**ASSIGN
BUSTER**

In 1966, it went public and was acquired by PepsiCo, Inc. In 1997, PepsiCo spun-off of its quick service restaurants including KFC into an independent restaurant company, Tricon Global Restaurants, Inc (KFC Vietnam 2008). The company now was known as Yum! Brands Inc which included all the restaurants: A&W Restaurants, Long John Silver's, Pizza Hut and Taco Bell. KFC has more than 11, 000 restaurants operating in more than 80 countries and territories in the world. Today it is one of the most famous and strongest brand names in the fast food market (Entrepreneur Media 2009).

In 1997, KFC restaurants opened its first outlet in Ho Chi Minh City – Vietnam. Today, due to the trend of the busy life style and the increase in earnings of people in big cities like Ho Chi Minh City, KFC Vietnam franchise expanded its network so far to 75 restaurants with 47 outlets in Ho Chi Minh City, 15 outlets in Hanoi and others in many Vietnamese provinces (KFC Viet Nam 2008). Company officials considered Vietnam as a potential growth market in fast food industry. KFC's goal is to secure its position as a market leader and increase the market share in Vietnam. . Current Market Situation

2. 1 PEST Analysis This section presents relevant background data on the current Vietnamese macro-environment. Political Factors After the join of Vietnam to the WTO, Vietnam's new commercial franchising law provided for a legal regulatory climate conducive to the franchising sector. The government policy encouraged the opening up of foreign franchises which are expected to grow. With an annual growth of 30 percent in recent years, franchising showed great potential as a form of business in Vietnam (U. S Commercial Service 2009a). The stability and safety in politic environment was the key success for KFC Vietnam to grow expands its business and

become the market leader in Vietnam's fast food industry. Economic Factors
In recent years, Vietnam's economic growth rate has annually increased at 7 to 8.5 percent and has been one of the highest in the world. With the estimated increase in GDP 6.5 percents in 2009, Vietnam is considered to be a true emerging market for U.S. investors.

In response to face the high inflation rate, Vietnamese government implemented a monetary tighten measures to stabilize the Vietnamese Dong, cutting government expenditures in order to slow inflation (U.S. Commercial Service 2009a). According to the market research company Nielsen estimated the fast food industry in Vietnam could grow by 40 percents and generate VND500 billion (Tuoi Tre 2009). With advantages on economic environment, KFC Vietnam has many opportunities to develop its market share, increase profits and expand number of restaurants to 80 (ITPC 2008).

Socio-cultural Factors Due to the rise of fast food in Vietnam and the change in eating habits of Vietnamese people, they were busier than ever before so they tended to eat fast food more often than traditional meals (Vietnamnet Bridge 2008). KFC always concerned about the social, cultural and ethical values of local community. Its restaurants had done product adaptation in order to suit local tastes, cultures and religion in Vietnam. This gave KFC an opportunity to grow and increase profits in Vietnamese market. Technology Factors

KFC always support the work of research ; development in order to introduce the new technology. It used latest technology on machines and boilers with

technical checkup and maintenance every six months. It made the cooking become faster to order and reduced the serving time. KFC Vietnam also use online website to provide customers another tool for ordering via phone. In the future, customers may also purchase KFC products and perform online transactions (KFC Vietnam 2008). 2. 2 Porter's Five Forces Threat of new entrants (Strong)

Recently, Vietnamese government has applied Commercial Law that encourages foreign franchises coming to Vietnam market. Costs for establishing location, buying furniture etc. are not very high. Because the awareness of American franchise businesses is strong, many Vietnamese businesses interested in taking possession to operate American franchises (U. S Commercial Service 2009b). The American's potential new entrants could enter Vietnamese market are McDonald's, Carl's Jr, Burger King, Taco Bell, Subway and etc. Bargaining power of suppliers (Moderate)

The suppliers in Vietnam had moderate bargaining power. KFC Vietnam took the supply of fresh and quality chicken meat from Thai-invested CP Viet Nam Livestock Company and Long Binh which is a joint venture with France (ICARD 2004). KFC started helping local suppliers with technological support to improve their product. The strong relations between KFC and local suppliers lowered supplier bargaining power. Bargaining power of buyers (Moderate) The bargaining power of buyers in Vietnam is moderate and they have varying degree. Individual buyers are less powerful because they purchase in small items.

A buyer for occasion such as birthday party is stronger with the demand for more service and additional promotion like invitation card and discount price. Threat of substitute (Strong) Substitute competitors of KFC are all small restaurants that offer food service. The threat is strong with the variety in kinds and traditional Vietnamese taste such as Pho Hoa or Com Tam Moc. KFC needs to lower this threat by enhancing its promotion in order to popularize products so that the consumer will purchase KFC rather than other substitute products.

Competitive Rivalry (Moderate) Threat of direct competitors is moderate because KFC is the market leader in Vietnam with 75 restaurants. There are two main competitors: Lotteria and Jollibee (KFC Vietnam 2008). The threat may rise in 2010 because Lotteria will increase their restaurants to 80 outlets. Regarding to this competition, KFC also plans to growth total restaurant to 100 units and recently enhances their service by cutting short its delivery time to less than 30 minutes (Look At Vietnam 2008). 2. 3

Competitor Analysis Direct competitors: Lotteria and Jollibee

Indirect competitors: Pizza Inn, Kinh Do Bakery, Duc Phat Bakery, Tour Les Jour. 2. 4 Market Segmentation According to Kotler et al (2005), there are four variables which can be used to segment the consumer market. In case of KFC, we considered four variables which are: • Geographic segmentation