

# Kfc strategy essay



And the strategy of more company-owned outlets should be used to boost expansion and maximise profits in the long term development in China.

Analysis Argument: First of all, one of the most important strategies of KFC's huge success in China is departmentalised by region. However, the regional divisions should have more control powers in every aspect of the business operations, for example, regional marketing and new products innovation.

(McKinsey 2012) The differences in spending power of regions will be wider; therefore the pricing and menus could be slightly different to fit the local market economies.

Furthermore, KFC China has to suit their locals by localising their offers. As regional flavours are strongly different, especially the levels of spiciness are various; the regional outlets should offer diverse foods to cater local tastes.

(Harvard 2011) Secondly, KFC should continue the strategy of company-owned outlets rather than franchising in China. KFC China has enough finance to support their expansion and has its own entire supply chain.

According to the Harvard Business Review, KFC has 'the most advanced and integrated cold-chain in China'. (Harvard 2011) As well as company-owned outlets are much easier for the business to control their operations, from the products safety to the customer services. And a larger amount of profits will be generated. Currently, KFC China is in a scandal of overdosing its chicken with toxic chemicals. It has to avoid facing these kinds of situations again to keep its popularity in China by better control and management of the outlets. (Junheng 2012) In addition, it is necessary to build up a healthy and caring company image of KFC China.

In the coming decades, the rate of Chinese dining out is expected to increase by approximately 10 percent each year and customers will pay more attention to health and services. (McKinsey 2012) More promotions and advertisements should focus on the concept of 'new fast food', which was proposed by Sam Su in 2005. Chinese consumer will accept KFC as 'nutritious and balanced' fast food instead of 'junk food' that leads to obesity. (Harvard 2011) A good company image will be critically important.

A successful business would be seen as a part of the local community, and KFC China should have an image of healthy delicious foods and comfortable services. Finally, KFC China will have to provide better e-business and improved delivery services to be more sustainable. (Max 2013) More investments on the online and phone meal-ordering are needed as the spending pattern of Chinese consumer is changing. (McKinsey 2012) Harvard Business Review showed that 15 percent of retail sales will be transacted online by 2020.

Therefore KFC China is necessary to establish a more mature online and phone meal-ordering system and a matching delivery system. The quality of food, the speed of delivery and the attitude of employees are the key points of e-business success. Counter-Argument: The localisation strategy of KFC China might face some challenges. There are three key unavoidable weaknesses. Firstly, the central control over the business will be very weak. Some important policies and decisions cannot be transmitted properly from headquarter to outlets in different regions.

Secondly, the changes made to localise are complex. If the regional divisions make some changes that are not proper or valid, the whole region market share will be affected. Thirdly, if the differentiation of menus and pricing of different regions go too far, the uniformity of the KFC brand cannot be kept. (Kaiying 2013) And then, too much company-owned outlets would raise the costs and risks of investments. Franchising of KFC can make a rapidly expansion to midsize and small cities with low risk by renting the system to franchisors, and it works very well in the United States. Harvard 2011) Furthermore, KFC is specialised at selling its well-known fried chicken and French fries. It may change the nature of KFC if the company aims to make fast food healthier. To provide more roasted chicken, vegetables even rice dishes in China will lead KFC loses its original tastes. At last, the large amount of investment on e-business may fail due to the reality in China. It is only a presumption that online and phone orderings will increase significantly in the coming decade. The profit generated from the e-business may not worth the huge investment. Rebuttal:

According to the Chinese condition, departmentalisation by region is the best choice of KFC China. With heavy localisation, KFC China could be more competitive by providing regional tastes to locals. As success has already been achieved by KFC china, it should not be too much concerned with the risks of more company-owned outlets. More profit will be generated with a better control over the outlets. Currently, Chinese consumers start to pay more attention to health problem. KCF needs to have a better and healthier image to compete with other fast food restaurants and gain more customers.

As KFC China does not position itself as the cheapest fast food; therefore it can generate enough profit to invest the online and phone ordering and delivery systems. These systems will help KFC China to prepare for the coming trend of new spending pattern and win more market shares.

Conclusion KFC China still has a significant opportunity in Chinese market, but with more challenges and competitions. The proper and valid business strategies need to be used in KFC China. The company need to localise heavily by departmentalising by region and owning more outlets.

It also needs to focus on the food safety and provide a better version of services to build up a healthy company image, as well as establish powerful online and phone ordering and delivery systems. These effective and efficient business strategies will help KFC to achieve its success in the long term development in China. (Word Count: 1039) Reference List 1) Ambrose, E. P. , 2013, ' Shortage of workers to halt China's growth', Sydney Morning Herald, 6 February, p. 6, viewed 27 March 2013, ; It; <http://newsstore.fairfax.com.au/...> = text; amp; sf= headline; amp; rc= 10; amp; rm= 200; amp; sp= brs; amp; cls= 16153; amp; clsPage= 1; am