

Study and examination of kfcs business environment



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Present world is changing and moving faster day by day according to that peoples situation and their life style are also motivating accordingly. People are habituating them self by making the things faster, in this process people are concentrating in saving time even at the place to have food. Now a day`s people are highly depending in fast food concept which can save their time and have some good food. Making this a business point many fast food centres are arising in the market, where the food is served in minutes. Bases on this concept many fast food centres came into existence like KFC, Burger king, pizza huts etc., among many fast food centres Kentucky fried chicken shortly known as KFC has taken its great advantage and maintained to be the top in the present market.

Colonel Harland Sanders is the founder of Kentucky Fried Chicken, in 1930`s Sanders who was at the age of 40 year used to maintain a service station in Corbin at Kentucky and used to serve the customers with his new formula of cooking chicken with 11 herbs. In the early 1935 then the governor Ruby Laffoon made him a Kentucky Colonel. Rapidly the fame grew up and people used to come more and more to eat his cooking products accordingly Sanders came to streets to cook and show his capability and introduced his menu in many places.

As the confidence in his fresh fried chicken grew up Mr. Colonel Harland Sanders has motivated towards developing chicken franchising business and within no more time there were more than 600 franchises established in United States and Canada. In the year 1964 Mr. Sanders sold his interest to a private group of investors Mr. John and Mr. Brown in United stated KFC for two million dollars.

Under the new management the Kentucky Fried chicken corporation introduced the high quality of service and to the result the sales grew up rapidly. In the year 1997 Pepsi Co, spun -off its quick service restaurants including KFC into an independent restaurant KFC and branded it a Yum which are today nearly 32500 branches in 100 countries.

<http://www.kfc.com/about/>

When we study Kentucky fried chicken in terms of Business Environment by using three analyses concepts many more interesting concepts relating to the KFC arises. The three analyses are

1. PORTER`s five forces frame work.
2. PESTEL Frame work.
3. The SWOT matrix.

1. PORTER`S FIVE FORCES FRAME WORK:

Introduction -The five forces frame work of analyzing was introduces by Michael E. Porter in his book competitive strategy `Techniques for analyzing industries and competitors`. Through this tool we can analyze an organization in strategic process. Porter has developed the five forces in such a way that any organization or any market can be benefited or analyzed. Based on the information about the KFC using the five forces analyses management can decide how to influence particular characteristics

Entry

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For the current United Kingdom market for fast food, it is not difficult for a fast food restaurant to enter the market. However, it would be extremely difficult to take over already running major fast food chains' dominance in United Kingdom or even make a significant amount of profit. While there are enough people in urban United Kingdom for any restaurant to survive, KFC holds the first-mover advantage into the 'non-veg food specialty food segment' that gives them free reputation. Customers, especially children who are used to going to KFC as a treat or reward from their parents or grandparents, are not going to want to go to other restaurants they've never heard of. The brand name is already established. Also, there is already a large variety in the numerous western-style dining places in United Kingdom, such as McDonald's, Pizza Hut, Domino's and Subway, and any new fast-food entrants would just be presenting something very similar to what's already there. While small neighbourhood restaurants generally have low barriers to entry, these are the barriers to entry for similar restaurant businesses to enter the fast-food chain market.

Buyer/Supplier Bargaining Power

The customers of KFC, especially as individual buyers, have almost no bargaining power because if only one customer threatens to no longer eat at KFC, the store is not going to lower its price because the cost of losing one customer is not very great. The suppliers like the buyers, have very little bargaining power. In terms of food, KFC, upon its move into United Kingdom,

urged many of its U. S. suppliers to also extend branches into United

Kingdom. KFC also began helping local suppliers by giving them technological support to improve their products. This is a brilliant strategy
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because the supplies that KFC would otherwise need to import from the U. S. can now be obtained domestically, and if the U. S. suppliers decide to raise their prices, KFC can easily switch to the local suppliers. This gives us a brilliant strategy. With this strategy, KFC created antagonism among its suppliers, lowering the supplier bargaining power. In terms of human resources, labour cost is extremely low because the supply of non-skilled workers greatly exceeds the demand for them. With so little buyer and supplier bargaining powers, KFC is able to have a very tight control over its prices and expenditures

Substitutes and Complements

As mentioned above, there are a few major competitors in the fast-food industry in United Kingdom for KFC, namely McDonald's, Pizza Hut, Domino's and Subway. The substitute products, in this case, would be burgers, pizza, and sandwiches. Though they are competitors, their primary products differ greatly from each other, in that they sell, chicken, burgers and fries, pizzas, and sandwiches, respectively. Traditional United Kingdom dining, home-cooked meals, and grocery stores with ready-to-eat foods are also substitutes, as families could choose any one of these over fast food for a meal. These substitutes are definitely considered healthy as compared to the fast food chains. Even foods from street vendors count as substitute goods. While other fast foods serve as substitute to KFC, they can also serve as complements for fast foods as a whole. If the general price of fast foods goes up, KFC's price rises as well, and the same can be said of the quantity sold of these products, which make them complements to each other. KFC also sets up stores located near popular tourist attractions, so tickets to these tourist

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spots are also complementary goods because the more people tour these attractions, the more customers KFC will get.

Rivalry

Unlike what one would expect, KFC has little rivalry with similar fast-food chains in United Kingdom. The primary reason is that their core products are different, as in they sell different kinds of fast foods with very different tastes and styles. For example, if KFC raised its price for chicken by a small amount, United Kingdom chicken lovers who may not be as accepting to pizzas are not going to switch to Pizza Hut just because the price for KFC increased. In addition to that, these restaurants have such different target customers that the fluctuation of price for one restaurant is not going to affect the others.

<http://www.scribd.com>

2. PESTEL Frame work:

In Macro environment there are many factors that will effect the decision making in any organisation. To overcome and analyse these factors organisation can categories it in to PESTLE model which is considered as below. The macro-environmental or external factors of KFC can be identified by using PESTLE analysis which stands for Political, Economic, Social, Technology, Legal and Environmental.

Political factors:

This factor mainly deals with the government policies and procedures which is worked out through legislation and consists of all legal factors such as

How stable is the political environment?

Government position on market ethics

Government view on culture and religion

Government policy on Economy

Taxation policy on tax rates and incentives

These are some of the political factors that include legal issues, government implementations and define both the formal and informal rules under which the organization must be operated.

Economic factor:

KFC organization is affected with national and global economic factors such as Cost of labour, Interest and Inflation rates, Economic growth rates,

Business cycle stage (e. g. recession, recovery) and Unemployment rates.

Due to recession the income of the KFC has consistently dropped down and most of the employees were jobless and the rest employees were employed for very few hours also the organisation had to cut down their budget.

Social factor:

It includes the cultural and demographic aspects of the external macro environment. The potential of the employees who come from different back

grounds and work together in the KFC and customer trends and aspect which the KFC has to consider as per their needs and wants of the customer such as changes in lifestyles, Level of education, Value in society, Demographics (age, sex, race etc..) and Change in consumer needs and wants. The U. K people are mostly dependent of the fast food centres as they find very busy with their schedules.

Technological factor:

This factor is the major driver of globalization which reduces the minimum efficient of production levels and some of the technological factors are recent technological developments, Rate of technology changes, Alternative way of providing services, New discoveries, Communication technology. The technology has now become the most important aspect in KFC as when the customers are mostly delighted and satisfied with service including latest technology that is available in the KFC. The latest Technological methods that are used to serve the customer faster are such as digital screens, wireless headphones for the staff, cooking utensils.

Legal factor:

The KFC has to maintain the rules and regulations related to the hygiene factors such as like employee proper training regarding the food and safety, personal hygiene, clean work environment and proper use of the utensils. This also deals with the legal environment in which the firms operate like the U. K has come up with the introduction of age discrimination legislation and increase in the minimum wage and greater requirement of recycles. When

speaking about the hygiene it's a very true example were KFC had to bare the high penalty because of failing in maintaining food hygiene.

“ A Kentucky Fried Chicken restaurant at the Hernston Business Park in Bridgend has been fined a record £24, 000 plus costs of £2, 000 after pleading guilty at Bridgend Magistrates Court to multiple food hygiene offences – the largest penalty handed out to date for such offences in Bridgend County Borough. Bridgend County Borough Council brought two prosecutions against KFC (GB) Ltd resulting from inspections completed by the Public Protection team on 25 September 2005 and 22 May 2006.”

Ref: http://www.bridgend.gov.uk/web/groups/public/documents/press_release/018326.hcsp

http://www.oup.com/uk/orc/bin/9780199296378/01student/additional/page_12.htm

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Environment factor:

KFC by considering the environmental factor has proved to be quite friendly towards environment where it uses the paper material for the food and services carrying instead of plastic to help in reducing the global warming though it cost very high for the organisation to adopt paper materials such as paper plates, paper boxes for food parcel, glasses and cups etc.,

3. The Swot Matrix

The SWOT analysis is an extremely useful tool for understanding and decision making for all sorts of situation in KFC organisation. The SWOT is acronym for Strengths, Weakness, Opportunities and Threats. SWOT <https://assignbuster.com/study-and-examination-of-kfcs-business-environment-essay-samples-2/>

provides a good frame work for reviewing strategy, position and direction of a company or business proposition.

Strengths:

Brand Equity.

KFC secret recipe of 11 herbs and species.

Stronger Franchises all over the world.

Interactive relationship marketing.

Chains for its convenience and menu variety.

Qualified management and staff.

Maintain High level hygiene.

Weakness:

Lack of focus on Research and Development.

Lack of knowledge about their customers.

They only focus higher income level people.

Don't blend with the local culture unlike Mcdonalds.

Wastage of food.

Missing products.

Opportunity:

Growth of 18-24 age demographic.

Home meal replacement market will exceed.

Olympics can make more profits.

International beef scare from mad cow and hoof and mouth disease.

Updating the restaurants, balance menu.

Gaining more access thorough out world.

Changing Customer lifestyle and taste.

Increase delivery service.

Increase competition from local and international outlet.

Threats:

Bird Flu.

Frozen food is not good for health and despite what so ever the standard they maintain.

Change of customer demands.

Cultural threats from Muslim worlds.

Current recession as decrease the buying power of customers.

Law and order situation (terrorism).

Existing and new competitor.

Recommendations

Using hands of matrix a company can be recommended for more benefits this tool is divided in to four different core stages they are as follows.

Market penetration (existing products and existing markets).

Product development (New product and existing market).

Market Development (Existing product and new market).

Diversification (New products and new markets).

Market penetration (existing markets, existing products): Market penetration occurs when a company enters/penetrates a market with current products. The best way to achieve this is by gaining competitors' customers (part of their market share). Other ways include attracting non-users of your product or convincing current clients to use more of your product/service, with advertising or other promotions. Market penetration is the least risky way for a company to grow.

Product development (existing markets, new products): A firm with a market for its current products might embark on a strategy of developing other products catering to the same market (although these new products need not be new to the market; the point is that the product is new to the company). For example, KFC is always within the fast-food industry, but

frequently markets new burgers. Frequently, when a firm creates new products, it can gain new customers for these products. Hence new product development can be a crucial business development strategy for firms to stay competitive.

Market development (new markets, existing products): An established product in the marketplace can be tweaked or targeted to a different customer segment, as a strategy to earn more revenue for the firm. For example, Luc oz ade was first marketed for sick children and then rebranded to target athletes. This is a good example of developing a new market for an existing product. Again, the market need not be new in itself, the point is that the market is new to the company.

Diversification (new markets, new products): Virgin Cola, Virgin Megastores, Virgin Airlines, Virgin Telecommunications are examples of new products created by the Virgin Group of UK, to leverage the Virgin brand. This resulted in the company entering new markets where it had no presence before.

Conclusion: