

Yum brands

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Porter's 5 Forces Model is a valuable tool in evaluating the condition of the Yum! Brands China Division and the fast-food industry that Yum Brands is actively dominating. While there is much competition in China in the food industry, it is undeniable that with the CEO's guidance, Sam Su, the growth that they have accomplished over the years is exponential. This growth is due to the fact that Su looks at the bigger picture, imaging what he wants the company to be like in five to ten years, and making that dream happen immediately.

Porter shaped this strategy to give a thorough analysis of the condition of any given industry and determine the feasibility of entering, but also to determine the level of competition being dealt with by current established participants in the industry in order to reposition themselves for further growth and development. Thus, Porter gives the 5 Basic Competitive Forces and suggests analyzing each one in the scope of the industry. 1. Barriers to Entry In China's fast-food industry, largely dominated by Yum! Brands, the barriers to entry are high due to several key factors. First, a company trying to break into the Yum!

Brands market must compete with their restaurants, Kentucky Fried Chicken, Pizza Hut, Taco Bell, which have a combined total of over 3600 stores in their market. Economies of scale come into play because most fast-food companies have the capital and production abilities to produce their product and additional products for much cheaper than a beginning fast-food restaurant that is entering into the market. A major factor in the Yum! Brands China Division and the fast-food industry in China is now

differentiation and the altering of the product in order to suit the Chinese people's tastes rather than American's tastes.

The restaurants in the market are attempting to find new ways to appeal to consumers without drifting away from their key products who have brought them lots of success. For example, compared to Americans, Chinese people like spicier things and a more variety of things, so Yum! Brands decided to extend each menu and alter recipes to fit this requirement. The recent, rapid growth of the fast-food industry in China is a good area of focus for existing American fast-food companies wanting to expand their business, but the product must be easily altered to catch the Chinese people's likes and to have resistance to competing restaurants.

Another barrier to entry could potentially branch from the government to control health standards. Companies must invest in research and development to determine ways to address health concerns and tabulate a healthier product. Ultimately, Yum! Brands in China have dominated the market share and are making it difficult for new entrant to expect a profitable gain upon entry. However, in order for Yum! Brands to continue their success steady innovating and investing need to be accomplished in order to stay ahead in the industry. 2. Rivalry

In this industry, the competition is rigorous and several large companies hold majority of the market. The barriers to entry are very easy, which in turn means many competitors. Yum! Brands main competitors are McDonald's Corp, Burger King Holdings, Subway, Dairy Queen, Starbucks, and Papa John's Intl (PIZZA). Though there may be many competitors, economies of scale can cause smaller competitors to get crowded out or bought out by a

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larger company. Yum! Brands have to continually be competitive and shift their strategy in response to other companies' new ideas and business strategies.

Yum! Brand's restaurants had to develop more menu specific items and a wider variety to tap into the Chinese food market. This also allowed them to stay one step ahead of competitors such as McDonald's. In 1987, Yum! Brands opened the first KFC in Beijing and since then, have built the largest restaurant company in mainland China due to the large population growth. It is a costly market to enter and once in it, a company needs to realize at least their fixed costs before exiting, making Yum! Brands' restaurants even more dominate in the market.