

Kfc-stratefy for developing



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Kentucky Fried Chicken Strategic Plan-Part One Jeanette Cortez, Autumn Crowther, James Hopper Fernando Manaloto, Joe Newkirk, and Rita Salem International Strategic Planning and Implementation STR/GM 581 March 31, 2011 Dr. Tim Becker, MBA Introduction Kentucky Fried Chicken has been established as a franchise in Latin America and the focus of this plan will be the El Salvador franchise. The strategic management process is vital and a well laid out plan is necessary. Consequently, by evaluating the background of KFC, the outcome should lead to a clear mission and vision statement outlining the purpose and goals of the company.

Also, the mission and vision will keep all shareholders informed of the objectives that should be met by KFC. “ Defining the company mission is one of the most often slighted tasks in strategic management” (Pearce II & Robinson Jr. , 2009, p. 42). A mission lays out the organization’s goals and basically specifies the purpose of the organization. Decisions and strategies can be established after environmental scanning is done along with a Situational Analysis (SWOT). The strategic process also involves frequently assessing the industry structure and choosing strategic plan options that help expand global operations.

The two chosen strategic options that will be discussed will be product differentiation and cost leadership. This plan should give clarity on how the options and recommendations fit with both the competitive situation and the organizational situation. Background Based in Louisville, Kentucky, Kentucky Fried Chicken (KFC) corporation is touted as the “ world’s most popular chicken franchise” (KFC, 2011). KFC serves over 12 million customers in 109 territories and countries throughout the world (KFC, 2011).

Famous for its Original Recipe Fried Chicken, there are “ more than 5, 200 restaurants in the United States and more than 15, 000 units around the world” (KFC, 2011). This company whose inception was in a gas station back in 1930 by Colonel Harland Sanders is now owned and operated by Yum! Brands, Incorporated. As of 2008, Yum! had revenues in excess of \$11 billion and was ranked #239 on the Fortune 500 list (KFC, 2011). KFC Mission Statement, Vision and Strategy KFC’s Mission Statement is: “The Association of KFC Franchisees, Inc. is united to protect, promote and advance the mutual interests of all member franchisees and the Kentucky Fried Chicken system. ” (Association of Kentucky Fried Chicken Franchisees, Inc. 2006). KFC’s parent company is Yum! Brands (Yum!). Yum! ’s vision and strategy is “ committed to continuing the success realized during our first ten years. Our success has only just begun as we look forward to the future, one which promises a long runway for growth, especially on an international level” (Yum! , 2011). KFC El Salvador also falls under Caribbean and Latin America Franchisee Association (CARIBLA).

CARIBLA’s mission statement and objectives are “ the mission of the CARIBLA Franchisee Association is to represent, promote, and protect the general interests of all member YUM franchisees in Latin America and the Caribbean” (CARIBLA, 2011). Objectives - Contribute to maintain and improve the profitability the restaurants for the short and long term (supply chain management projects). - Represent the members' interests in different areas. - Defend and protect franchisees contractual rights. - Communicate as one voice with YUM Restaurants International. (Association Mission and Objectives, para. 1). Strengths, Weaknesses, Opportunities and Threats | |

Beneficial | Harmful | Internal | Strengths | Weaknesses | | 1. Purchase power of consumer is rising. | 1. Franchise cost is high. | | 2. More than half of Salvadorans income is spent on food. | 2. Competition is high in the industry. | | 3. Recognized worldwide brand name (15, 000 world-wide locations. | 3. Small country population. | | | 4. Quality and freshness regulated throughout every franchise. | | | 5. Offers choices of local food on menu. | | | External | Opportunities | Threats | | 1. Online Sales assist profits. 1. Foreign products are currently fashionable but interest could | | | 2. Introduction of new products. | decrease. | | | 3. Expansion due to rising economy (Continual Growth) | 2. Economic climate stability. | | | 4. Only current location in capital city – San Salvador largest | 3. Local suppliers are minimal. | | | hub for travelers. | 4. “ Pollo Campero” is a Salvadorian brand and well established | | | chicken eatery. | | | 4.

Many fast food competitors such as Burger King, McDonalds, | | | Pizza Hut, etc. | Product Differentiation The goal of product differentiation is to increase profits by increasing consumer demand and decreasing the demand of price elasticity. Organizations typically attempt to differentiate their products through physical characteristics, location, service, and subjective image differences. KFC’s product differentiation is most impacted by location, service, and physical characteristics.

Consumers value a variety of products and because each consumer has different tastes, the organization will attempt to pry consumers away from current competitors by offering physically differentiated products. KFC must differentiate itself vertically, meaning the company will set itself apart from competitors by the actual quality of its products (Waldman and Jensen, n.

d.). However, KFC's management must wisely choose upon its locations. The company's largest competitor, Pollo Campero, operates in 14 different locations in El Salvador and poses a high threat to the company.

In addition to location, an organization's products are highly differentiated by service. With the presence of Pollo Campero, KFC must not only rely on good food but also provide exceptional customer service that will retain its customer base. Cost Leadership The cost leadership strategy targets a broad market. KFC has developed strong relations with suppliers that use cheap ingredients. Additionally, the organization has the capital required to increase production in assets. While this type of investment represents a barrier to entry that many organizations may not overcome, this is an advantage for the organization.

Furthermore, KFC's flexibility in supply chains, product differentiation, and ease in their productions gives the organizations a competitive edge over its competitors (QuickMBA. com, 2010). Conclusion KFC is based in Louisville, Kentucky and is subsidiary of Yum! Brands, and operates in over 109 countries. A KFC store in El Salvador operates under three mission statements of Yum! , the Association of KFC Franchisees, and CARIBLA. KFC has recognizable strengths, weaknesses, opportunities and threats to be evaluated before further expansion in El Salvador.

Product differentiation and cost leadership are advantages that KFC utilizes in edging out competitors. Recommendations KFC has choices to make in expanding in El Salvador. One recommendation is for KFC to contact the lone KFC operator in El Salvador to persuade him/her to open more franchises in San Salvador with a goal of gaining more name recognition to expand into

other El Salvadoran cities. KFC's strengths and name recognition will create more opportunities in El Salvador. Another recommendation is to have the lone franchisee to find out if interest in opening new KFC stores exists among El Salvador's entrepreneurs.

The franchisee could be paid a bonus for recruiting applicants that receive franchise approval. Both of these recommendations depend on KFC equaling or surpassing food quality and customer service of chief rival, Pollo Campero, and by using product differentiation and cost leadership. References Kentucky Fried Chicken (2011). Retrieved from KFC website on March 27, 2011: www.kfc.com. Association of Kentucky Fried Chicken Franchisees, Inc.. (2006). Association of Kentucky Fried Chicken Franchisees, Inc.. Retrieved from <http://www.kfc.com/history.htm> CARIBLA Franchisee Association. (2011). CARIBLA. Retrieved from website on March 28, 2011: http://www.caribla.com/association_mission.htm Pearce II, J. A. , ; Robinson Jr. , R. B. (2009). Strategic management: Formulation, implementation, and control (11th ed.). Waldman and Jensen. (n. d.). Product Differentiation ; Strategy. Retrieved from <http://courses.umass.edu/resec732/docs/Waldman%20and%20Jensen%20Chapter%2013.pdf> QuickMBA. com. (2010). Strategic Management. Retrieved from