

Opening a burger king franchise in pakistan tourism essay



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Introduction

Burger king is a well known brand of a fast food restaurant chain that operates globally. Founded in 1954, the burger king franchise has grown from its humble beginnings to a multibillion dollar empire over time and the business has gone beyond the borders of its country of origin and now it has franchise operations all over the world. However the character that embodies the brand, famously known as “ the king” was developed and introduced in 1955 that grew to become an embodiment of the brand itself. Developing various versions for broiled beef lovers, the menu of burger king grew and so did its customer base. Owing to the immense success, the company decided to expand the business and franchises were granted in the year 1959 but the initial focus still remained on the western markets where there was a demand for and similarity with the cuisine that burger king offered but the first franchise restaurant to materialize outside the US was in Puerto Rico.

Up till the year 1967, the company had already opened up 275 restaurants but further expansion required the private owners to cohort with the Pillsbury Company. Currently, the company is a publically traded company with Goldman Sachs Capital Partners, TPG Capital and Bain Capital as its major stockholders. It is one of the most well known brands on earth and it is hard to find a country where there is no burger king outlet, Pakistan happens to be one such country. However franchise operations are a very risky business for the franchisee, especially in the case of a foreign brand. A multitude of factors; both external and internal need to be addressed before a franchise can be launched. An analysis of external and internal factors needs to be <https://assignbuster.com/opening-a-burger-king-franchise-in-pakistan-tourism-essay/>

done in the form of a prefeasibility study to test the waters before taking the plunge (Kotler, 2008).

Pakistani Market

Having remained under the Mughal rule for a long time, Pakistani cuisine consists of hot, spicy and rich curries that are consumed with rice or bread with a lot of herbs (Black, 2002). This makes Pakistani cuisine quite different from the Western one and therefore offers a challenge to any international franchise thinking to enter Pakistan. However it is not unusual to find famous fast food restaurants in Pakistan and travelers' home sick for their local food will have no difficulty in finding international restaurant chains in the major cities of Pakistan (Singh, Brown, Clammer, Cocks and Mock, 2008). Various names like Pizza hut, McDonalds, KFC, Mr. Cod, Subway etc are household names for Pakistani city dwellers as well as they offer a break from the usual cuisine available at homes. According to reports, the real private consumption growth rate in Pakistan is expected to be much higher than its GDP by the year 2014 and therefore points towards the existence of various growth opportunities and international food companies such as Nestle and Unilever are doing extremely well (PRlog, 2010).

Burger King provides a lot of support for its franchises and even plays a role in selecting the most appropriate site for the business. The employees are also given a training of a minimum of 70 days so that they are well equipped and knowledgeable about the company's operations.

External Analysis: PESTLE

Political Factors

Even though Pakistan has had a history of political instability, upheaval throughout its history but the political factors that are relevant to a fast food business include health and Safety Guidelines, food labelling guidelines issued by the government that may be subject to change with a changing government. In Pakistan there are no well defined rules and regulations for monitoring the health standards of restaurants and there exist no labelling requirements as well. This presents easy operational conditions as well as the opportunity to define industry standards of the fast food business in Pakistan.

The security situation in Pakistan is also a question mark because terrorist and angry mobs have often targeted international restaurant chains in Pakistan and a KFC outlet in Karachi was destroyed twice because of such a situation (Schlosser and Wilson, 2007).

Economic Factors

Economic considerations that will help in establishing the operations in Pakistan low set up costs for the franchise and the ability to tap into a growing market as the awareness of consumers regarding international brands increases. The added advantage that fast food carry is that consumers view that they are being offered fair value for the money they are paying. Additionally, the growing middle class consumers in the country who do not want to eat at small local joints but do not have the money to spend on a lavish restaurant are the best target market for burger king. Moreover,

Pakistani government offers favourable investment terms and foreign investors are permitted to keep 100 % of the firm's equity but they are subjected to the condition that a maximum of 60 % of the total equity or profits can be repatriated (SECP, 1984) however the ever depreciating Pakistani currency may be a problem. However the double digit inflation remains to be the major threat as this would warrant an increase in prices that the consumers may not be willing to bear.

Social Factors

As the working middle class in the country is increasing, the lifestyles have become much busier than they were previously which has made the acceptance of fast food restaurants in the country easier. There is still lack of awareness of the concepts of healthy Eating and Obesity among the general population and Pakistani consumers are generally meat lovers which happen to be the speciality of burger king. Another added advantage is the homogeneity in taste across the major cities in the country which will be the target market. Fast foods are not viewed as poor man's food and eating out in an international chain is still regarded as a social activity for many families. It is the accepted religious and cultural norm to consume Halaal food only and the consumers expect the restaurants to offer such food.

Technological factors

Significant investment will have to be made in terms of developing the technology that meets the franchise agreement requirements. Involvement of technology in food here is relatively new and therefore it may be difficult to develop a supplier base in a short time and the company may have to rely on the parent company. Computer ordering or till system are relatively new
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here and therefore employees will need training to operate these systems and will represent a significant cost.

Legal

Restaurants in Pakistan are controlled and registered through the Pakistan Hotels & Restaurants Act of 1976. According to this law, every restaurant must be registered and the owner must attach a certificate that verifies the medical fitness of the staff from the civil hospital of that area along with the application. Health, hygiene and comfort standards have also been defined in this law and the authority issues the certificate of registration and the license to operate at the same time though the firm may have to file a separate form for getting a license (SMEDA, 2009).

In addition to the above mentioned act, there are various other food laws in Pakistan such as the West Pakistan Pure Food Ordinance, 1960 and covers topics that relate to the preparation and the sale of foods and violations are punishable by imprisonment and fine. Another law is the Cantonments Pure Food Act, 1966 which is applicable only in the cantonment areas. Pakistan penal code, 1860 also contains some clauses regarding adulteration of food or drink (Khan and Hafeez, 1999).

Although the regulatory framework is in place, like many other unfortunate countries, these laws are not fully implemented and often exploited.

Environmental

Pakistan is located in such a terrain because of which the weather generally remains hot during most part of the year and the summers are harsh

however the northern part of the country still receives a few good months of winter as well. Monsoon is also a regular visitor however, because of the lack of basic infrastructure; weather condition may cause problems for the consumers as is the recent case of flooding in Pakistan. To make the consumers comfortable, there is a need for proper air-conditioning, heating and selection of a location that is easily accessible despite harsh weather conditions. The environment protection Act of 1997 covers topics related to the protection, preservation, rehabilitation and progress of the environment, deterrence and control of pollution and endorsement of sustainable development (The Gazette of Pakistan, 1997).

Internal Analysis: SWOT

Strengths

A major strength of this venture is the international brand name recognition of Burger king that will help access many demographic groups of the population and gain an easier acceptance in the market. In addition to this, the strong financial backing of the company is another major strength as there will be no hitches in setting up the required infrastructure and the international distribution channels of the company will serve as an added advantage for the franchise. The assembly line style of food preparation of the business is also very efficient while food safety is also given very high importance.

Weaknesses

A major weakness of this operation is that Burger King is mainly concentrated in the US while there is already established competition from

other fast food joints, both local and international in the country and it may be hard to develop a consumer base. It basically relies on its franchisees to run its operations abroad. The major weakness of Burger king is that it offers a very high calorie unhealthy diet and as the trend for health consciousness increases globally, it runs the risk of a shrinking consumer base. Additionally, burgers and fast food snacks are not an everyday meal for the Pakistani consumer as the traditional local cuisine is quite different from what the burger king offers. The logo of the king that makes burger king so recognizable and is the basis of many advertising campaigns may not resonate well with the consumers as the local consumers may not be able to relate with it.

Opportunities

Since there are no burger king outlets operating in Pakistan, it is a great opportunity to introduce the Pakistani consumer to the King. There is an opportunity to take advantage of the experiences of the other fast food restaurants and not make the same mistakes that they did. In addition this, there is an opportunity available for the customization of the burger king menu to the local tastes so that consumers can accept it with ease which many international chains have done in Pakistan. There is room for new product development especially in the breakfast segment in Pakistan which may prove to be a competitive edge for the franchise. Since Pakistan is one of the emerging markets, the economy is still developing and therefore there exists great potential for those who are willing to make a long term investment commitment.

Threats

The security situation in the country remains the major threat to the franchise operations and makes them easy targets of terrorism and requires huge investments in security. The company will face intense competition from the pre established brands especially McDonalds and also from other ready to cook options such as K&Ns chicken etc. consumer eating habits are changing inevitably all over the world. Although consumers still consume fast food meals but this is an occasional event for most of the Pakistani consumers as they are still more dependent on the local or “ desi” food as it is fondly referred to.

Concluding Remarks

Pakistan being one of the emerging markets holds huge potentials as well as high returns but also offers a considerable level of risk as well. Even though the market is huge and profitable, other factors such as the weak economy, political instability, and security threats and poor infrastructure make it impossible to launch operations at a massive scale. Since fast food is not the local cuisine, it may be hard to find consumers outside the major cities which considerably restrict the target market. However there are immense opportunities available as well which can be tapped into by using the most appropriate entry strategy and developing a strong exit strategy if the need arises.