

Kentucky fried chicken holdings malaysia berhad marketing essay



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KFC is an abbreviation of Kentucky Fried Chicken is a chain of fast food restaurant based in Louisville Kentucky, in the United States and was founded by Colonel Harland Sanders in 1952. Since he was only 9 years old, he discovered his penchant for cooking. Through the years he grew up to become a personage the world knows as Colonel Sanders, founder of KFC. KFC mainly sells chicken pieces, wraps, salads and sandwiches. While its main focus is fried chicken, KFC also offers a line of grilled and roasted chicken products, side dishes and desserts.

Although Harland Sanders died in 1980, he remains as an important person of the company's branding and advertisement, and formerly known as Colonel Sander, is a metonym for the company itself. In 1991, the company adopted KFC, an abbreviated form of its name but starting in April 2007, the company began used Kentucky Fried Chicken, its own original name for its signage, packaging and advertisement.

Kentucky Fried Chicken recipe includes blends of 11 herbs and spices and become franchising to the rest of America. By the early 70's, that special recipe reached Malaysia. Today, KFC Malaysia continues to serve finger lickin' good, succulent pieces of chicken. Its delicious aroma was attract most Malaysian citizen and became popularly amongst them. KFC prides itself as a fast-food restaurant give customer's great tasting chicken with a selection of home-styled side dishes and dessert.

The first KFC restaurant was opened in 1973 on Jalan Tunku Abdul Rahman. Until now, KFC Malaysia reached about 500 franchised around Malaysia and still counting. Great tasting chicken has become synonymous with KFC, and

has been enjoyed by Malaysians ever since. Now KFC Malaysia has developed its own distinctive Malaysian personality of its own.

The Company's Background

KFC Holdings (Malaysia) Bhd., (KFC Holdings) is a branded chicken retail chain operator. KFC Holding in Malaysia operates about 500 KFC restaurant nationwide also operates the RasaMas chain of restaurant about 35 outlets. Approximately 52 Kedai Ayamas owning by the Group of KFC Holding, making this company as nation`s first branded chicken and chicken-based retail chain.

Not only serve fast-food as main business, KFCH also widely involved in poultry production and processing, as well as a host of ancillary businesses such as vegetable farming, baking and sauce production.

KFCH has emerged as strong big company in Malaysia`s businesses and retail world with high reputation for excellent product, efficient friendly service and financial strength. Undeniably, KFCH is the only KFC restaurant operator in world whose serve Western Quick Service Restaurant market greater than that of McDonald`s.

KFC Holdings (Malaysia) Bhd (KFCH) operates service not only being the franchisee of KFC chain of restaurant in Malaysia but also in Singapore, Brunei, Cambodia and India.

1. 2 Board of Director (Executive Director)

Kamaruzzaman bin Abu Kassim

Chairman

Non Independent Non Executive Director

Ahamad bin Mohamad

Deputy Chairman

Non Independent Non Executive Director

Jamaludin bin Md Ali

Managing Director / Chief Executive Officer

Kua Hwee Sim

Independent Non Executive Director

Tan Sri Dato' Dr Yahya bin Awang

Independent Non Executive Director

Hassim bin Baba

Independent Non Executive Director

Datuk Ismee bin Ismail

Non Independent Non Executive Director

Datin Paduka Siti Sa'diah binti Sheikh Bakir

Non Independent Non Executive Director

During the KFCH`s period of services, below show the awards and achievement of the KFCH from year 2008 until year 2010:

Award

Year

Awarding Body

Trusted Brand

2010

Yum! Brands

Reader`s Digest Most Trusted Brands

2010

Reader`s Digest

Putra Brand Award 2010 (Silver)

2010

Putra Brand Awards Association of Accredited

Industrial Excellence Award for Service Sector

2008

Malaysia 100

Brand Excellence in Product Branding for Fast Food Chicken Category

2008

Brand Laureate

KFC People Excellence Award

2008

Yum! Brands

Best Operations Excellence Award

2008

Yum! Brands

Restaurant Excellence Award

2008

Yum! Brands

Marketing Excellence Award

2008

Yum! Brands

Franchisee Of The Year

2008

Yum! Brands

Yum! Reel Advertising Excellence Brand

2009

Yum! Brands

Effie Award (Bronze)

2009

Effie

Reader's Digest Most Trusted Brands

2009

Reader's Digest

Franchisee Of The Year

2009

Yum! Brands Table 1. 1: KFC's award and achievement from 2008 to 2010.

Award

Year

Awarding Body

Best Brand Category

2008

Brand Laureate

Outstanding Product Innovation Award

2009

Malaysian Livestock Industry Awards

Best@Show Awards

2009

Livestock Asia Expo & Forum

Table 1. 2: Ayamas` s award and achievement from 2008 to 2009.

Nature of Business

KFCH handles over 620 KFC outlets comprising of Malaysia, Singapore, Brunei, Cambodia and India and over 35 RasaMas restaurants in Malaysia and Brunei. Over the year, KFC Holdings (Malaysia) Bhd. (KFC Holdings) improve in advancement of fast-food with its original recipe of kentucky fried chicken, KFC Holdings also engaged in the business of poultry, processing, restaurants and property holding.

Other than that, KFC Holdings is also engaged in operating hatchery, breeder farms, poultry retail and convenience food store chains. Chicken, fresh bun, cakes, snacks, sauces, chicken rice meals and Freezer to Fryer products are the examples of products offered by the company.

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The businesses units serve by KFC Holdings are:

Restaurants - KFC and RasaMas

Ayamas retail

Poultry Integration

Ancillary Operations

Restaurants

KFC is the best-established brands in Western Quick Service Restaurants market not only in Malaysia but also worldwide. Report has been recorded that over 620 KFC restaurants in Malaysia, Brunei, Singapore, Cambodia and India. Recent product was emerged by KFC Holdings such as Egg Tart offer to customers as a variety alternative to attract peoples.

Successful first steps were taken by the company to re-brand Rasa Ayamas outlets by established RasaMas as dine-in restaurants. The first Rasa Ayamas Restaurant opened in 1996 and the aims is to brings all its ready-to-eat cooked food under the Rasa Ayamas name also to promote the Ayamas processed products to all Malaysians citizen.

Ayamas Retail

Ayamas Retail is Malaysia`s first branded poultry retail chain established by KFC Holdings. The services given by the Ayamas is to sell chicken and chicken-based products in an air-conditioned environment to fulfill

customer's need. It is also offer a selection of chicken roasters and light, chicken-based snacks.

In 1988, the first convenience store was opened at Seapark and afterwards there are about 52 stores under the name Kedai Ayamas. The products are at tip-top of quality halal branded chicken that been processes and packaging by the company`s own processing plants.

Poultry Integration

The KFC Holding's processing plants process poultry for restaurants around the nationwide while focusing to achieve cost-efficiency while maintaining halal and high quality standards. The poultry integrator and operations consist of breeder farms and hatchery, feed mills, poultry farms, contract broiler farming and processing and further processing plants was undertaken by the Ayamas Food Corporation Bhd.

Other than that, the Ayamas operations also to supply whole chicken and cut chicken parts further processes chicken product to the domestic market as well as to export the products to nearby country such as Singapore, Brunei, Hong Kong and Middle East.

Figure 1. 2: Marketing division of Ayamas Poultry Integrations.

Ancillary Operations

KFC Holdings on its own complement core business then take benefits from an integrated ancillary support system that comprises the sauce manufacturing, bakery and commissary operations. The Region Food

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Industries Sdn Bhd (RFI) is the company that leading the sauce manufacturers with producing about 12 million bottles per annum.

Financial Performance

Figure 1. 3: Graph shows the performance of KFC Holdings (Malaysia) Bhd on 11 February 2011.

The financial performance was reported that the company resulting a moderate improvement on the services that provided by the company since it was established. Through its subsidiaries, the company operates in three segments known as restaurants, integrated poultry and ancillary. Since that, the company became strengthen and establishes franchises around Malaysia as the financial performance show a good condition.

Chairman of KFC Holdings said that sales at restaurants since its open more than a year jumped 16 percent in 2008, double the rate of 2007 and then three times faster than the global average for KFC outlets. KFC Holdings (Malaysia) Bhd., the best performer on the nation`s benchmark stock index, said it will sustain the fastest growth in at least 10 years as demand for deep-fried chicken defies an economic slowdown (Chan Tien Hi, December 3, 2008).

KFC SALES GROWTH RATES

Table 1. 3: Summary of Earnings Table of KFC Holdings (M) from 2005 until 2009.

Table 1. 4: P & L Breakdown of KFC Holdings (M) from 2005 until 2009.

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The table 1. 3 and 1. 4 on previous page shows the sales growth rates of KFC Holdings (M) from year 2005 until 2009. It was shown that KFC Berhad remains by far one of the cheapest mid-large cap consumer companies in Malaysia. It can be seen on the table of the overleaf for regional comparison. The sales growth rate was increased from 2005 to 2009 for example the Dividend Yield on year 2005 is 2. 5 percent then each year been increased which year 2009, the yield is increased to 7. 8 percent.

It was reported that KFC Holdings generated revenue of RM1, 206, 9 million which accounted for a 10. 9 percent increase over 2009. Since the sales increased over the country and show good performances, the number of Malaysian KFC outlets has increased to 399 in 2007 and now was increased to 500 outlets all around Malaysia. It is also was expected that the number of outlets will increase by the year of 2012.

At end of March 2007, the research house imputing that 2 percent of selling price was implemented by Malaysian KFC outlets, and 3 to 4 percent selling price increase implemented at Singapore KFC outlets in November 2006. Since the selling price increased, KFC branches were growing fastest around nationwide. Apart from that, KFC Holdings (M) also increased the number of Ayamias Restaurant outlets to 19 from 14 outlets for 2007 and then from 14 to 21 outlets for 2008.

The growth accelerated earnings by this company in 2QFY09 (+4. 2%yoy to RM31. 7m) as compared with +1. 4%yoy in 1QFY09. The higher growth was due to higher contribution and better margin from KFC restaurant division.

Chart 1. 1: KFC - Turnover breakdown (9M06) on 2006

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Chart 1. 2: KFC - Pretax profit breakdown (9M06) on 2006

Below show the pie charts of turnover breakdown and pretax profit breakdown for KFC Holdings (M) on year 2006. Chart 1. 2 show that the earnings that been driven by KFC restaurants chains, which account for almost 90 percent of group pretax profit. The turnover breakdown by year 2006 was almost 60 percent. Overall, it was expected that KFC is deliver mid-single digit revenue growth, which driven by high single digit growth in Malaysia KFC restaurant operations.

SALES TREND

Figure 1. 4: KFC Holdings (M) sales growth from 2005 until 2009.

Figure above shows the sales growth of KFC Holdings (M) from year 2005 to 2009. It is show that the sales were decreased from 6. 5 percent on 2005 to 4. 4 percent on 2006. Then the sales were decreased once again on year 2007 and record the growth about 4. 0 percent. The sales were decreased because of the economic growth for the year came with a mélange of highs and lows whereby the country at that time was unstable due to fuel crisis. This crisis bring on the the impact of higher food and oil prices left a reduction in consumption and business profits.

However, on 2008, the economic began stable therefore the domestic sales prospects of KFC Holdings of Malaysia were increased due to stability of economic. As a result, sales growth for the whole of 2008 inclined increased to 5. 0 percent compared to 4. 0 percent in 2007. During the year of 2008,

KFC Malaysia aggressively drove restaurant image enhancements. Many <https://assignbuster.com/kentucky-fried-chicken-holdings-malaysia-berhad-marketing-essay/>

steps were taken to improve the overall KFC dining experience for the valued customer.

For year 2009, KFC Malaysia became strong market activities and launch a disciplined operations therefore the sales transaction and profitability was increased again in 2009 with 7.2 percentages compared the year before. Expansion of restaurant at that times record greater growth in Peninsular Malaysia region also in Sabah and Sarawak regions. The expected increases in sales growth of KFC's products was due to ongoing enhancement measures and the strong supportive of valued customers.

YEAR

SNACK

DINNER

1985

3.95

4.95

1996

5.30

6.60

2004

6. 70

8. 80

Present

6. 80

8. 90

Table 1. 5: Snapshots of KFC`s meal prices during selective periods

from year 1985 until now.

Since year of 1985, the price of KFC`s meals were become increased due to economic growth ever since. However, since the economic grew more standardize, the price of KFC`S meals were increased according to currency appreciation and the economy. The people of Malaysia are also able to buy the KFC`s meals at reasonable price. However, this factor was not affecting the buyers but every year the sales growth even more increased.

Years ago, the prices of meals at KFC were costly in range of RM3. 00 to RM5. 00. These days, getting a decent meal at KFC which include snack plate and a drink, inclusive of service charges were costly less than RM9. 00 to RM10. 00, which is not much more expensive than dining at hawker shops.

CONCLUSION

The economic growth of our country came with a mélange of highs and lows. Sometimes the economic condition is at a stable place whereby the economic growth was steady. However, since fuel crisis came up in year 2007, the global economic downturn created cautionary, volatile and fragile market by year end. Since the crisis came up, the sales rates of KFC Holdings (M) was record downturn due to the impact of higher food and oil prices.

The group of KFC Holdings (M) were trying to survive by came up with a lots of plan strategies to further the operations of the group. KFC group were committed to enhance performance during that year by introduced new meals to the restaurants and new product to the Ayamas Retails. Since the strategies were launched, in 2008, the group recorded an impressive revenue growth of 26 percent to RM2, 179. 8 million from RM1, 703. 4 million in 2007. In the previous year, the profit before tax also increased to RM167. 5 million against RM150. 6 million.

The increasing of stellar performance also resulted on earnings per share whereby in 31st December 2007, it was recorded that the increased by 13. 7 percent from 52. 59 sen to 59. 78 sen in 31st December 2008. On that year, the revenue from KFC restaurants contributed about 75 percent to the Group`s total turnover, 20 percent and 5 percent was contributed by the poultry and ancillary businesses.

Since that, the improvement of KFCH`s sales growth become surprisingly increased in year 2009. Therefore, on 2nd January 2009, KFCH became a subsidiary of QSR Brands Bhd (QSR) and record that there is another 865, 300 ordinary KFCH shares, increasing the QSR`s total holding in KFCH to 50.

25 percent. This is became the significant milestone for the group to enhance the management capability on the sales growth of the business. The benefit of long term is to exercise result in management stability and positive income contribution of the group.

Now the business of KFCH were at its stable condition and expand more further resulting on the increasing of sales growth each year. Since now and then, KFC becomes the biggest Malaysian fast-food operator with about 500 franchises of KFC restaurants and 26 of Ayamas outlets all around the country.