FOM Hochschule für Oekonomie & Management
University Centre Essen

Expose

in the study course Strategic Business Model Development

on the Topic

Analysis on the Business strategies and Business model of KFC

by

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Matriculation number	547965
Delivery date	2021-07-23

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1. INTRODUCTION:

1.1. Background Information of KFC:

KFC (Kentucky Fried Chicken) is a fast-food restaurant founded in Louisville, Kentucky in the USA that specializes in fried chicken. KFC is world's second largest restaurant chain (according to the sales) after McDonald's. In 1930, KFC was founded by Colonel Harland Sanders. Yum! Brands is the parent company or holding company of KFC. Yum! Brands is a restaurant company that also owns Pizza Hut and Taco Bell chains. KFC was one of the first American Organization that expanded internationally in Canada, UK, Mexico and Jamaica by the mid of 1960s. After that it has expanded in China also which is now the single largest market of KFC. The original product of KFC is pressure fried chicken pieces that is seasoned with Sander's recipe of 11 herbs and spices. In the beginning of 1960, KFC expanded his menu items that is French Fries, chicken fillet sandwiches and wraps, salads and soft drinks. Later PepsiCo supplied drinks to KFC. The main slogan of KFC is "It's Finer Lickin' Good!"[1]

1.2 Research Problems:

I would analysis a lot of problem faced by KFC. The problems are:
- KFC does not use a healthier oil to fry chicken and to cook other dishes. This cooking oil contains Trans Fatty acids and monosodium glutamate, (MSG) that increase cholesterol and the risk of having heart disease. A KFC store was found to be rat infested before.
- Some KFC restaurants in UK were forced to close due to chicken shortage. Then KFC decided to switch suppliers from Bidvest to DHL and QSL.

1.3 Research Objectives:

The objective of the study is to answer the main question:
- What kind of Business strategy does KFC use?
- How can KFC maintain a good and trustful image for the worldwide customers?
- KFC should pay more attention to which factors?

1.4 Research Methodology:

We collected data from the secondary sources like books, research reports, internet, And journal etc. Then I'm going to explain Blue Ocean Strategy of KFC and do peer SWOT analysis of KFC and McDonald's. The study indicated the business strategies of KFC and the peer business model Canvas of KFC and McDonald's. After that I give a brief summary about the solution of Research Objectives.

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[1] Puleka, D., Kakade, D. and Pulekar, N., 2018. Comparative analysis of training and development practices in fast food segment–McDonalds and KFC. International Journal of Advance and Innovative Research, 5(3), pp.174-191.

2. Theory and Application:

2.1 Fundamental Ideas of the Theory:

A book named Blue Ocean Strategy was written by professors W.Chan Kim and Renee Mauborgne. The authors studied 108 new business across 30 different industries. 92 of those business adopted a Red Ocean strategy aimed at outperforming the competition and rest 16 businesses adopted Blue Ocean strategy and avoided competition in search for a new category that they could dominate. Those who adopted ROS only accounted 39% of the total profit and those who adopted BOS accounted 61% of the total profit.

KFC is pursuing BOS to create demand in the undisputed market space. This makes competition independent and irrelevant. By doing this, KFC has been able to create and capture the new demand. When KFC uses the BOS, it sets the changeable rules and reduces the competition.[2]

2.1.1 Value Innovation:

KFC simultaneous pursuit of focusing on creating good quality food at a reasonable price and a good service aims to make customer satisfaction as a priority and fulfill customer's demand. This increases customer values. Instead of buying each person individually, KFC offers value meal and combo for large group of people with lower cost.

2.1.2 Analyzing the Market: Tools and Frameworks:

➢ **Four Action Framework:**
KFC has developed new buyer value more complicated breaks the tradeoff through four actions in the four-action framework.

1.Eliminate: KFC identified and selected the factors through which KFC has competed over a long time. These factors that KFC takes for granted should be eliminated are outdated technology, monotonous operational processes and rigorous HR policies.

2. Raise: KFC identifies the factors that should be raised wee above the industry standard are Organizational culture, HR training and policies, Technology innovation and Market research Capabilities.

3.Create: KFC can identify the strategic factors and capacities that the industry has not seen before. With these capacities KFC can maintain and controls costs and able to offer higher value to the buyers.[3]

4. Reduce: KFC identifies factors and aspects that should be reduced well below the industry standard. For this the industry is able to maximally benefit from untapped market spaces and related opportunities.

2.1.3 Formulating Blue Ocean strategy:

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[2] Haider, M.U., Jan, F.A., Jan, M.F. and Jan, M.F., 2010. Factors effecting brand preferences: A comparative study of McDonald's and KFC. Abasyn Journal of Social Sciences, 5(2), pp.28-42

1. Reconstruct Market Boundaries: KFC had learned that opening an American fast in various countries is not easy because of different culture and different eating habits.
2. Focus On the Big Picture: KFC want to increase or decrease their strategic layout of fast-food restaurants in their particular market. KFC is concerned about the place's economic growth potential.
3. Build Execution into Strategy: KFC first design and developed BOS at every stage. Then KFC invited participation, external and internal personnel. After that KFC optimize the personnel , track and analyze result of implementation.[4]

## 2.2 Analysis of Business model of KFC and McDonald's:

2.2.1 Peer SWOT Analysis of KFC and McDonald's:[5]

| Strengths	Weakness
KFC: 1. Strong global presence and brand recognition 2. Loyal Customers 3.KFC Secret Recipe **McDonald's:** 1. Most effective brand 2.Delicious Food items 3.Real Estate Company 4.Techonology and Max Brand worth	**KFC:** 1.Supply chain and Distribution problems 2.Unhealthy Foods. **McDonald's:** 1.Franchising Model 2.Unhappy Worker 3.Food safety and sanitation issues
Opportunities	**Threats**
KFC: 1.Exploring new food items 2.Cheap menu and exclusive offer for veg items. **McDonald's:** 1.Affordable Deals 2.customer Service 3.McDelivery and Online Orders 4.Burger Price	**KFC:** 1.Competition with Global and local players 2.Food Quality Challenges 3.High costs **McDonald's:** 1.Cleanliness. 2.Cultural Threat.

[4] LI, S. and YU, Z., 2015. KFC Development in Chinese Market–Based on the Social Responsibility and Ethics. International Business and Management, 10(3), pp.142-146.
[5] Frue, K., 2019. SWOT Analysis of KFC. [online]. Available from: https://pestleanalysis.com/swot-analysis-of-kfc/ [Accessed 30 June 2020].

2.2.2 Analysis of Business Model canvas of KFC and McDonald's:
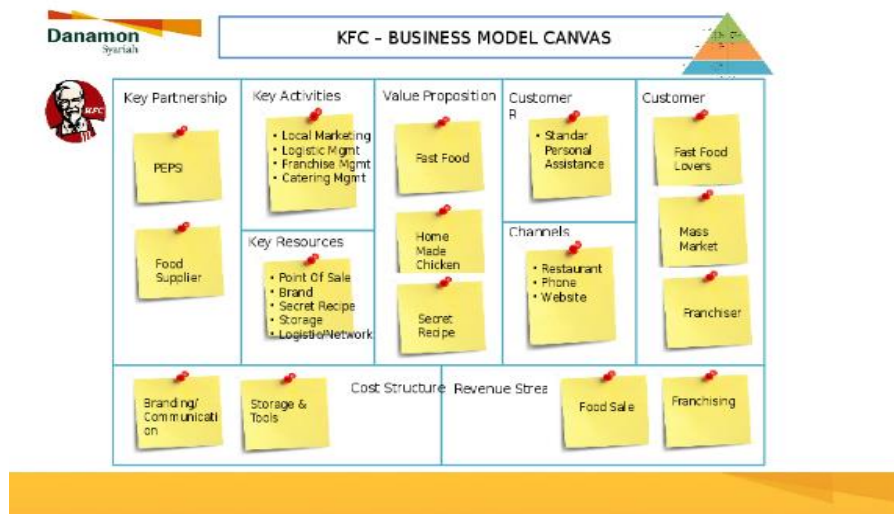
Figure-I: KFC-BUSINESS MODEL CANVAS
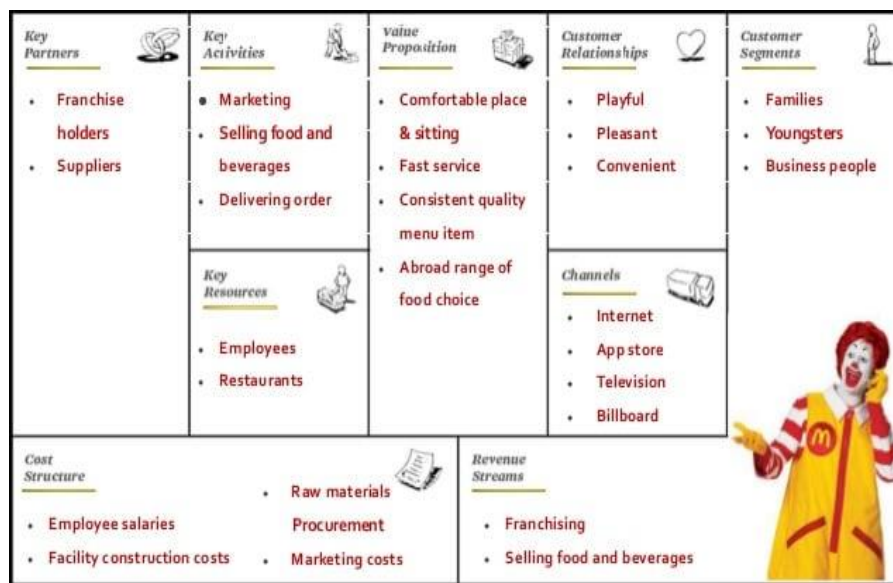
Figure-II: McDonald's-BUSINESS MODEL CANVAS

The Business Model Canvas of KFC and McDonald's can be described as follows:

> ➢ Value proposition: KFC is famous for fast Food, chicken and the secret Recipe, whereas for McDonald's consistent quality of many food items are served quickly and their food courts are very comfortable.
>
> ➢ Customer segments: Non-fast-food lovers and Franchisers are the customer segments of KFC and the main customer segments of McDonald's are families, Youngsters and Business people.

- Key partners: PepsiCo supplies KFC with Pepsi, Juice, 7UP, Ginger Beer and other soft drinks. McDonald's main key partners are its franchise holders.Suppliers are the common key partner of KFC and McDonald's.
- Key Activities: KFC operates a popular chain in local market as well as in the worldwide. This company operates Logistics, Catering and Franchise management. McDonald's key activities are marketing and selling food and beverages.
- Key Resources are KFC's point of sell, logistic network, brand, Secret Recipe and storage. For McDonald's, KR are the company's employee and its restaurants.
- CR: KFC's contact point principle is in restaurant personnel, who takes orders, respond the queries and the complaints. The CR takes place on online device by the customers.
- Channels: Customers can order food items through website, phone otherwise they have to go to the outlets, but McDonald's distributes its products through the restaurants, Tv, Appstore and internet.
- CS: For KFC cost structure consists of branding communication and storage tools but for McDonald's this consists of employee salaries, facility construction cost, market costs and raw material costs.
- KFC's revenues are generated by the franchise holders and the food sale but for McDonald's this generated by the company itself and the franchise holders.

3. Brief Summary:

This report finds that Global business is becoming more competitive in terms of business strategies and business model. It is identified that KFC biggest strength is its brand image and its quality of chicken recipe, but KFC should give more attention on supply chin, cost effectiveness and the Food quality. Until now no other restaurant had beat KFC's fried chicken taste delivery services are fastest than others. In aspect of business strategy, KFC's business scale expanded growth fully but in the same time McDonald's is looking for stability. Chapter 2.1 has introduced the theory with the practical tools behind Blue Ocean Strategy. In Chapter 2.2 I do Peer to peer SWOT analysis of KFC and McDonald's and their business model canvas. KFC should apply McDonald's Strength for improving their business. It is not possible to enter into Blue Ocean strategy without fitting Business Model Canvas. After applying McDonald's strength a good customer service and a good food quality will help KFC to be the number one fast food chain restaurant if they follow the perfect business strategies and analyze the market demand. The Business Model Canvas and Business Strategy of KFC are operated the individual goal and the company's goal, that make KFC one of the Successful fat food chain all over the world.

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