



Strategic Marketing

[An Audit on The Sociocultural Challenges in The Fast-Food Industry]

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Executive Summary

The audit report explores socio-cultural issues facing the fast-food industry. The issue is analyzed using different tools, including SWOT analysis and PESTLE analysis for the external environment, and Porter's Five Forces and McKinsey's 7s framework for the internal environment. Kentucky Fried Chicken (KFC), which is a leader in the fast-food industry is used to analyzing the socio-cultural issues in the industry. The findings show that socio-cultural factors significantly impact a company's performance and determine its competitive edge.

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1.0 Introduction

The management has made a request in relation to socio-cultural issues facing the fast-food business. The tactical and operational techniques used by fast food businesses all around the world are heavily influenced by cultural variations (Klein and Todesso, 2021). The acceptance of a new company's product will depend on the culture of the people in that area. A fast-food chain store's marketing strategy will depend on whether it decides to standardize its items or adapt them to the local culture (Guiné et al., 2020). Kentucky Fried Chicken (KFC) is a sub-brand of Yum Brands, one of the largest companies in the fast food industry. The company operates more than 5,000 units - most of which are franchised - in the United States and more than 3,700 units abroad. With a wide variety of popular full meals to improve the consumer's daily life, Kentucky Fried Chicken stands for high-quality fast food (Limoa, 2020). This audit will evaluate potential internal and external environment factors that affect KFC's operations in the market.

2.0 External analysis of KFC

External analysis mainly includes environmental changes and trends, consumer preferences, market competition and technological advances that affect the company's strategy is very important. Recognizing changes quickly and taking appropriate action is an important competitive advantage (Matovic, 2020). KFC is part of a larger macro environment where these factors create possibilities and risks. According to Vukosavljevic et al. (2021). As the macro environment evolves to affect more individuals and institutions, companies like KFC are often unable to change them.

2.1 The PESTEL analysis

The PESTLE analysis is a model of external environment analysis, mainly through the political, economic, social, legal, technological and environmental aspects of the region where the company is located.

Political factors play a crucial role in KFC's global operations, as the company operates in many different countries with varying political climates. In some countries, KFC has faced government regulations and restrictions on its operations, such as in India, where the government imposed a ban on KFC's chicken products due to concerns over the quality and safety of its food. However, in other countries, KFC has been able to expand its operations with the support of local

governments, such as in China, where the government has actively promoted KFC as a symbol of American culture and business(Matovic, 2020).

For the last three years, the pandemic has caused economic downturns and supply chain disruptions, resulting in lower sales for KFC in many countries. In response, KFC has focused on implementing cost-cutting measures, such as reducing menu options and limiting store hours, to minimize the financial impact of the pandemic. Additionally, KFC has focused on expanding its digital capabilities and online ordering systems to reach more customers and increase sales(Todesso, 2021).

The growing health consciousness of consumers and the social trend towards plant-based diets has also changed KFC, which has led to the introduction of plant-based options on the menu in some countries. Additionally, KFC has also faced criticism for its environmental impact, and the company has responded by implementing sustainability initiatives, such as reducing plastic waste and investing in renewable energy(Deirmentzoglou, 2020).

Technological advancements have played a significant role in KFC's global marketing strategy recently. KFC has invested heavily in digital technologies to enhance customer experiences, such as implementing mobile ordering systems, self-service kiosks, and delivery services. These initiatives have helped KFC reach more customers and increase sales, especially during the pandemic, where digital ordering and delivery services have become essential for many customers (Guiné , 2020).

KFC has faced legal challenges in some countries, such as in the United States, where the company faced a class-action lawsuit over allegations of false advertising regarding its use of trans fats in its food. KFC has also faced legal challenges over its employment practices in some countries, such as in the UK, where the company faced criticism for its treatment of workers. KFC has responded by implementing measures to improve working conditions and labor practices, such as offering higher wages and benefits to its employees.

Environmental factors have become an increasingly important consideration for KFC's global marketing strategy during these years. In response, KFC has implemented sustainability initiatives, such as reducing plastic waste and investing in renewable energy. The company has also introduced initiatives to reduce food waste and improve supply chain sustainability, such as

implementing more efficient cooking technologies and working with suppliers to reduce their environmental impact.

2.2 Porter's five forces model

Porter's five forces model is a tool used to analyze a company's competitive environment. Competitors, bargaining power of customers, threat of new entrants, availability of substitutes and bargaining power of suppliers constitute the five forces of KFC's competitive environment (Juliana, 2019).

The fast food industry is highly competitive and new entrants always pose a threat to incumbents. KFC has an established brand and global reach, which makes it difficult for new entrants to compete. In addition, KFC has implemented measures such as digital ordering systems and delivery services to enhance its competitive advantage and further deter new entrants.

In the fast food industry, the bargaining power of suppliers is relatively low. Suppliers must meet strict quality and safety standards to work with KFC, and the company has a large selection of suppliers to choose from. In addition, KFC's large size and global presence gives it significant bargaining power to negotiate favorable prices and contract terms with its suppliers.

The bargaining power of buyers in the fast food industry is strong. Consumers have many choices when it comes to buying fast food, and they are often price sensitive. KFC has responded to this by implementing value meal options and a digital ordering system that offers convenience and competitive pricing. The company has also introduced plant-based options to cater to changing consumer preferences.

The fast food industry faces a significant threat from alternatives, such as home-cooked meals and healthy eating options. KFC has responded to this problem by introducing healthier menu options and plant-based alternatives.

The fast-food industry is highly competitive, with numerous players vying for market share. KFC faces intense competition from other fast-food chains, such as McDonald's and Burger King. However, KFC has a strong brand and global presence, which gives it a competitive advantage. Additionally, the company has implemented measures to enhance customer

experiences, such as digital ordering systems and plant-based menu options, to further differentiate itself from competitors. Upon analysis, the competitive rivalry plays a major role in shaping the socio-cultural aspect of KFC and the fast-food industry at large (Kiat et al., 2019).

3.0 KFC internal analysis

Internal analysis refers to the process in which the components within an organization interact to identify threats and areas of opportunity. Internal analysis is aimed at finding out the weaknesses and strengths of an organization (Chowdhury and Shah).

3.1 SWOT analysis

SWOT is a framework for identifying and analyzing a company's strengths, opportunities, opportunities and threats (Teoli, 2019).

Strengths:

KFC is an established and recognized brand in the fast food industry, known for its signature fried chicken and unique recipes. And it is used for its extensive global reach. KFC operates in more than 140 countries, making it a truly global brand with a wide customer base. At the same time, the company's strong supply chain ensures consistency and quality in its products. Finally, the company focuses on innovation. KFC has introduced a variety of new products and menu items, including plant-based options, to cater to changing consumer preferences.

Weaknesses:

KFC's menu is more dependent on fried chicken. Other product market effects have not been able to reach the popularity of fried chicken, nor have they changed with consumer tastes and preferences, KFC's menu may be limited, which could lead to a decline in sales, which could be a weakness. Secondly the product can lead to health concerns for consumers: the high calorie and fat content of KFC foods may be a concern for health conscious consumers.

Opportunities:

KFC can explore expansion opportunities in emerging markets where per capita disposable income is growing, such as China and India expanding into emerging markets. KFC can expand its menu to include more healthy options and plant-based alternatives to meet the growing

demand for healthier foods. Finally, KFC can use technology to improve its customer experience, such as through online ordering, delivery and loyalty programs.

Threats:

The fast food industry is highly competitive, with KFC facing competition from established players such as Burger King and new entrants such as Nutritional Salad Foods. In addition, an economic downturn due to pandemic diseases could affect consumer spending, resulting in lower sales for KFC and other fast-food companies.

Overall, KFC's strong brand image and extensive global presence are important strengths, but the company may face challenges related to health issues and competition. By focusing on innovation, diversifying its menu, and leveraging technology, KFC can take advantage of growth opportunities and overcome potential threats.

3.2 McKinsey's 7s framework.

Managers can evaluate their performance using McKinsey's 7s model, which is a strategic tool and framework. The model highlights seven critical aspects for a company to be focused and aligned to successfully manage change processes and consistently improve performance (Chen, 2022).

Strategy: KFC's primary strategic focus is on expanding its digital presence and delivery capabilities. The company has made significant investments in technology and delivery partnerships, such as with Grubhub and DoorDash, to meet the evolving needs of consumers during the COVID-19 pandemic.

Systems: KFC's systems also focused on improving its digital capabilities, investing in mobile ordering, online delivery and contactless payment options. The company also implemented new safety protocols in response to the pandemic, such as enhanced cleaning and sanitization procedures.

Skills: KFC employees were trained to adapt to the changes brought about by the pandemic, such as implementing new security protocols and using new digital systems. The company also invested in employee development and training programs, such as the "KFC Academy," to enhance the skills of its employees.

Style: KFC's leadership style is aligned with its values of customer service, quality and innovation. During the pandemic, the company's leadership continued to prioritize the safety of its employees and customers, while also focusing on delivering high-quality food and customer experiences.

Employees: KFC's workforce remained relatively stable, and the company continued to employ a significant number of people across its global franchise network. However, the company does make efforts to recruit and retain employees, such as offering new benefits and training opportunities.

Shared Values: KFC's shared values are consistent with its mission to provide quality food and customer experiences. During this time, the company also places a strong emphasis on safety, innovation and sustainability.

4.0 Discussion of key findings

4.1 Competition

The simplicity with which a fast-food restaurant may be established and operated has led to market saturation in industrialized nations (Chowdhury , 2021). With so many fast-food outlets on the market in industrialized nations, the fast-food industry is already oversaturated, which poses a challenge to KFC as it struggles to expand in these nations. Increased competition requires that the company must have a better competitive advantage. KFC has been able to differentiate its products by giving it a unique flavor. The flavor is common to all the company's outlets since the firm shares the same menu with all its subsidiaries (Putri, 2021). Moreover, KFC is an already established brand thus it is able to market itself. In addition, KFC has a very strong bargaining power to its suppliers, thus it is able to purchase raw materials at a lower price and realize higher profit margins. The bargaining power of KFC forms one of its major sustainable competitive advantages. The industry has recently seen an increased number of mergers and acquisitions, with 2020 recording more than 20 cases of mergers and acquisitions (Ganatra et al., 2021). Generally, mergers are intended to strengthen the united corporations and enable them have a higher market control. Higher market control translates to increased competition especially in host countries. Better marketing strategies therefore need to be put in place to ensure that foreign firms investing in countries where mergers have occurred continue

selling. Through its core capabilities, KFC is able to run businesses in foreign countries despite the stiff competition.

4.2 Increased lawsuits

The last decade has seen the fast-food industry face countless scandals. KFC has been seriously affected by the numerous lawsuits filed against KFC, many of which it has lost. The fast-food business is a highly regular target of lawsuits. Lawsuits have not only impacted KFC; fast-food chains like McDonald's have also been targeted for the quality of their offerings (Sukma, 2021). The cuisine from these businesses is nevertheless adored despite the scandals that tend to damage the reputation of the firm. The controversies harm the company's reputation but the negative implications are usually short-lived especially when they occur once (Wang, 2020). Many lawsuits have been filed against KFC, ranging from false claims that the company's founder was a racist (Dreher), accusations that the company is growing mutant chicken, repackaging old food in viral video, the expired meat scandal to the contaminated meat incident in China that caused earnings to plummet (Goodwin, 2019). Lawsuits are costly both financially and in terms of time take to prepare them. KFC is still at risk of more pricey lawsuits being filed against it if it does not improve their manner of operations. The negative publicity against KFC from PETA who accused the company for raising their chicken in unfavorable conditions. Furthermore, the company has been criticized for selling poor quality food. KFC has however moved to court to challenge some allegations, some of which they have won the cases.

4.3 Healthy eating

The fast-food industry in the recent past has been hit by a strong wave on its operations. The governments and NGOs, in the attempt to reduce health issues associated with food, have encouraged the public to eat healthy. The food and beverages served by fast-food companies are known to have high levels of fat (Ali, 2020). KFC menu for example is largely formed of high calorie, salt and fat meals and drinks. The entire menu is composed of meals that are known to cause or accelerate health issues such as obesity, diabetes, blood pressure, cancer among other serious health issues. This menu prompts protests from organizations that are fighting these health problems thus decreases the popularity of the products offered by KFC and the fast-food industry at large. In regions where these organizations are supported by the public and the government, fast-food companies do not thrive, or thrive with very low performance. Such protests tend to

paint a bad picture about the products offered by fast-food companies as a sure recipe to disaster. Healthy eating is thus a threat to the fast-food industry in the present and in the future. With increased cases of food related problems, many people including current customers are likely to stop consuming food from fast-food companies (Ariwibowo,2021). Some companies have however adjusted the ingredients of their products to reduce the possible health issues that could be caused by their products. Some fast-food companies have adjusted to serving healthy foods in their menu.

4.4 Employee remuneration

The employees at KFC are paid on hourly basis. the remunerations received by the employees are basically the base salary as per the job Act. Low wages tend to attract low skilled labor and a set of unmotivated workers (Chan et al.,2020). As a result, workers tend to perform poorly which is translated to the company's final output. The fast-food industry is characterized by low performance and high employee turnover. Employee turnover refers to the frequency at which a firm changes its employees or the rate at which employees quit their jobs and new ones are employed . High employee turnover is not healthy for a firm since it results to increased charges to the firm in terms of training and overall hiring charges. Remunerations and good working environment are known to be the major factors that increase employee motivation (Oldenburg, 2019,). Employees tend to leave a poorly paying job as soon as they find better places. Increased employee turnover taints the reputation of a firm. The employees who leave the firm always give a bad picture about the working conditions and rewards for work done to the public. As a result, the company's socio-cultural relationship is ruined. As such, the impacts of such ruined reputation do not only impact the firm and the industry in the short run but also in the long-run.

4.5 Corporate culture

KFC is a multinational fast-food chain and thus adopts an organizational culture that supports diversity. The company's diverse culture encourages innovation and creativity by allowing individuals and teams to grow independently (Wang, 2020). KFC manages diversity by selling different products in various markets around the world. The company's presence in many countries enables it to sell its products and to manage the customer needs as well as cope with the cultural differences in the diverse culture. McDonald's also has mechanisms to adapt to the diverse cultures of its customers since it serves many markets globally. The company employs

locals in the regions where their outlets are set thus promoting the culture of the region. The company's CSR is fully functional, which makes the company responsible to the community it operates in. increased diversity is an asset to the company as the community tend to buy from shops that recognize them (Hamdan et al., 2021).

5.0 Recommendations

After the analysis of KFC, there are some possible future challenges that KFC may face and needs to be addressed now. Below are some recommendations for KFC for its continuous growth.

- i. Focusing on healthy food. The trend towards healthy eating is currently on the rise and poses a risk to the fast food industry. Since the industry is mainly characterized by high-fat products, it is considered to cause serious health problems such as obesity and diabetes. By adopting healthier foods, KFC and the fast-food industry at large will be able to stand the healthy eating trend. The fast-food industry may as well opt for healthier menus such as vegetable food items.
- ii. Set a convenient pricing menu. The largest proportion of consumers of fast foods is the youth, most of whom are students or have lower incomes. KFC may consider having competitive pricing of their menus to accommodate this group of customers.
- iii. Enhance employee motivation. One of the major assets that a company can have is a motivated workforce. Instead of just giving employees the base salary with no benefits, KFC can start giving its employees rewards such as promotions and salary increases periodically. This will increase the motivation of the employees, thus increasing output. Research has shown that a motivated workforce increases customer satisfaction.

6.0 Conclusion

This paper analyzes the various opportunities and challenges faced by KFC in the fast food industry throughout the external environment by using PESTLE and Porter's five forces model. It is found that the brand is in a highly competitive and changing industry market. There are various external pressures from environmental issues, economic issues, etc. Secondly, there is a strong bargaining power of buyers and there are also many threatening issues of substitutes. At the same time, this paper uses SWOT analysis and McKinsey's 7s framework to assess the

internal environment of the brand. KFC's market performance in recent years has been characterized by a strong focus on digital expansion and safety in response to the new crown pneumonia pandemic. Finally, this paper finds that KFC is still controversial in five areas, including employee compensation, corporate culture, and healthy eating. And it provides relevant suggestions for the subsequent development of this enterprise. For example, improving employee motivation, focusing on healthy dining, etc.

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