

# An Analysis of KFC's Business Operations and Market Strategies



## KFC

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# INTRODUCTION & BACKGROUND

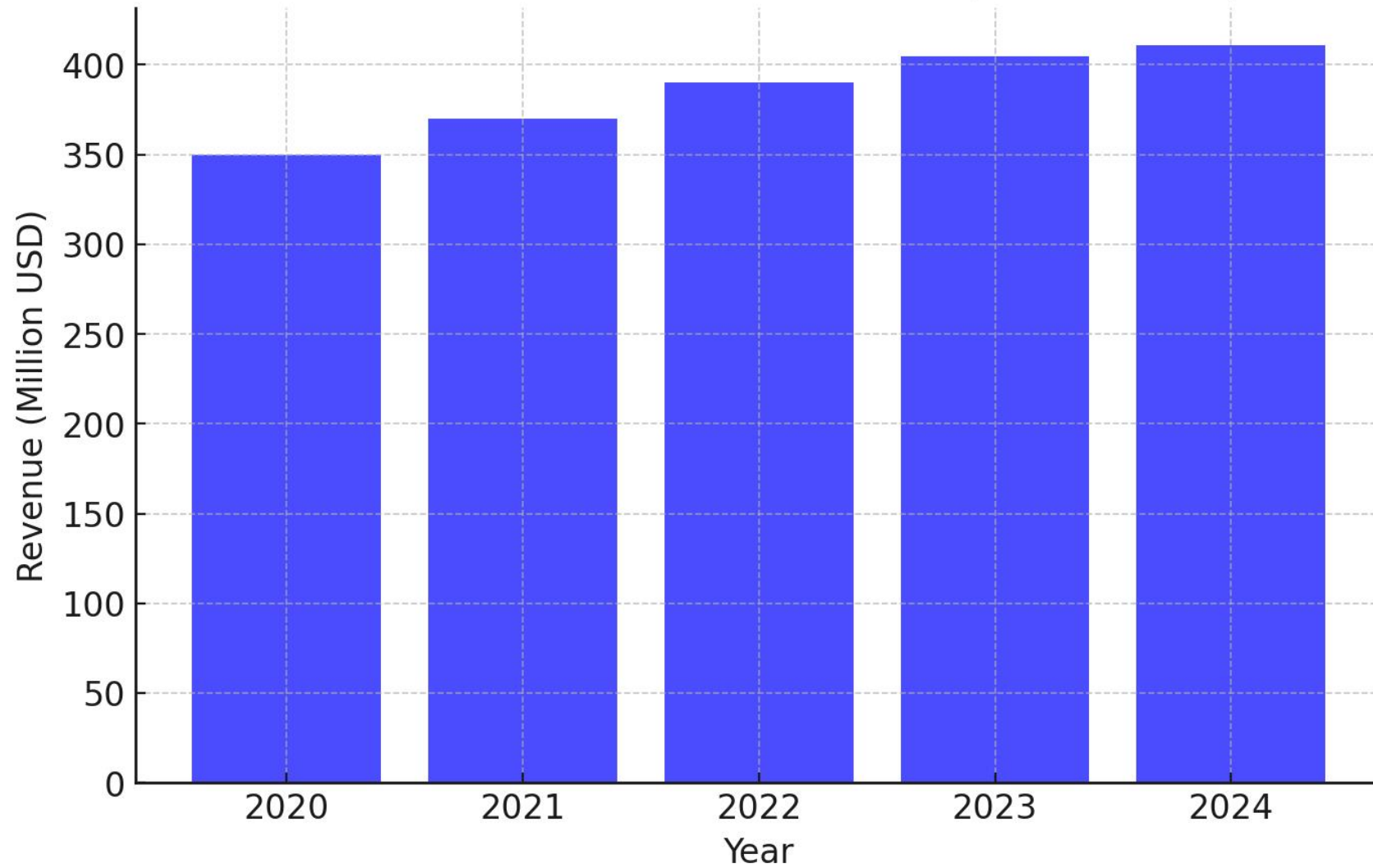
- KFC, a fast-food chain founded by Colonel Harland Sanders in 1952, is a subsidiary of Yum! Brands, Inc.
- The company offers chicken-based meals including Original Recipe fried chicken, crispy tenders, chicken sandwiches, and sides.
- A recent visit to KFC in Karachi, Pakistan revealed current issues and potential solutions.
- The report presents an analysis of these problems from 2020-2024, aiming to provide effective solutions for KFC's future.

# REVENUE & FINANCIAL PERFORMANCE

- Expected revenue of \$411.1 million.
- Highlights brand's regional presence and operational success.
- Ranked top global sales performer and top sales and brand performance among KFC in 143 countries.
- Profitability trends and financial indicators are proprietary to KFC Pakistan.
- Strong position in Pakistan's fast-food sector, leading competitors like McDonald's and Subway.
- Extensive network contributes to KFC's market share, making it the leading fast-food chain in Pakistan.



### KFC Pakistan Revenue Growth (2020-2024)



# FRANCHISE MODEL & OWNERSHIP STRUCTURE

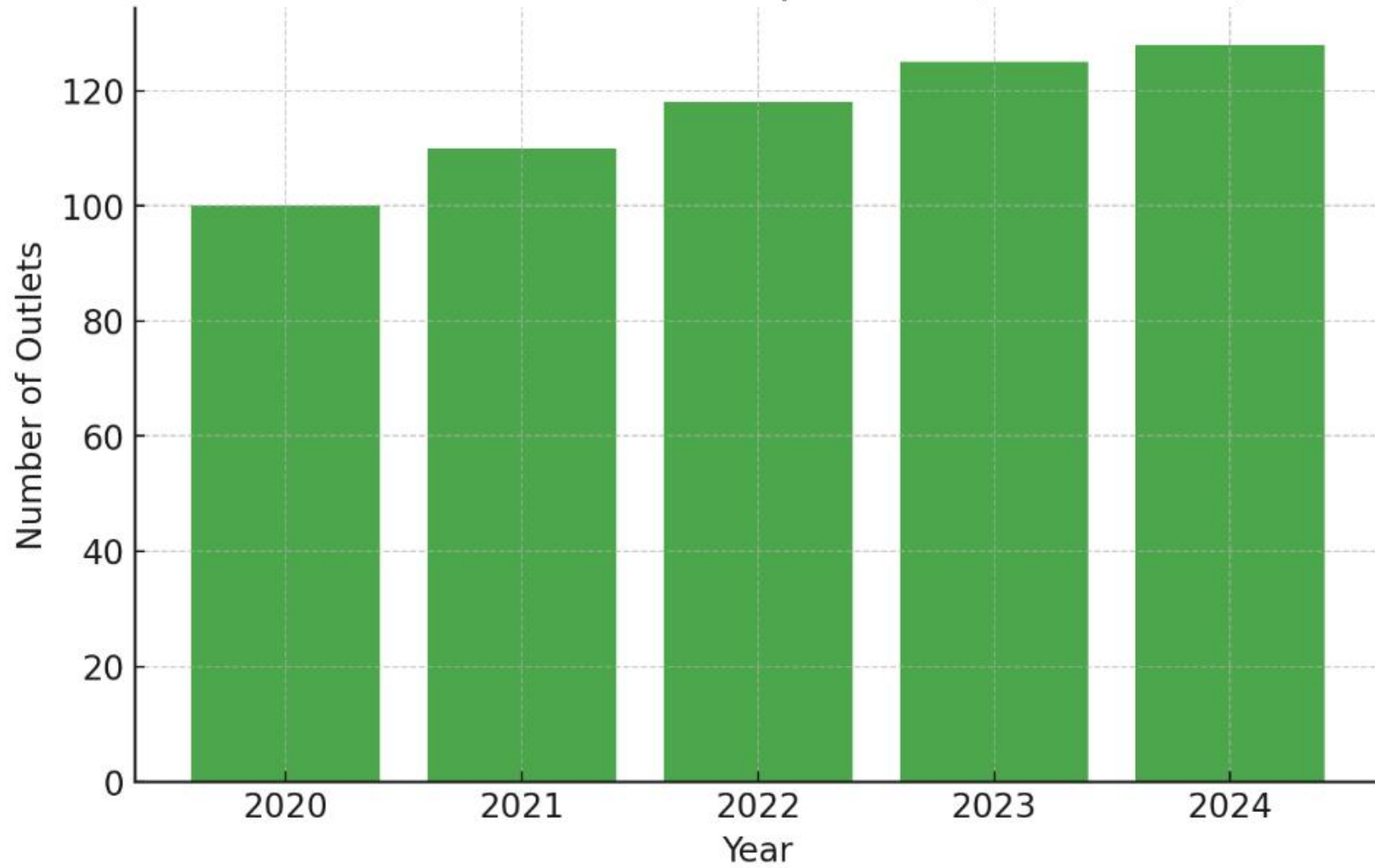
- In line with global business strategy.
- Expansion of franchise-owned and company-operated outlets.
- Specific proportion of franchised and company outlets not publicly available.
- Investment requirements for franchisees not publicly available.
- Potential franchisees advised to inquire about financial commitments, operational rules, and support systems from KFC's regional franchising department.

# OPERATIONAL INFRASTRUCTURE & STORE NETWORK

- Established in 1997, KFC Pakistan has 128 locations across Pakistan, including 23 in Karachi and 18 in Lahore.
- Strategic concentration ensures accessibility and convenience to large customer bases.
- KFC Pakistan also expands into small cities, with 31 major cities present.
- The business model between 2020 and 2024 combines robust financial performance, strategic franchising, and targeted expansion.
- These elements help KFC stand out in the fast-food industry in Pakistan.



KFC Pakistan Outlet Expansion (2020-2024)



# BRAND POSITIONING IN PAKISTAN

- Unique selling point: signature hidden recipe and high-quality chicken.
- Targets urban families, young professionals, and students.
- Special menu items: 'Zingeratha' and 'Chicky meals' tailored to local tastes.



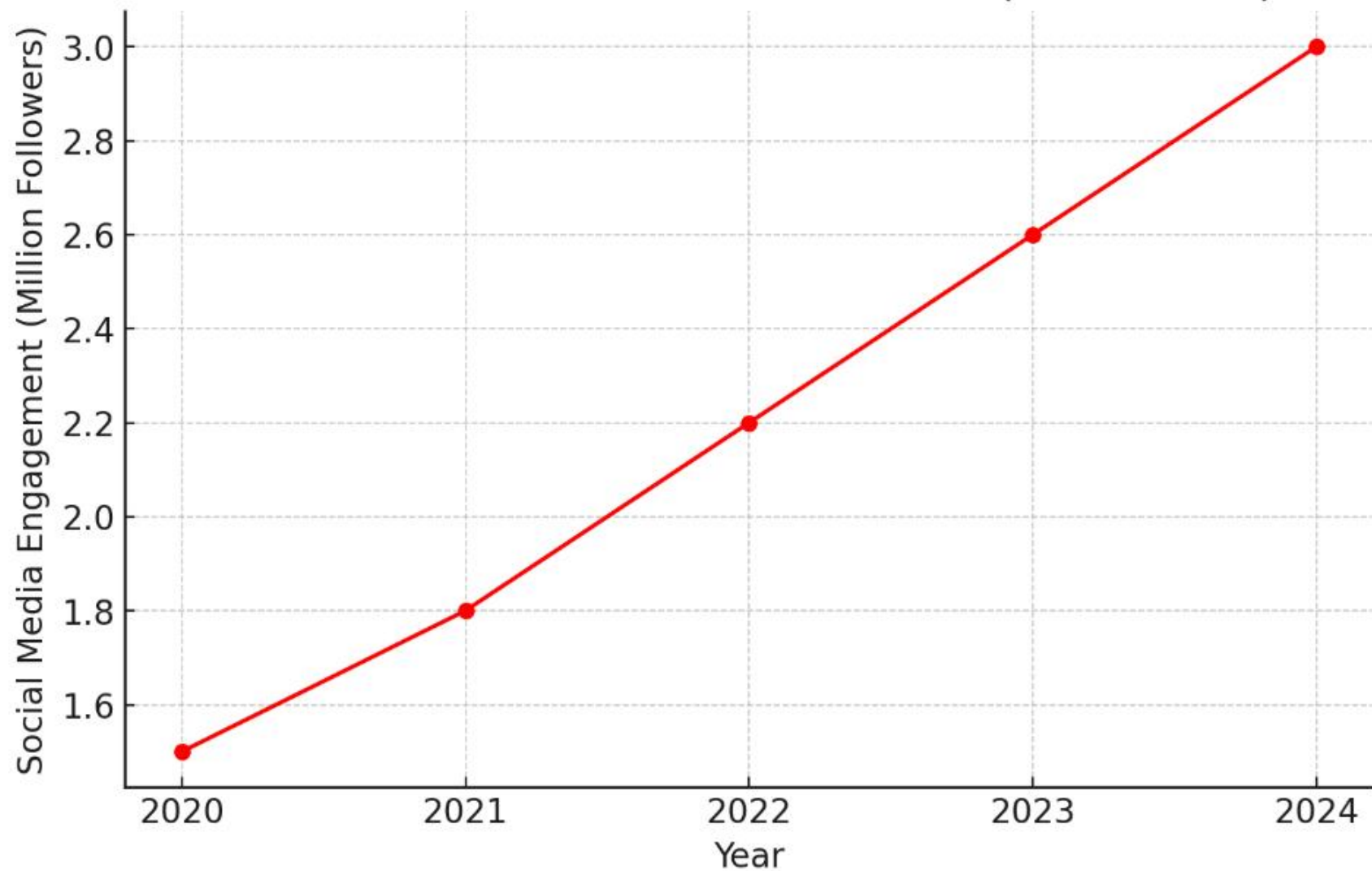


# ADVERTISING & PROMOTIONAL CAMPAIGNS

- KFC uses television, digital, and social media for customer acquisition and feedback.
- Successful campaigns include "KFC Bucket Deals" and Ramadan promotions.
- KFC's sponsorship of Pakistan Super League (PSL) boosts brand image by promoting national pride and cricket fanaticism.

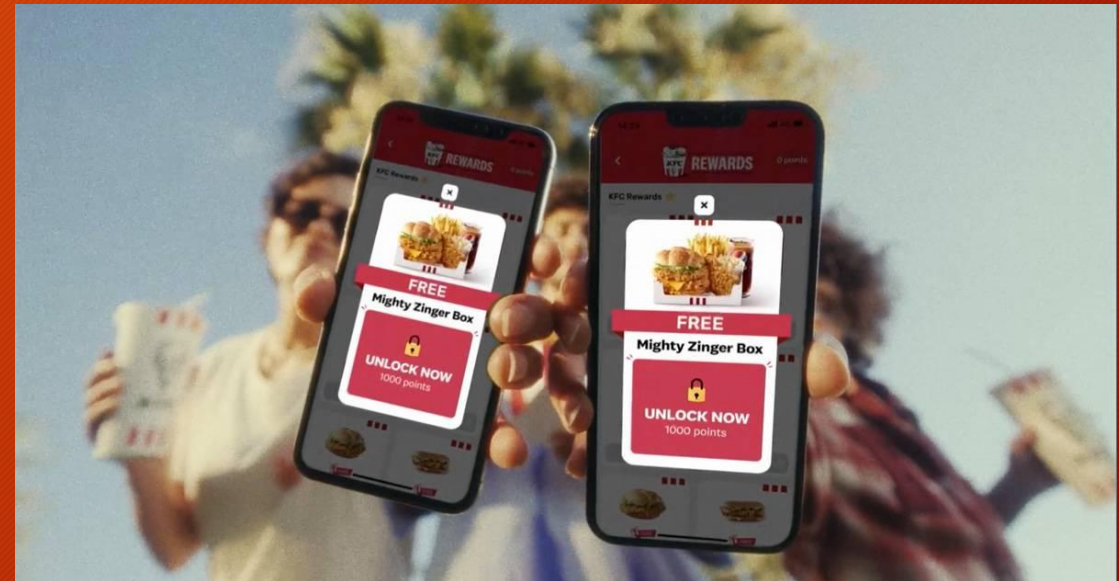


KFC Pakistan Social Media Growth (2020-2024)



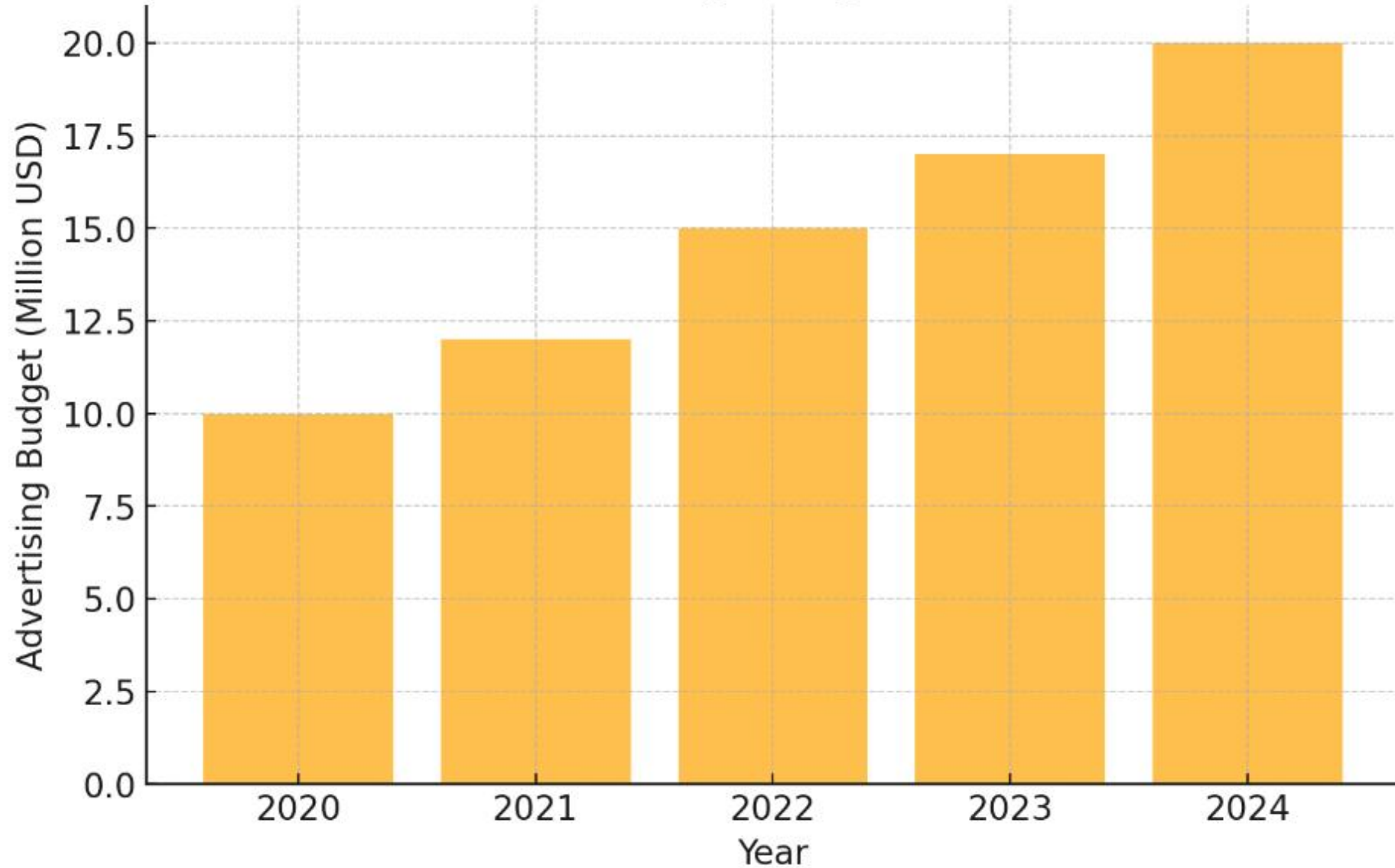
# LOYALTY PROGRAMS & CUSTOMER RETENTION

- Utilizes discounts and special offers to encourage product purchases and retention.
- Utilizes KFC mobile application for exclusive deals and easy ordering, boosting sales.
- Uses social media platforms for customer engagement, interactive content, and prompt feedback.
- Segments market, understands local tastes, and leverages marketing efforts to consolidate brand position as a leading fast-food brand in Pakistan.





# KFC Pakistan Advertising Budget Growth (2020-2024)



# CURRENT CHALLENGES FACED BY KFC

## **Economic Situation:**

- KFC's operations and brand image are affected by Pakistan's volatile economy, with import restrictions and currency fluctuations.
- The brand's import-dependent supply chain was disrupted by U.S. sanctions following Pakistan's 1998 nuclear tests.

## **Public Image Impact:**

- KFC's sponsorship of the 2024 Pakistan Super League led to the trending hashtag #BoycottPSL.
- The brand's perceived ties to international political stances and ban on pro-Palestinian banners fueled public backlash.

### **Security Concerns and Vandalism:**

- KFC outlets were targeted during public disorder, including a fire in Mirpur in March 2024.
- These incidents resulted in financial loss and personnel security issues.

### **Competition in the Market and Consumer Perception:**

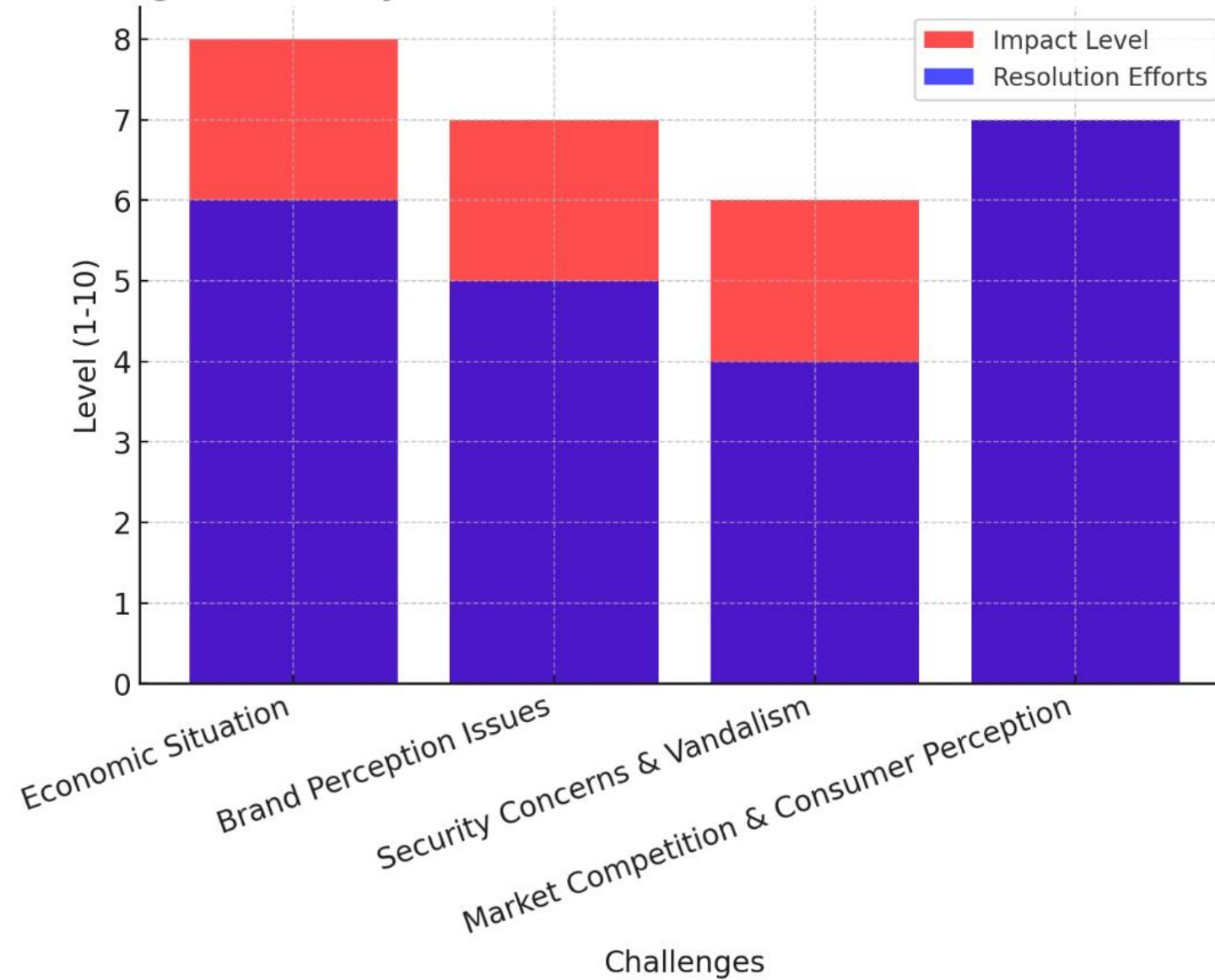
- KFC has to innovate strategies like menu localization, pricing adjustments, and improved customer service to stay relevant.

### **Actions:**

- Revision of management level, localization of supply chain, and corporate social responsibility initiatives.
- Efforts are made to rectify operational inefficiencies, improve public perception, and negotiate socio-political issues.



## Challenges Faced by KFC Pakistan (2020-2024) and Resolution Efforts



# ISSUES WITH PRODUCTION OR DELIVERY SYSTEM

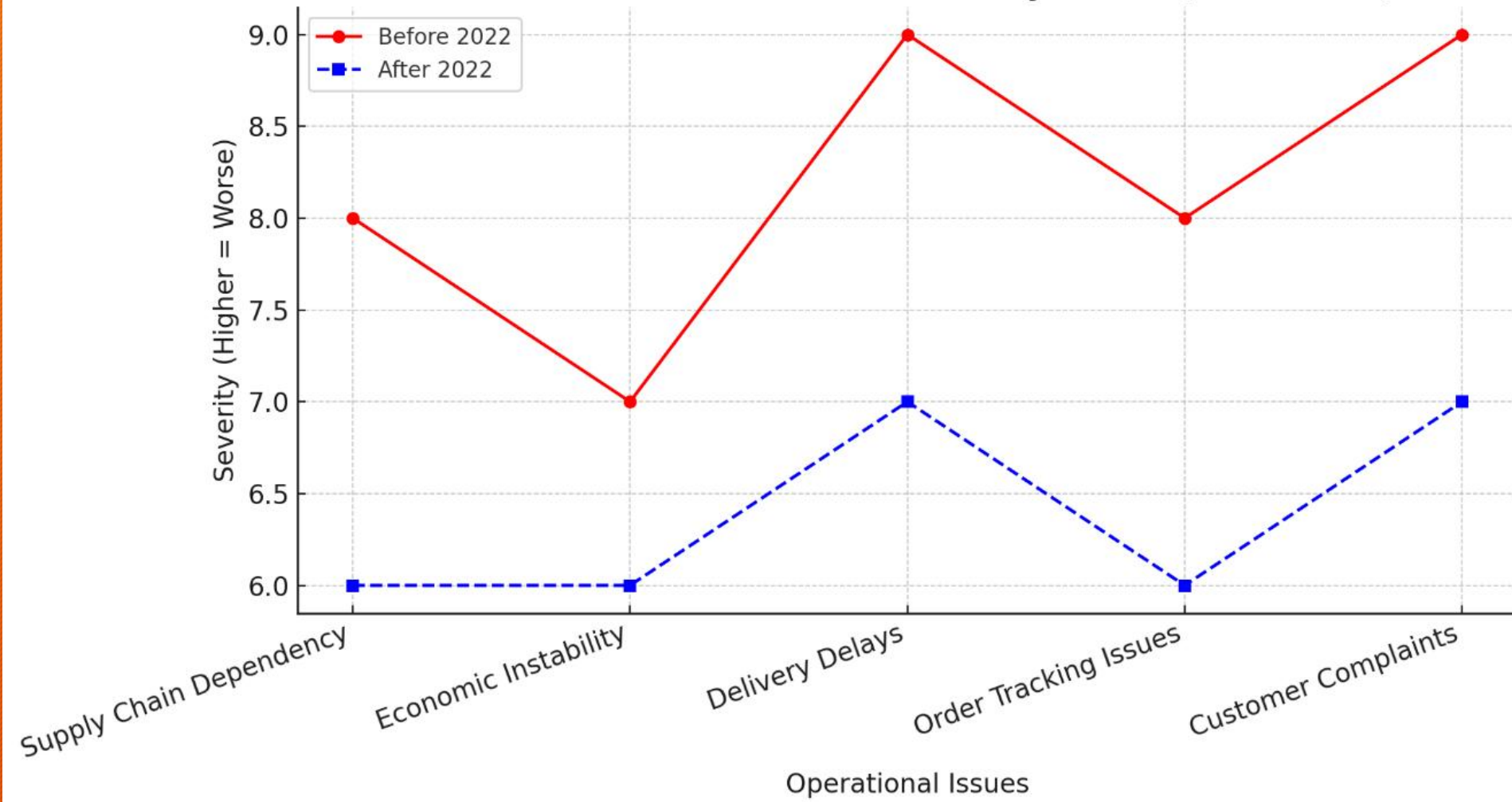
- KFC Pakistan's supply chain relied heavily on imported raw materials, leading to U.S. sanctions in 1998.
- Despite attempts to localize its supply chain, the company continues to grapple with supply chain dependencies and economic instability.
- Delivery system issues recurring from 2020 to 2024 include delayed or undelivered orders, and customer dissatisfaction with long wait times and lack of communication.

In 2022, KFC Pakistan incorporated Microsoft Dynamics 365 to enhance operational efficiency and reduce human errors.

- The integration included a Kitchen Display System for real-time order tracking and better customer queue management.
- Despite these improvements, KFC Pakistan's delivery issues need further investigation to improve overall customer satisfaction.



KFC Pakistan: Production & Delivery Issues (2020-2024)



# COMMON CUSTOMER COMPLAINTS

- Discontent with service quality and management at KFC outlets, compared to international standards.
- Long delivery delays and inefficient order fulfilment processes.
- Poor customer support and app functionality, with some customers reporting no confirmation or multiple calls for support.
- Frequent price changes that do not improve food quality or service.
- Political and social issues, such as protests in Mirpur, affecting local operations.
- Recommendations include improving service quality, order management, technological infrastructure, pricing strategies, and sensitivity to socio-political context.

# DIFFICULTIES IN MEETING SALES OR FOOD QUALITY TARGETS

- KFC Pakistan faced challenges maintaining food quality standards between 2020 and 2024, impacting sales performance.
- Customers reported high salt levels in chicken products, potentially affecting the brand's reputation.
- Despite these issues, KFC Pakistan maintained sales performance, becoming the world's first McDonald's franchised by sales growth in 143 countries.
- Strategic initiatives include overhauling management, sourcing from local and imported sources, and investing in digital platforms to improve customer connection.
- Despite challenges, KFC Pakistan's sales growth remained strong, indicating the need for ongoing strategic initiatives for quality improvement and operational efficiency.

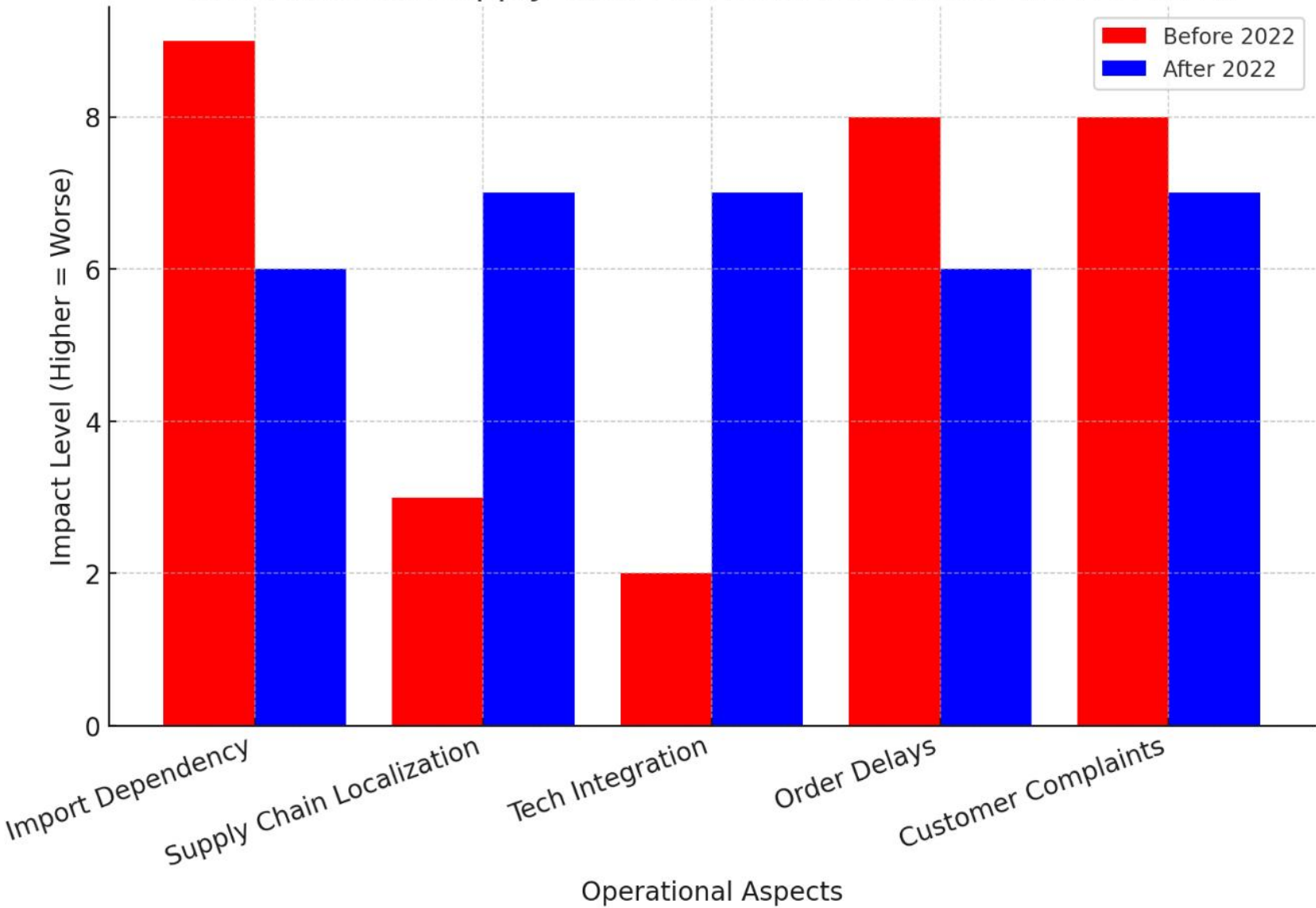


# DELAYS IN PRODUCTION OR SUPPLY

- KFC Pakistan's supply chain heavily relies on import-based materials, posing a high-risk zone for business during geopolitical upheaval and economic sanctions.
- The company has proactively tried to localize its supply chain to reduce vulnerabilities and build supply chain resilience.
- In 2019, KFC Pakistan had two main warehouses in Karachi and Lahore for managing dry and frozen food supplies.
- In 2022, KFC Pakistan used Microsoft Dynamics 365 to enhance operational efficiency and supply chain management.

- The integration included a Kitchen Display System for real-time order monitoring and improved communication between kitchen and front-end staff.
- Despite technological upgrades, customer feedback shows persistent service delays, with complaints about long waiting times for orders.
- Despite improvements in order fulfillment logistics, customer complaints suggest further need for operational process and delivery system effectiveness.

KFC Pakistan: Supply Chain & Production Issues (2020-2024)





# PROBLEMS WITH MANAGING INVENTORY AND STOCK

## Historical Inventory Management Practices:

- Traditional storage of chicken for 15 days, sauces for 25-30 days, spices and herbs on sales forecast and lead times.
- Manual system with periodic restocking schedules.

## Modernizing Operations:

- Implementation of Microsoft Dynamics 365 in 2022 for modern operations.
- Automation of inventory updates to store managers for precise inventory planning.
- Reduced time involved in store closing activities from four hours to one hour.

### Impact on Inventory Management:

- Financial team processing time reduced from 35-40%.
- Increased accuracy in stock levels, improved demand forecasting, reduced overstocking and stock outs.

### Results:

- Improved efficiency, reduced operational costs, and improved customer satisfaction.

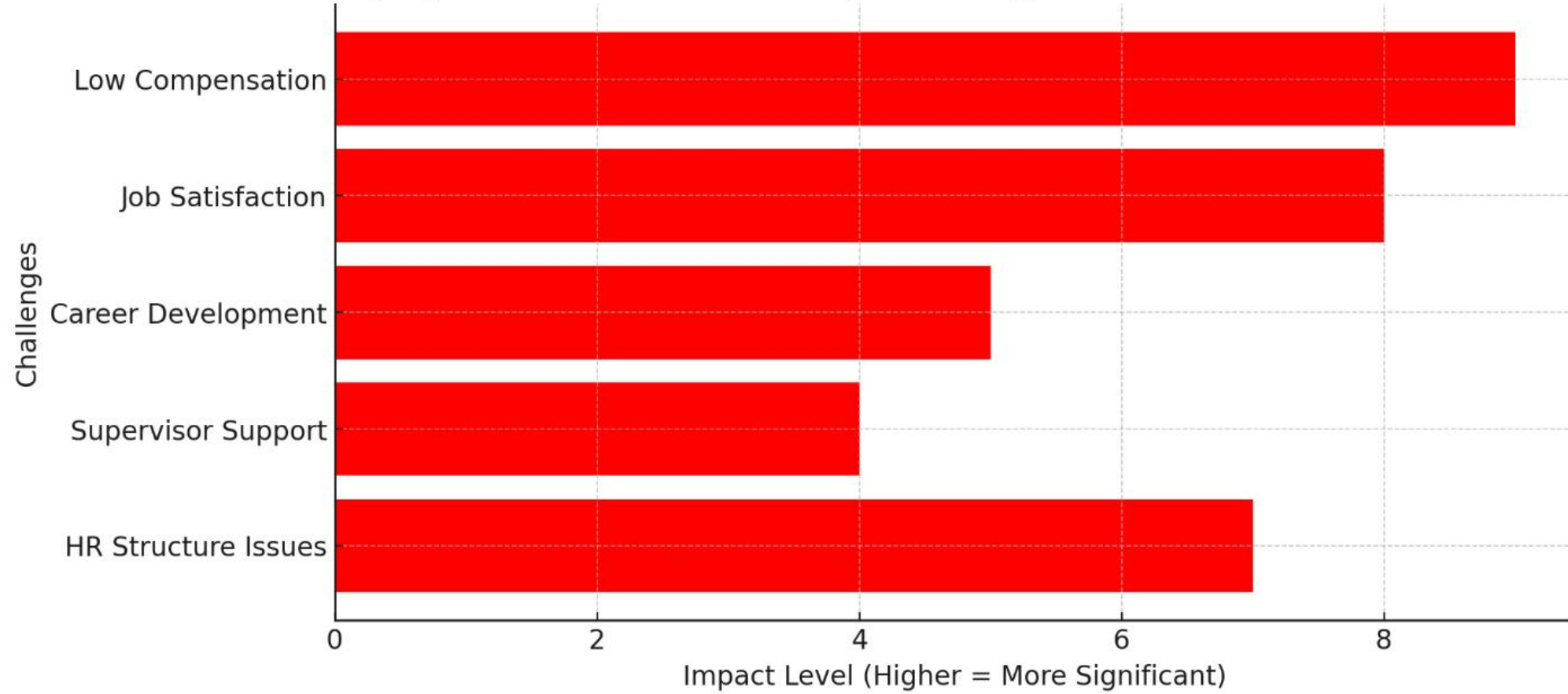
Aspect	Before 2022 (Traditional System)	After 2022 (Microsoft Dynamics 365)
Inventory Storage	Manual tracking, periodic restocking	Automated real-time inventory updates
Chicken Storage	15 days	Optimized via automated planning
Sauces Storage	25-30 days based on expiry	More precise forecasting
Spices & Herbs Storage	Based on sales forecast & lead times	More accurate demand forecasting
Bread & Buns Supply	Every 4 days from Sohrab Goth	Streamlined supply chain process
Store Closing Time	4 hours	Reduced to 1 hour
Financial Processing Efficiency	Manual, slow (0% improvement)	35-40% faster processing
Stock Accuracy	Prone to errors	Increased accuracy with automation
Overstocking/Stockouts	Frequent	Reduced due to better forecasting



# CHALLENGES IN TRAINING OR KEEPING EMPLOYEES

- High employee turnover rates in Pakistan's fast-food industry, with 55%, surpassing US and EU rates.
- Factors contributing to turnover include low compensation, low career progression, and job satisfaction.
- Career development opportunities and supervisor support have less impact due to employees' focus on immediate job satisfaction and security.
- KFC has implemented training programs like the Individual Development Plan and Coach Academy to improve skill levels and employee engagements.
- Employee feedback reveals positive aspects of working with KFC, including career advancement opportunities and well-rounded training programs.
- Issues such as work-life balance and salary compensation contribute to turnover.
- Despite challenges, KFC has made efforts to improve employee retention through training and development.

## Employee Retention & Training Challenges at KFC Pakistan (2020-2024)



# STEPS TOWARDS SUSTAINABLE PRACTICES

- Developed Green Line Furniture, a collection of furnishings symbolizing the recovery of old KFCs.
- Aims to reduce greenhouse gas emissions and promote green materials in restaurant design.
- Showed social responsibility by focusing on employee well-being and societal support.
- Fostered a people-first culture and a culture of inclusivity.
- Contributed to sustainable development by promoting social equity and community engagement.
- Overarching strategies reflect a dedication to promoting sustainable practices and contributing positively to the communities served.



# BALANCE BETWEEN PROFITABILITY AND SOCIAL RESPONSIBILITY

- Strategically integrated profitability and social responsibility goals from 2020-2024.
- Achieved excellent financial health with annual revenue of \$411.1 million.
- Over 2,500 employees and over 128 outlets nationwide, indicating high market presence.

# SOCIAL RESPONSIBILITY INITIATIVES

- Offers specialized education and training to individuals with hearing and speech impairments.
- Launched the 'Ehsaas Bucket' during the COVID-19 outbreak, donating Rs. 7.5 million to the Prime Minister's COVID Relief Fund.
- Serves 1,000 meals to doctors, nurses, and security personnel on the frontline of the crisis.
- Balances profitability and social responsibility through community-oriented programs and an inclusive work environment.
- Aims for a business model that balances financial success and social responsibility for sustainable growth and development in its communities.

# CHALLENGES FOR CREATING OR IMPROVING PRODUCTS

- Supply chain dependency: KFC Pakistan's historical reliance on imported raw materials has led to international tension. The company's disintegrated supply chain was influenced by U.S. sanctions post-Pakistan's 1998 nuclear tests.
- Cultural and regional adaptation: KFC Pakistan has had to adapt its menu to suit local tastes and cultural norms. This includes offering localized items like the 'Zingeratha', which requires understanding of regional culinary traditions.
- Socio-political dynamics: In 2024, boycotts of Western brands in Muslim majority countries like Pakistan led to significant revenue declines. This required careful brand positioning and public relations to regain consumer trust.
- KFC Pakistan needs to innovate and improve its product line to remain relevant in the long run.



# CHALLENGES IN MAINTAINING A BALANCE BETWEEN AFFORDABILITY AND QUALITY

- Provided affordability and quality in a constantly changing economy.
- Restructured pricing strategy to appeal to a wide customer base.
- Introduced a tiered menu system to increase value items at affordable prices.
- Localized supply chain to reduce import costs and maintain high product quality.
- Despite price adjustments, maintained a reputation for affordability and tasty food.
- Despite competitors' dramatic price hikes, KFC remained affordable, appealing to price-sensitive customers.
- Despite economic challenges, KFC maintained its commitment to quality and affordability.

# STEPS TO OVERCOME CURRENT CHALLENGES

- **Supply Chain Localization:** KFC Pakistan has transitioned from importing raw materials to local purchasing, reducing risk and supporting local economies.
- **Technological Integration:** In 2022, the company introduced Microsoft Dynamics 365 to enhance operational efficiency and manage inventory, orders, and customer queries. This system has reduced processing time by 35-40% for the financial team.
- **Brand Reinvigoration:** KFC revamped physical outlets and introduced value-priced value meals to attract a wider customer base and increase market share.
- **Social Responsibility and Inclusivity:** KFC Pakistan has been employing people with hearing and speech impairments, providing specific training and education to enhance employee diversity and brand loyalty.
- These strategies have strengthened operational resilience, market competitiveness, and community engagement.



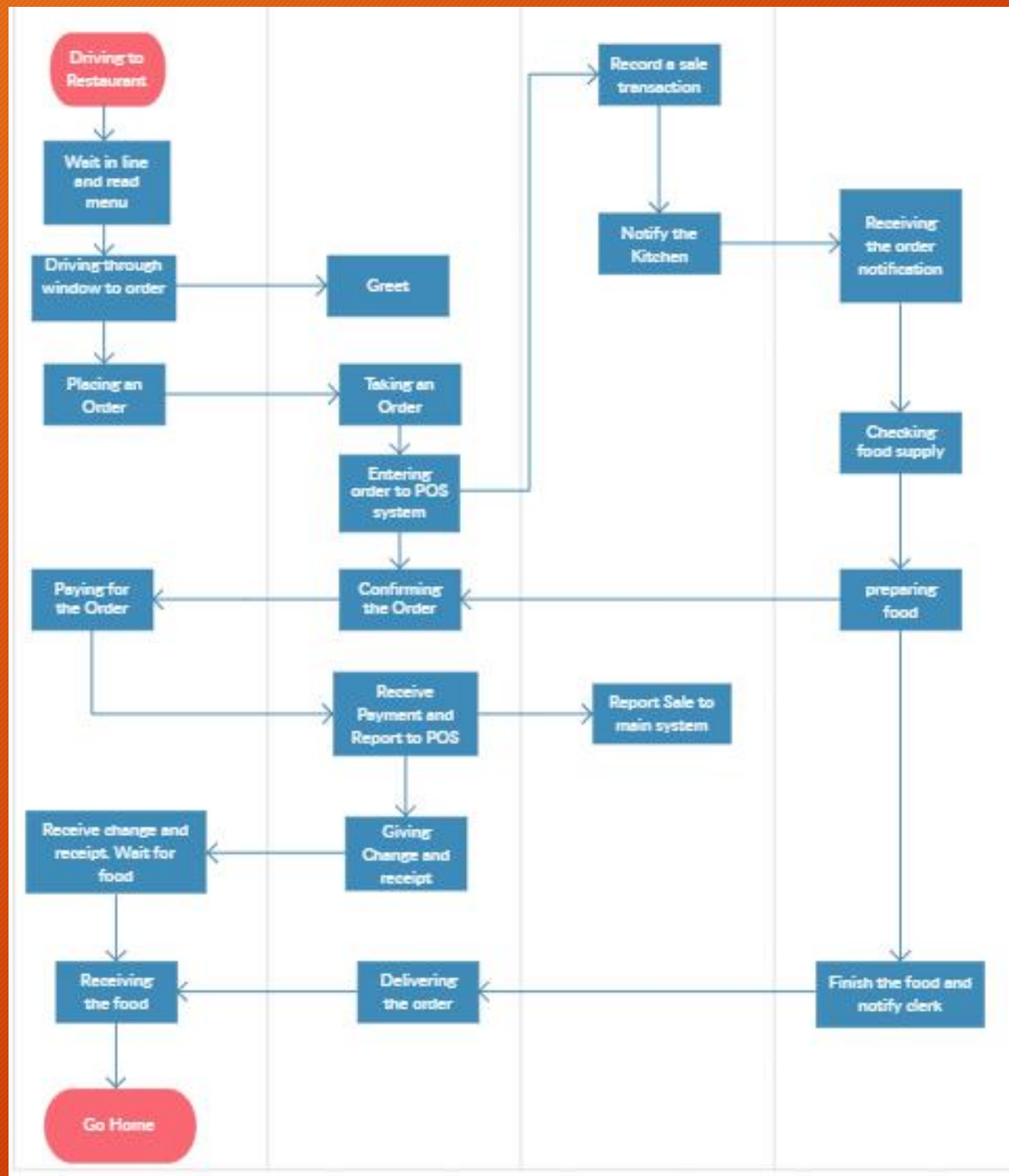
# SOLUTIONS OR TECHNOLOGIES BEING CONSIDERED TO IMPROVE OPERATIONS

- Invested in ERP Integration, Kitchen Display System (KDS), and Mobile Application

Enhancements from 2020-2024.

- Aimed to improve operational efficiency, streamline processes, and enhance customer experiences.
- Addressed challenges of manual operations, service delays, and inefficient digital ordering.
- Innovations reduced human errors and provided a hassle-free customer experience.





# ENTERPRISE RESOURCE PLANNING (ERP) INTEGRATION

- KFC Pakistan successfully integrated its back and front office with Microsoft Dynamics 365.
- The cloud-based system automates and consolidates business functions, improving efficiency.
- Key improvements include:
  - Streamlined financial processing by 35-40%, faster reporting, and better budgeting.
  - Optimized store closing activities from four hours to one hour.
  - Automated inventory management to prevent stock shortages and overstocking.
- The system enhances supply chain synchronization, finance tracking, and restaurant operations for better employee and customer satisfaction.

# KITCHEN DISPLAY SYSTEM (KDS)

- Addresses inefficiencies in the fast-food industry by integrating KDS with Dynamics 365.
- Provides immediate kitchen display of orders, preventing miscommunication.
- Reduces human error in meal customization and preparation by eliminating manual order taking.
- Improves customer queue management by prioritizing orders based on order placement time.
- Reduces order processing times and improves the efficiency of the fast-food service model.



# MOBILE APPLICATION ENHANCEMENTS

- Customization: Customers can personalize their meals, choose sides, and substitute ingredients.
- Saving of debit/credit card details: The app allows faster payments, reducing order placement time.
- Extra phone number feature: Customers can add an extra phone number during checkout to avoid missed deliveries.
- Store Locator functionality: Customers can easily find nearest KFC outlets.
- Technological advancements: Microsoft Dynamics 365, Kitchen Display System (KDS), and mobile application enhancements have led to faster order processing, efficient supply chain, improved financial and restaurant management, and enhanced customer experiences.
- The company has successfully addressed operational bottlenecks and positioned itself as a market leader in the fast-food industry.

# EMPLOYEE FEEDBACK AND ORGANIZATIONAL IMPROVEMENTS

- Employee feedback on Indeed Pakistan ([pk.indeed.com](http://pk.indeed.com)) reveals positive work culture, but also criticisms of management changes.
- High turnover in managerial roles leads to inconsistencies in leadership and training.
- Long working hours and lack of breaks cause frustrations among employees, affecting job satisfaction and productivity.
- KFC Pakistan's response includes restructuring shifts, enhancing break policies, and improving manager retention through stronger leadership training.
- These efforts aim to retain talent, maintain a motivated workforce, and improve service delivery.

# SUMMARY & IMPACT

Key improvements include:

- Enhancing digital ordering systems for smoother transactions.
- Upgrading app functionalities to reduce ordering errors.
- Strengthening workplace policies to improve employee morale.
- Streamlining shift structures to balance productivity and work-life integration.







**THANK  
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