
KFC Operational Problem In The United Kingdom

EXECUTIVE SUMMARY

This report provides research and analysis of an operational problem that KFC faced in the UK in February, 2018. KFC is the second largest fast food restaurant in the UK. The company is well known for serving fresh chicken worldwide. KFC is also known as Kentucky Fried Chicken, the US- owned brand has over 22,000 restaurants and franchises in more than 135 countries. The brand has been in the UK for over 30 successful years, continuing to please customers with serving fresh chicken.

The supply chain issue caused KFC outlets all around the UK to run out of chicken. The cause of this was due to multiple problems in their supply chain. Bidvest, is a UK based food logistical company that is partnered with other popular fast food chains. Bidvest Logistics was KFC's previous logistical partner. Bidvest was replaced by DHL, who are the largest international distributing company that specializes in delivering parcels all around the world. Whilst Bidvest was replaced by DHL the supply chain issue started to follow. DHL was dealing with teething problems, this short-term issue in the supply chain caused KFC to shut down hundreds of their branches as there were no chicken delivered. DHL was also lack of staff and they made mistakes with chicken orders due to not knowing how to use the new software, which led to late deliveries of fresh chicken.

The fault in the supply chain led to an operational issue that caused KFC customers being sent home from the restaurants as there was no chicken to serve. Furthermore, the operational issue had generated a loss in profit for KFC, which affected KFC's income as they made a loss of at least £920,000 each day. Moreover, KFC led to having a bad reputation as angered customers complained on social media by criticizing KFC stores. Correspondingly, in this report there will be recommendations for the management of KFC in regards to dealing with the fault in the supply chain more efficiently in the future. Also, there will be methods suggested such as training DHL before approving contracts which KFC could consider in order to avoid the supply chain issues. Additionally, there will be suggestions on how KFC could avoid operational problem occurring in the first place. These proposals will help KFC and their supply chain attempt to prepare for future operational threats and to develop on providing a better service for their customer to improve the company's reputation.

INTRODUCTION

This report will seek to analyze the operational issue KFC faced in the UK due to their supply chain. KFC which is also known as 'Kentucky Fried Chicken' (KFC, 2018) is a US – owned fast food brand that specializes in serving chicken worldwide. KFC commenced in the UK in 1965 and since then the firm has expanded rapidly, with KFC restaurants in 850 locations in the UK alone. (KFC, 2018) It has been reported that KFC 'is the world's second largest restaurant chain after McDonald's measured by sales.' (Franchising.com, 2018)

Although, KFC is the UK's most admired chicken brand, throughout February 2018 there had been a large amount of chicken shortages which was caused by a severe delivery issue that

lead to shutting 562 KFC restaurants. (Weaver, 2018) KFC specified on their social media pages, websites and posters outside their restaurants that their new logistics partners DHL had 'teething problems.' (Weaver, 2018) KFC new logistics partners DHL is an international logistics company that ships parcel's globally, the logistics company 'connects people in over 220 countries and territories worldwide'. (Anon, 2018) Likewise, 'DHL is the worlds largest logistics company with over 360,000 employees.' (Anon, 2018) DHL has invented the international air express and specializes in shipping and delivering parcels worldwide. (Anon, 2018)

KFC operational issue's occurred when 'KFC switched its deliveries from Bidvest Logistics to DHL.' (Weaver, 2018) Bidvest also known as Best Food Logistics is a food logistics company, which has been 'delivering great food and supply chain solutions' (Best Food Logistics, 2018) since 1999. The company is specialized in delivering food in the UK to popular fast food restaurants such as Pizza Express, Burger King, Nando's, TGI Fridays and more. (Best Food Logistics, 2018) When KFC replaced Bidvest to DHL there had been a fault in the supply chain due DHL developing problems in delivering chicken to KFC outlets. The problem in the supply chain caused an operational issue for KFC. The mission of this report is to provide recommendations and solutions for KFC so they can avoid the supply chain problem which caused an operational issue that affected so many consumers and the reputation of KFC.

OPERATIONAL PROBLEM

Supply chain problem

KFC's supply chain is responsible for the operational problem that the company faced. On 17th February 2018 KFC announced the restaurants ran out of chicken due to new delivery contractors DHL having 'teething problems'. (Evening Standard, 2018) KFC had brought new delivery contracts replacing Bidvest Logistics to DHL, the new delivery contractors DHL 'was struggling to cope with supplying 900' (Allen and Allen, 2018) KFC stores. Therefore, this lead to KFC having no choice but to close down over '500 KFC stores' (Evening Standard, 2018) which lead to frustrated KFC customers that had showed up to closed KFC branches. This lead customer to make complaints on social media such as Twitter, Facebook and Instagram. The social media comments escalated leading to KFC reputation being damaged as the company ran out of chicken in the UK. (Evening Standard, 2018)

Furthermore, the KFC outlets that were open had limited menus to offer, this continued to cause problems within the KFC stores as employees of KFC and customers argued about the limited menu. According to an article, reports found that KFC done a dreadful mistake taking on DHL as labor union officials cautioned KFC that bringing on DHL will be a disaster as DHL has limited experience in food distribution. (Supply Management, 2018) DHL, who is KFC's new logistics partner caused a short –term supply interruption which caused KFC's operational issue. The supply chain, DHL operates worldwide in over 200 countries distributing parcels internationally. DHL is under pressure working with a fast food company, as DHL lack in experience with distributing fresh meat. Comparing to KFC's old logistics, Bidvest has more experience in delivering fresh food to busy fast food companies. Bidvest logistics supplies other popular fast food brands such as Pizza hut, Burger King, Pizza express and more.

Metro UK reported that not only DHL found it difficult to deliver the chicken but also was

struggling with the lack of DHL lorry drivers they had. The lorry drivers that were on duty was stuck in traffic, when they tried to deliver large amount of products to their distributors this led to the wrong items being delivered to the wrong outlets. Unfortunately, for KFC it was too late to change their food supply chain as they approved the contract with DHL. DHL is not experienced in food supply chain this has affected KFC restaurants not being able receive fresh chicken for a few days and some KFC outlets waited weeks. The fault in the supply chain was also due to DHL having access to only one warehouse in Rugby which was a major problem for DHL as they did not have the space for their supplies. Also, the one warehouse was too far to some KFC outlets therefore this is the reason when drivers got stuck in traffic the chicken deliveries were late. Comparing to KFC's old logistics, Bidvest had over six warehouses which made it easier for them to be more organised with their products to supply KFC.

In addition to this, the supply chain had got affected as a new software system was introduced by a third party called QSL that DHL had to quickly adapt using the new software. According to 'technology analyst Chris Green' he stated that DHL failed to collect the right data from KFC's order, the reason for this is due to DHL not knowing how to use the the new software. This led to DHL making mistakes on KFC chicken orders and communication between the two partners were not clear, this caused a problem for KFC's supply chain. Although, DHL has apologized for the operational problem they still negatively affected KFC making profit as the operational issue had an outcome of the fast food chain having a 'revenue loss of at least £920,000 per day.' (boulton and Marketing, 2018) This loss has not been made by KFC since 2016 therefore it affected KFC income a lot.

Moreover, the reason KFC supply chain was in trouble was due to KFC replacing Bidvest which is a well known and experienced logistics for DHL which is a low experienced food distributor. This mistake should have been avoided as KFC is a successful business so they should invest more money to having the best logistical partners. In comparison to other successful fast food restaurants in the UK such as Burger King has never had a problem with their supply chain as they have contracts with reliable logistical company that is Bidvest logistics.

Also, KFC's supply chain issue's had an outcome of KFC operational issue increasing by receiving negative comments on social media and angry consumers who mocked KFC's services and menu. Social media posts about KFC shortages of chicken had been 'shared 219,138,216 times on social media and KFC had 796,709,795' (Campaignlive.co.uk, 2018) editorial coverage due to the lack of chicken in the UK restaurants. The outcome of the operational issue's caused KFC to be on the page front of newspapers such as Metro and Sun which caused KFC's bad reputation.

KFC OPERATIONAL SOLUTION

Logistical supply chain solution

Although, KFC has dealt with this situation it is vital that this situation does not occur again in the future. The reason why KFC supply chain had a fault was due to KFC having the lack of knowledge of DHL. Before any contracts being approved KFC should have done their checks of what DHL has experience in and how this will affect the fast food chain. KFC should have taken a different approach in dealing with the problem in the supply chain. For instance, it is recommended that KFC managers should invest more money in training their logistical partners

as this will help prepare the distributors to know what they are doing and what KFC expects to be done. In relation to DHL, if KFC trained DHL to use the new software system, orders would have not been mistaken. Which would have led to KFC restaurants receiving their chicken on time to serve customers. Also, training will help DHL learn more about KFC and discover how fast KFC wants their chicken be delivered. This will create DHL to be more organised and prepared to hire more delivery drivers to distribute to KFC restaurants.

Successful fast food chains such as McDonalds has trained different logistical partners for one whole day to show the delivery drivers where supplies need to be placed and how to confirm orders. This has helped McDonalds avoid supply chain problems and their suppliers to understand how McDonalds would want their deliveries being. Furthermore, manager of KFC should consider preparing trials with DHL for example, KFC can carry out 7 days of trials to identify how fast DHL delivers the chicken to the KFC outlets in the UK. Also, the trials can help KFC recognize if DHL can adapt quickly using the new software.

The 7 days' trial is enough days for KFC to find out if they are satisfied with their logistical company or not before they go ahead with the contracts. An example of other fast food companies that has carried out trials for their supply chain is McDonalds. McDonalds, goes through many stages of trials by identifying how fast it takes for the delivery to come before signing contract with logistics. (O'Connor, 2018) In addition to this, McDonalds are constantly tracking their logistical partners by using a Kiosk software to find out the amount of orders confirmed to avoid mistakes.

It is important that the management of KFC is more aware that there are more that 850 stores in the UK and one warehouse of DHL is not going to be always efficient to deliver fresh meat in all KFC destinations around the UK. Therefore, due to this issue of having one warehouse it has caused deliveries being late or not being made at all as delivery drivers are stuck in traffic. Managers has to recover from this issue by searching for a new logistical company that has more warehouses for the products to be distributed faster. If KFC would like to keep DHL as their distribution partner, they could possibly consider DHL distributing to KFC restaurants within 10 miles of their warehouse and searching for new channels of local chicken suppliers within 10 miles of other KFC stores, this will avoid delivery drivers being stuck in traffic. It will also create less pressure on one specific supplier. In relation to this, having more logistical partners has worked for McDonalds who are the most popular fast food restaurants in the world. They have the best supply chain as for each region where there's a McDonalds restaurant they have different logistical partners to support their franchisees. (T1 2016 MPK732 Marketing Management (Cluster B), 2018) Consequently, the company constantly uses selective distribution channels which KFC managers should try. The benefit of this is the suppliers are closer to the outlets which cost cheaper as the journey time will be less, this will be a win win for the supplier and KFC.

The solution strategy for KFC management to practice to improve on the bad reputation that is upon the company is to improve their services with their customers by making sure no KFC outlet is out of chicken. Also, as an apology KFC should bring new recipe out for customers to try and purchase, this will help bring their reputation up. Also, using social media as a tool to continue bringing more services to their customers and to act on the feedback customers give.

CONCLUISON

The analysis of this report concluded KFC cause of operational issue in the UK in 2018, was the fault in the supply chain that was DHL. The fast food firm operational problem created multiple of issues that needs to be rectified. Subsequently, there many things KFC needs to improve on such as maintaining a good logistics company that has enough experience in order to be in control of delivering fresh chicken on time to every KFC restaurant in the UK. Also, this report discovered that KFC management needs to improve on building up their reputation by showing their customers that KFC is loyal to provide a better service to make up for the week of distraught customers.

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