



Global Business in Emerging Regions

Case Study of

Chicken Cottage Expansion in India

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## 1 Introduction

For the last few years, the world has evolved and witnessed dramatic changes with most of the changes witnessed been facilitated by globalization process that has been discussed as to have resulted to most of organizations trading internationally as most of the trade barriers that used to be in place have been removed. Consequently, globalization has meant that organizations have been able to establish presence in various foreign markets in order to achieve their different organization objectives.

The aim of this report is to analyze UK based fast food retailer Chicken Cottage by using various analysis techniques in order to come up with a business strategy that the company should adopt in order to establish presence in the emerging market of India where the company does not currently have any operations in.

## 2 Company and Industry Analysis

### 2.1 Brief Overview of Chicken Cottage

Chicken Cottage is a United Kingdom based fast food retailer. The company was established in 1994 by two partners and was later on in year 2001 incorporated into a limited company. Currently, Chicken Cottage has over 115 outlets in the United Kingdom, over eight international franchisees and other various chains in different parts of the world through licensing. Some of the countries where Chicken Cottage stores are currently located include Italy, Libya, South Africa, United Kingdom, France, Canada, Pakistan, Algeria, Saudi Arabia and Slovakia (Chicken Cottage, 2012). According to Temporal (2011), the company's main selling point is the unique blend of South Asian and Southern US flavors that are used in halal ingredients.

### 2.2 SWOT Analysis of Chicken Cottage

A SWOT analysis is a situational analysis technique that analyzes and organizations strengths and weakness. In addition, SWOT analysis also analyzes the opportunities as well as threats available in the market place. According to Bensoussan and Fleisher (2008), SWOT analysis results to valuable information that can help match a given organization, resources and capabilities in the sector that the organization operates in order to ensure that the organization has a competitive advantage over its rivals.

### 2.2.1 Strengths

- i. One of Chicken Cottage main strengths is the fact that the company products are all prepared under the strict Halal requirements thus making the products attractive to a wide client base that is keen on how the meals are provided.
- ii. The fact that the company already has over 115 outlets in the United Kingdom as well as other outlets in various foreign markets can be seen as strength as the company can be able to exploit the economies of scales to achieve more efficiency in its operations.
- iii. Since Chicken Cottage has been in operation for many years, the company's management and staff can be said to be experienced and competent.

### 2.2.2 Weaknesses

- i. The fact that Chicken Cottage main offering is fast food can be argued to be a major weakness to the organization's operations since majority of potential customers are now becoming more keen on eating healthier meals.

### 2.2.3 Opportunities

- i. Chicken Cottage has the opportunity to expand into new foreign markets that have high potential.
- ii. In order to address the major weakness, the company can expand its product offering to include other products that are more healthy in order to ensure that even customers who are not keen on having fast food can also have healthier meals at Chicken Cottage stores.
- iii. In order to enhance the Chicken Cottage brand, the company can be involved more in Corporate Social Responsibility initiatives.

### 2.2.4 Threats

- i. As already noted, the intense competition in the fast food industry can be argued to be the main threat to Chicken Cottage existence in the market place.
- ii. The ever increasing number of people who are keen on what they eat can also be said to be a threat to Chicken Cottage since the organization will be required to develop healthier products that will ensure that the products appeal to the health conscious segment.
- iii. Decline in economic growth as well as high inflation rates in various markets that Chicken Cottage has presence in might result to decrease in sales as potential customers might not have the purchasing power to buy products sold by Chicken Cottage.

## 2.3 Fast Food Industry Analysis

Chicken Cottage operates in the first food industry. According to Gaskell (2009), fast food consists of meals that are cheap, easily accessible and quick to prepare and often seen as alternatives to home-cooked meals. Some of the most commonly served fast foods by fast food retailers include fries, fried chicken, chicken burgers, and hamburgers as well as carbonated and non carbonated drinks among others. Some of the most popular organizations that serve in the fast food sector include McDonalds, Kentucky Fried Chicken (KFC), Burger King and Pizza Hut among others. In this report, Porter's five forces analysis as well as PEST analysis will be used in conducting fast food industry analysis.

### 2.3.1 PEST Analysis

PEST analysis as mentioned by Abraham (2006) is a situational analysis technique that evaluates the political, economical, social and technological issues that might determine the way a given organization operates in a specific sector. In the perspective of fast food industry where

#### 2.3.1.1 Political Factors

The political factors that determine how a given organization operates in a given sector comprises of various policies that have been put in place by various governments in their respective countries (Bensoussan and Fleisher, 2008). In the perspective of Chicken Cottage, some of the political issues that the company needs to consider include employment rules, tax regulation and set working hours in respective countries. In addition, it is important that there is political stability in markets that Chicken Cottage operates in since this will ensure that the company's operations are not disrupted.

#### 2.3.1.2 Economical Factors

According to Proctor (2000), social factors play a significant role in determining the purchasing power of potential consumers of a given organization products. In view of Chicken Cottage, some of the economic factors that might affect the company's operations include economic growth, inflation rates and exchange rates. In situations where economy of a country that chicken cottage has presence in is experiencing high growth, then the demand for Chicken Cottage products is expected to rise since most of the potential customers would have high purchasing power. On the other hand, if the country is experiencing high inflation, then the demand for

Chicken Cottage products and services might decrease as customers might be of the perception that the products sold by Chicken Cottage are not necessities.

### 2.3.1.3 Social Factors

Social factors consist of demographic as well as cultural aspects from the external macro-environment (Kotler, 2004). In perspective of the fast food industry, some of the social factors that might determine the success of organizations such as Chicken Cottage include the extent of health consciousness of the target market since if most of the target market population are health conscious, then organizations that sell fast foods need to focus more on offering healthy meals since there is a general perception that fast foods are not healthy.

### 2.3.1.4 Technological Factors

Technological factors include factors that result to efficient operation of a given organization. In the perspective of fast food industry, it is paramount that organizations operating in the sector adopt technology in various aspects in order to ensure that they have competitive advantage of over their competitors.

## 2.3.2 Porter's Five Forces Framework

Porter's five forces analysis is an analysis model that can be adopted by any organization that wants to develop a competitive over its competitors in a given sector since the five forces framework helps an organization get a clear understanding of the sector that it operates in (Baines, Fill and Page, 2011). The five forces consist of bargaining power of buyers, bargaining power of sellers, competitor rivalry, and threat of new entrants as well as threats of substitute products.

### 2.3.2.1 Threat of new entrants

According to McGahan and Porter (1997), threats posed by new entrants in any given industry are usually high in situations where new entrants can find it easy to establish presence in the sector. In the perspective of the fast food industry that Chicken Cottage operates in, the threat posed by new entrants can be argued to be low since a lot of capital is required to establish a fast food organization that compares to the likes of Chicken Cottage, McDonalds, KFC and Burger King among others.

### 2.3.2.2 Threat of Substitute products

A substitute product is a product that can meet the needs that are met by another product (Proctor, 2000). In perspective of the fast food industry, substitute products can be said to comprise of other restaurants as well as retailers that also offer meals. Parry (2004) highlighted that the threat of substitute products is normally high in situations where customers have ease of access of the substitute products or services without having to pay extra for the substitute products or services. From that perspective, the threat of substitute products in the fast food industry can be said to be high since there exists numerous businesses that offer similar services and products to other established fast food retailers implying that the switching costs would be low for the customers.

### 2.3.2.3 Competitor rivalry

As noted by Stonehouse et al. (2004), competitor rivalry is usually high in situations where there are many competing organizations in a given sector. In perspective of the fast food industry, the rivalry among competitors can be said to be high since there exists numerous organizations that serve in the fast food sector in various markets. Due to the intense competition, the competing organizations adopt various competitive strategies with the objective of attracting and retaining customers. In addition, the fact that fast food sector is experiencing slow growth while numerous firms are establishing presence in the sector means that competition in the sector will be intensified as organizations have to compete for customers in a saturated market.

### 2.3.2.4 Bargaining power of suppliers

A supplier is an organization or individual that supplies raw materials that are used by a given organization in production of final products that the organization sells in the market place. In perspective of the fast food industry, suppliers will be organizations or individuals that supplies organizations operating in the sector with various raw materials such as soft drinks, chicken, beef, and hamburgers among others. Suppliers normally have high bargaining power in situations where they are few in numbers (Stonehouse et al. 2004). In perspective of the fast food industry, the suppliers can be said to have a low bargaining power as there are numerous suppliers from whom organizations operating in can choose from.

### 2.3.2.5 Bargaining power of buyers

As noted by Stonehouse et al. (2004), buyers have high bargaining power in situations where they are few in number and buy products or services in large volumes. From that perspective, the bargaining power of buyers in the fast food industry can be argued to be low since there are numerous buyers in the sector who usually buy the products in small amounts and on individual basis.

## 3 Selection of Key Market and Analysis

As already outlined, the main aim of this analysis is to develop a business strategy document for Chicken Cottage to establish presence in an emerging market that it currently does not have presence in. An emerging market as explained by Investopedia (2012) was coined by Antoine W. van Agtmael in 1981 and refers to a country that has low to middle per capital income. According to Investopedia (2012), both small and big countries constitute emerging markets and are referred to as emerging markets because of their economic reforms as well as various developments taking place in the countries.

According to PR Newswire (2012), some of the countries that can be referred to as emerging markets include India, China, Brazil, Malaysia, Thailand, Indonesia, China, Vietnam, Qatar, Saudi Arabia, Turkey, Mexico and South Africa among others. From a review of the various emerging markets, it was established that India would be the best country that Chicken Cottage should expand into due to the following reason:

- i. High Population Growth:** According to an Indian based newspaper named The Hindu (2011), India has one of the worlds's fastest growing population with an estimated 16 million Indians been born every year. The high population growth can be said to be an indicator of the potential that the Indian market has in perspective of potential customers to be served by Chicken Cottage.
- ii. Annual growth in corporate earnings:** According to the Indian Link (2010), India has been experiencing annual growth in corporate earnings over the years. From that perspective, it can be argued that the number of Indians who can afford the products and services provided by Chicken Cottage are on the increase.

- iii. Indian Middle Class on the increase:** According to Edelson (2008), the population of the Indian middle class is on the increase implying that totaling to over 330 million individuals. Edelson (2008) noted that the middle class has facilitated the country's retail sales growth implying that the increasing middle class will willingly buy Chicken Cottage products.
- iv. Trade Reforms:** As noted by Edelson (2008), for the last few years, the Indian government has implemented various trade reforms that are aimed at attracting foreign organizations at establishing presence in India. From that perspective, it is expected that Chicken Cottage will find it easy to establish operations in India.

#### 4 In depth Market Analysis of Target Emerging Economy Market

In this report, it is important that an in-depth market analysis of the proposed emerging market that Chicken Cottage should establish presence in is carried out in order to ensure that all important issues that would determine the success or failure of Chicken Cottage in India are established.

##### 4.1 PEST analysis of India

###### 4.1.1 Political Factors

Since India is currently experiencing economic growth, the Indian government has put in place various economic policies that are aimed at making it easier for foreign firms to establish presence in the Indian market. It is thus expected that Chicken Cottage will find it easy to establish presence in India as the policies in place are meant to encourage foreign investment in Indian market.

###### 4.1.2 Economic Factors

India has the tenth largest economy in the world which has experienced considerable growth over the years. As a result of the economic growth, majority of Indians standards of living have been improved as unemployment rates have decreased. Furthermore, India has also been expanding its presence in the financial and commodities markets and currently considered to be one of the four emerging economies commonly referred to as BRIC. From that perspective, it can be said that it is the appropriate time for Chicken Cottage to expand to India.

4.1.3 Social Cultural Factors

As already outlined, India has one of the highest populations in the world that has been reported by BBC (2012) to be over 1.2 billion. With the spending power of most Indians on the increase due to the increasing populations of middle income earners, it can be said that the time is right for Chicken Cottage to establish presence in India.

4.1.4 Technological Factors

In the view of technology, India is to an extent technologically advanced. It is thus important that Chicken Cottage adopts various technological innovations in order to ensure that the company has competitive advantage over its competitors.

4.2 Cultural Aspects

According to Earley (2002), any organization that intends to conduct business in a foreign market should thoroughly understand the culture of the foreign market that it intends to establish presence in since the culture of the foreign country will be different to the culture of an organization’s country of origin. In case of Chicken Cottage, the management team of the company needs to understand that Indian Culture is totally different with the British cultures as can be seen in the figure below as measured in perspective of Hofstedes (2012) five dimensions.

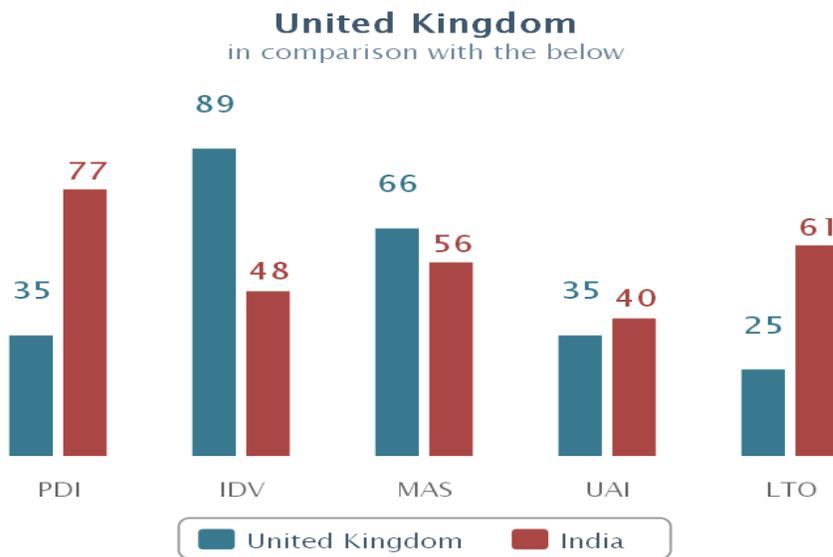


Fig 1: UK and India five forces dimensions (Source; Hofstedes, 2012)

As illustrated in figure 1, Chicken Cottage will be required to ensure that the company adopts the way that it operates in India as per the Indian culture in order for the company to be successful. In particular, the company will be required to address the issues of power distance, long term orientations and individual / collectivism as shown in figure 1 since they are the dimensions that have the greatest difference with the UK culture.

## 5 Entry Strategy Plan

The choice of the entry strategy to be used is the most fundamental and far reaching decision in international business. It revolves around the question, what is the best entry strategy to be used and what form of business organization will subsequently be adopted (Hill and Jain, 2005).

There are various strategies that Chicken Cottage can adopt in order to establish presence in the Indian market. Some of the strategies that can be adopted by the company include licensing, direct entry, franchising, joint ventures and mergers and acquisition.

In order for Chicken Cottage to be effective in India, it is suggested that the company should adopt a direct entry strategy where the company will establish various retail outlets in India and manage them. In addition, once the company has successfully established presence in India, Chicken Cottage can then start franchising the successful business model to potential investors in order to ensure that the company gains big market share in the Indian first food market.

One of the most notable areas that the company will be required to thoroughly consider is where it is going to get its supplies from and in particular the chicken that makes the company's core offering. To address this issue, it is suggested that Chicken Cottage establishes a chicken farm in India. In addition, the company should also enter into partnership with large scale chicken farmers based in India in order to ensure that the company has constant supply of Chicken.

To begin with, it is recommended that Chicken Cottage only opens one retail outlet in Delhi. After employees who will be working in the retail chain have been recruited, they should then undergo training in the United Kingdom where they would be able to get firsthand experience on how Chicken Cottage operates while at the same time understanding how the company is different from other fast food firms.

Few weeks prior to the opening of the new retail store in New Delhi, it is suggested that Chicken Cottage implements various promotion techniques that will ensure that awareness about the company's offering is created.

Moreover, it is also recommended that Chicken Cottage adopts strict quality control measures that will ensure that the company will constantly provide customers with high quality products that exceed customers' expectations. Finally, since India has different popular religions, it is recommended that Chicken Cottage adds new products to the existing product offering in order to ensure that potential customers who might not be allowed to eat certain meals due to religious beliefs have a variety of choices to choose from.

## 6 Conclusions and Recommendations

The aim of this report was to analyze Chicken Cottage as well as the fast food industry that the company operates in and come up with a strategic report that outlines one emerging market that the company should expand into. After the analysis, it was established that Chicken Cottage should expand into the Indian market since the Indian market has high growth potential. In addition, the Indian market was also opted for since the Indian government has put in place various policies that are aimed at ensuring that foreign organizations find it easy to establish presence in the market place. In perspective of the entry strategy to be used, it is suggested that Chicken Cottage adopts direct entry strategy that will see the company establish operations in the country.

As already outlined in the report, Chicken cottage will be required to thoroughly study the Indian culture in order to ensure that the company's offering as well as the way the company operates in the market results to customer satisfaction. It is thus suggested that the company first establishes retail outlet in New Delhi and eventually expands other outlets in new cities once the retail outlet in New Delhi has proved successful. In addition, since the Indian market is quite big, it is suggested that the company starts franchising its business concept after two years of operation in the Indian market.

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