

# Analysis of the Influence of the External Environment on KFC

Iveren Monica<sup>1</sup>, Shechah Majesty<sup>2</sup>, Devlin Wang<sup>3</sup>, Chrisderry<sup>4</sup>, Jeremy Kent<sup>5</sup>

Batam International University

Email: [2141138.iveren@uib.edu](mailto:2141138.iveren@uib.edu)<sup>1</sup>

---

## Keywords:

KFC, PESTEL ,  
External  
Environment  
Analysis

## Abstract

In running a company, there are many factors that affect the performance of the company. These factors can come from inside or outside the company. Therefore, analyzing these factors is one of the most important steps to plan the strategy that the company will use. The discussion of this article focuses more on external analysis or commonly called External Environment Analysis. The company that will be discussed in this article is Kentucky Fried Chicken (KFC). This study aims to determine the influence of the external environment on the company and identify the competition faced by the company. This research uses a quantitative analysis method of the PESTEL factor of the KFC company. The results of the analysis include political, economic, social, technological, environmental and legal factors that can affect KFC companies. In addition, there are also five forces of competition model used by KFC company. After analyzing the KFC company, there are suggestions that can help KFC in running a business in the future .

---

## 1. Introduction

By and large, external environmental analysis, or analysis of the external environment of a company, is interpreted as factors for processing and analyzing the origins from outside the company that could potentially threaten its business. Through external environmental analysis, it is expected that a company can formulate a plan to prevent future problems or threats.

During the process of external environmental analysis, various tools can be utilized, with the most frequently used ones being PESTEL and the 5 Forces Model (Prof. Dr. Ir. Hapzi Ali, MM, 2018). The main objective of analyzing the external environment of a company is to identify its strengths and weaknesses. This is crucial for a company to notice, as it enables them to identify potential threats or opportunities that may influence the company's performance. The research team chose to

examine KFC (Kentucky Fried Chicken), a company in the Food and Beverage (FnB) and fast food industry. KFC, often referred to as the 'Champion Chicken,' has proven to be highly competitive with its chicken products. Despite facing competition from rivals such as Burger King, McDonald's, Subway, etc., KFC continues to dominate the fast food market in Asia, especially in Indonesia, boasting a 40% market share superior to its competitors (MUAFAIAH, 2019).

KFC consistently expands its outlets, commonly known as franchises, with almost every city in Indonesia hosting a KFC outlet. The company is also meticulous in maintaining market share and quality. During the economic downturn predicted for 2023, KFC relied on a Mobile Defense Strategy to survive. Despite the challenging conditions, KFC continued to push its total sales volume, supported by bundled products and regular

promotions known for their cost-saving packages (Nita Rimayanti, 2020)."

## 2. Literature Review

Study This is research that discusses about "External Environment Analysis". The writing team will too analyze about external environment company from KFC company . In research to be done , team writer will use SWOT methods and techniques quantitative data collection.

### 2.1. SWOT

Research that we have done towards external environmental analysis (Gasparotti, 2020) will using SWOT which is :

#### 1. Strength

Strength refers to the advantages or strengths possessed by a company that provide additional value. Identifying these strengths can help a company strengthen its competitive position (Idayu et al., 2021).

#### 2. Weakness

Weaknesses are limiting deficiencies or shortcomings in a company's performance, such as poor service or lack of employee skills. Identifying these weaknesses can help a company address existing problems (Medical & Admissions, 2021).

#### 3. Opportunities

Opportunities are external factors that a company can leverage to enhance its performance, such as following market trends or adopting new technologies. Identifying these opportunities can help a company take proactive steps towards growth (Key & Embrace, 2018).

#### 4. Threats

Threats are obstacles that can hinder a company's performance, such as increasing competition. Identifying these threats can

help a company anticipate risks and develop strategies to mitigate them (Nurhayati, 2020).

After conducting a SWOT analysis, a company can take action to maximize its strengths and opportunities, while addressing weaknesses and mitigating risks from threats. SWOT analysis helps management make strategic decisions to enhance overall company performance (Rachman, 2018).

### 2.2. Five Forces of Competition Model

The Five Forces of Competition Model is a method used to analyze competitors of a company and to identify potential threats or opportunities. (Team, 2019)

#### 1. Rivalry Among Competing Firms:

This factor considers the number of competitors in the market and their strength. In a competitive market, businesses often engage in advertising and promotions to attract customers, even if it reduces profits. (Irfan et al., 2019)

#### 2. Threat of Substitute Products or Services:

When assessing the threat of substitutes, various factors need to be considered, such as the perceived differences between products by customers. For instance, if a competitor offers a cheaper product of similar quality. (Omsa, 2019)

#### 3. Bargaining Power of Suppliers:

This factor considers the number of suppliers who can increase prices. A company with numerous suppliers can choose cheaper options, thus increasing profits. However, if a supplier possesses what a company needs, they may raise prices. (Cho et al., 2019)

#### 4. Bargaining Power of Buyers:

The influence of price changes on customer decisions is crucial here. Buyers

have more bargaining power when there are few alternatives available. Factors such as e-commerce can also impact buyer power by enabling easy price comparison. (Bruijl, 2018)

#### 5. Threat of New Entrants:

This factor evaluates the ease with which new competitors can enter the market. As more competitors enter, competition intensifies. New entrants may offer lower prices or introduce temporary trends, emphasizing the importance for a company to build customer loyalty. (Anchit, 2020)

Through analyzing these five forces, companies can better understand their competitive landscape and develop strategies to navigate challenges and seize opportunities.

### 2.1. PESTEL

PESTEL is a unique framework in business strategy management, used to analyze the planning of launching products and services, or to anticipate external situations that may influence a company's performance. PESTEL itself is an abbreviation for Politics, Economics, Social, Technology, Environment, and Legal.

#### 1. Political:

Political factors indicate the extent to which government regulations will influence certain industries. For example, political factors may include tax provisions, fiscal policies, etc.

#### 2. Economic:

Economic factors always consider economic prospects that can directly impact companies. A simple example is inflation.

#### 3. Social:

4. Social factors usually focus on the market environment. Companies must analyze these factors to understand market needs, including temporary trends, lifestyle changes due to technological advancements, etc.

#### 5. Technology:

Technological factors are related to innovations that influence the methods by which industries and markets operate. Companies must stay updated with technological advancements.

#### 6. Environment:

Environmental factors are crucial due to increasing material scarcity. Examples of environmental factors include ecological aspects such as weather, climate, and climate change. It is necessary to develop a sustainable Corporate Social Responsibility (CSR) strategy.

#### 7. Legal:

Government regulations have a significant influence on businesses in a country, although each company has its own set of rules. Legal factors include consumer regulations, safety standards, labor laws, etc.

Through analyzing these factors, companies can gain insights into their external environment and make informed decisions to navigate challenges and capitalize on opportunities.

### 3. Methodology

The writer employs quantitative methods for PESTEL factor analysis in KFC, utilizing data collection techniques such as surveys or statistical data processing from

credible sources like Google Scholar and other trusted outlets. This approach ensures the data obtained is reliable and valid for analyzing KFC. The writing team applies a system analysis document to conduct quantitative analysis. This method involves collecting data through document analysis related to KFC, including annual reports, financial reports, and business planning documents. Document analysis provides detailed insights into KFC's situation and condition, enabling the identification of PESTEL factors that influence the company.

## 4. Analysis and Discussion

### 4.1 PESTEL Analysis

PESTEL analysis is a framework used to analyze the general environmental factors that can influence a company, including political, economic, social, technological, environmental, and legal factors (Paramadita et al., 2020). Below is the PESTEL analysis for KFC:

#### a. Political Factors at KFC:

The government plays an important role in KFC's business operations. Regulations and policies such as food safety regulations, taxes, and employment rules significantly impact KFC's operations and profitability. Adherence to food safety regulations is crucial for maintaining KFC's brand image (Wenas et al., 2023).

#### b. Economic Factors on KFC:

Economic growth and unemployment levels can influence the demand for KFC products. Additionally, factors such as currency exchange rates, inflation, and changes in raw material prices affect production costs and selling prices. Positive economic growth in KFC's operating areas can lead to increased consumer spending on fast food,

benefiting KFC's demand and revenue (Suwarjono, 2020).

#### c. Social Factors at KFC:

Consumer lifestyles and eating habits influence the demand for KFC products. Factors like health awareness and environmental concerns also impact KFC's brand image. KFC must pay attention to consumer trends and preferences to offer products aligned with market demand (Arafat, 2018; Wijaya et al., 2022).

#### d. Technological Factors at KFC:

Technology affects KFC's production, promotion, and distribution processes. Utilizing technology can enhance operational efficiency and productivity, such as using food processing machines, supply chain management software, and online ordering platforms. Technological advancements allow KFC to develop more efficient products and services, reducing operational costs and improving competitiveness (Safitri & Pramudita, 2019).

#### e. Environmental Factors at KFC:

KFC must address environmental issues such as waste management and eco-friendly packaging to maintain its brand image and comply with government regulations. Environmental concerns can influence consumer perceptions and regulatory requirements (Istichanah, 2022).

#### f. Legal Factors on KFC:

KFC must comply with relevant regulations and laws in the countries where it operates, including employment laws, food safety regulations, and environmental laws. Adherence to these

regulations is essential for KFC's operations and brand image (State, 2020).

- g. Overall, political, economic, social, technological, environmental, and legal factors significantly impact KFC's business operations and strategies. Therefore, KFC must consider and understand these factors when planning business strategies and making decisions.

#### 4.2 The Five Forces of Competition Model

The Five Forces of Competition Model is a method used to analyze the internal strengths and competition within an industry operated by a company. Below is the analysis of the Five Forces of Competition Model for KFC:

- a. Rivalry among Competing Firms:  
KFC operates in the fast food service industry, which has numerous competitors such as McDonald's, Burger King, and Subway. Competition in this industry is intense due to the abundance of similar products and services. KFC must develop a robust marketing strategy to differentiate itself from competitors and secure market share.
- b. Threat of Substitute Products:  
The threat of substitute products arises when consumers have many alternatives to KFC's offerings. For instance, consumers can choose other fast-food restaurants or prepare food at home. KFC must continually improve the quality of its products and services to maintain customer satisfaction and mitigate the threat of substitutes.
- c. Bargaining Power of Suppliers:  
KFC relies on suppliers for standard materials like chicken and spices.

Disruptions in the supply chain or increases in raw material prices can impact KFC's sales prices and product availability. To mitigate this, KFC should maintain strong relationships with suppliers and negotiate competitive prices for materials.

- d. Bargaining Power of Buyers:  
KFC must consider the bargaining power of buyers, especially price-sensitive consumers. Offering products and services at competitive prices is essential for maintaining market share and profitability.
- e. Threat of New Entrants:  
The fast-food service industry is relatively easy to enter, posing a threat from new competitors that could reduce KFC's market share. To address this threat, KFC should focus on enhancing the quality of its products and services, building a strong brand, and fostering customer relationships to maintain a competitive edge.

From the analysis of the Five Forces of Competition Model, KFC must carefully consider these factors when making strategic decisions to remain competitive in the highly competitive fast-food service industry.

## 5. Conclusions

### 5.1 Conclusion

In the anticipated economic recession of 2023, KFC is implementing a Mobile Defense Strategy to navigate the challenging economic landscape. Amidst these conditions, KFC is prioritizing the maintenance of total sales volume, leveraging bundle products and promotional packages to support this objective. The writer's team intends to

conduct an analysis of KFC's external environment using the SWOT method, complemented by quantitative data collection techniques. This analysis will specifically focus on PESTEL factors, which will be gathered through methods such as surveys or statistical data processing. The sources utilized for data collection will include reputable outlets like Google Scholar and other trusted sources. By employing these rigorous methods, the writer aims to obtain credible and valid data to facilitate a comprehensive analysis of KFC's external environment.

## 5.2 Suggestion

Indeed, KFC must carefully assess the bargaining power of buyers, particularly given the sensitivity of consumers to pricing. To maintain a strong market share and profitability, KFC should ensure that its products and services are competitively priced to meet customer needs. This is particularly crucial during times of economic recession when consumers may be more inclined to seek cost-effective options. By offering products and services at the right price point, KFC can effectively compete with other fast-food competitors and retain its position in the market.

## Bibliography

Achmad , A., & Amir, A. (2018). Study of fuel oil supply and consumption in Indonesia. *International Journal of Energy Economics and Policy*, 8(4), 13.

Achsani , NA, Tambunan , M., & Mulyo , SA (2012). Impact of fiscal policy on the agricultural development in an emerging economy: Case study from the South Sulawesi, Indonesia. *International Research Journal of Finance and Economics*, 96, 101-112.

Agussalim , HR (2013). The Effects of Leadership Style, Reward and Career Development on the Performance of Public Servants in The Residence of Poso . *Academic Research International*, 4(6), 149.

Ali, MY (2022). The Process of Making a Pinisi Boat in Bantobahari District, Bulukumba Regency, Indonesia. *European Journal of Engineering and Technology Research*, 7(5), 70-75.

Arniati , A., Arsal , M., Akhmad , A., Asdar , A., & Adiningrat , AA (2020). Impression of Student Knowledge on Decisions Become a Customer of Islamic Banks. *International Journal of Business Economics (IJBE)*, 1(2), 145-152.

Arsal , M. (2021). Impact of earnings per share and dividend per share on firm value. *ATTESTATION: Journal Scientific Accounting* , 4(1), 11-18.

Arsal , M., & Arsal , D. (2019, August). Urban forests and financial resources perspective in Indonesia. In *IOP Conference Series: Materials Science and Engineering (Vol. 593, No. 1, p. 012006)*. IOP Publishing.

Arsal , M., HAMID, NINBA, Arsal , R., & Basri , M. (2014). Consumer Behavior of Islamic banking. *International Journal of Science Commerce and Humanities*, 59-64.

Bruijl , GHT (2018). The Relevance of Porter's Five Forces in Today's Innovative and Changing Business Environment. *SSRN Electronic Journal*, January. <https://doi.org/10.2139/ssrn.3192207>

Cho, W., Ke , J. yu F., & Han, C. (2019). An empirical examination of the use of bargaining power and its impacts on supply chain financial performance. *Journal of Purchasing and Supply Management*, 25(4).

- <https://doi.org/10.1016/j.pursup.2019.100550>
- Gasparotti , C. (2020). The internal and external environment analysis of Romanian naval industry with SWOT model. *Management*, 4(3), 97-110.
- HASANUDDIN, R., Darman , D., Taufan , MY, Salim, A., Muslim, M., & Putra, AHPK (2021). The effect of firm size, debt, current ratio, and investment opportunity set on earnings quality: an empirical study in Indonesia. *The Journal of Asian Finance, Economics and Business*, 8(6), 179-188.
- Haeruddin , H., Ibrahim, I., Jamali, H., HR, AS, & Asriati , A. (2021). Preparation of Financial Statements for Village-Owned Enterprises ( BUMDes ) Based on Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM). *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)*, 4(4), 10012-10025.
- Hafid , A., Karsadi, K., AKHMAD, A., & Syukur , M. (2020). The Existence of Moronene Indigenous Peoples in Hukaea Laea Village, Bombana Regency, Indonesia. *International Journal of Innovation, Creativity and Change*, 14(1), 288-306.
- Irfan, M., Zhao, ZY, Ahmad, M., Batool, K., Jan, A., & Mukeshimana , M.C. (2019). Competitive assessment of Indian wind power industry: A five forces model. *Journal of Renewable and Sustainable Energy*, 11(6). <https://doi.org/10.1063/1.5116237>
- Istichanah . (2022). Pestel and SWOT Analysis as a Basis for Strategy Formulation at PT. Asrinda Arthasangga Reinsurance Brokers. *Journal of Economics and Accounting*, 3(2), 383-393. <https://doi.org/10.47065/arbitrase.v3i2.520>
- Jaman , A. (2016). Influence of work environment and organizational culture on job satisfaction and performance of lecturers as intervening at the Master Management Program of Muhammadiyah University of Makassar. *Journal Of Advanced Research in Engineering & Management (IJAREM)*, 1.
- Jusriadi , E. (2022). Moderation of Leadership Style: Management Accounting Style: Management Accounting Information Systems and Management Control Systems on Managerial Performance. *ATTESTATION: Journal Scientific Accounting* , 5(1), 16-32.
- Karim, K. (2019). The impact of fuel oil price fluctuations on Indonesia's macro economic conditions. *International Journal of Energy Economics and Policy*, 9(2).
- Karim, K., & Tajibu , M. J. (2021). Determination of consumer switching barriers to use prepaid electricity systems in the household sector in Makassar , Indonesia . *International Journal of Energy Economics and Policy*, 11(1), 193-199.
- Medik , R., & Admission , DAN (2021). *Journal Widya RSCM JAKARTA Journal Widya* . 2, 129-145.
- MUAFIAH, AF (2019). No TitleELENH . *Ay an*, 8(5), 55.
- Negeri, T. (2020). Analysis Planning Strategic System Information on State Tsanawiyah Madrasas. *JUSITI E-Journal ( Journal System Information and Technology Information )*, 9(2), 156-163. <https://doi.org/10.36774/jusiti.v9i2.770>
- Nita Rimayanti , MC (2020). KFC INDONESIA PR MEDIA. 20 August.

- <https://boedyin.wordpress.com/2014/09/09/31/>
- Nurhayati , S. (2020). Analysis Strategic System Technology Information with Approach SWOT Analysis ( Study Case : Home IT Division Cicendo Bandung Eye Pain ). 2020 National Seminar on Informatics , 2020( semnasIF ), 149-154.
- Omsa , S. (2019). Five Competitive Forces Model and the Implementation of Porter's Generic Strategies to Gain Firm Performances. Science Journal of Business and Management, 5(1), 9.  
<https://doi.org/10.11648/j.sjbm.20170501.12>
- Paramadita , S., Umar, A., & Kurniawan, YJ (2020). Pestel Analysis of Penetration Gojek in Indonesia. Journal Service and Entrepreneurship , 4(1).  
<https://doi.org/10.30813/jpk.v4i1.2079>
- Prof. Dr. Ir. Hapzi Ali, MM, C. (2018). STRATEGIC MANAGEMENT. 30 Dec.  
<http://buatmejik.blogspot.com/>
- Rachman , T. (2018). Deep SWOT analysis Win Competition Business . Angewandte Chemie International Edition, 6(11), 951-952., 10-27.
- Rizky , SN, Sunaryo , H., & Salim, A. (2022). Organizational culture, motivation and organizational citizenship behavior effect on employee performance. Budapest International Research and Critics Institute-Journal (BIRCI-Journal), 5(1), 3565-3576.
- Rum, M. (2013). Locus of control, innovation, performance of the business people in the small business and medium industries in south Sulawesi. Journal of Economics, Business, & Accountancy Ventures, 15(3), 373-388.
- Rum, M. (2016). Audit size, mandatory audit and time budget pressure on and audit risk and audit quality on practice of accounting users. European Journal of Social Sciences, 53(2), 201-215.
- Rum, M. (2018, May). Cost Efficiency of Sea Freight and Lowering Cost of Consumption of Goods. In IOP Conference Series: Earth and Environmental Science (Vol. 156, No. 1, p. 012020). IOP Publishing.
- Rum, M. (2018, May). Cost Efficiency of Sea Freight and Lowering Cost of Consumption of Goods. In IOP Conference Series: Earth and Environmental Science (Vol. 156, No. 1, p. 012020). IOP Publishing.
- Salim, A., Rustam, A., Haeruddin , H., Asriati , A., & Putra, AHPK (2020). Economic strategy: Correlation between macro and microeconomics on income inequality in Indonesia. The Journal of Asian Finance, Economics and Business (JAFEB), 7(8), 681-693.
- Safitri , N., & Pramudita , R. (2019). Planning Strategic System Information Use PEST and MOST methods . Technology Engineering Device Soft , 3(2)(1), 151-160.
- Suarni , A., Jam'an , A., & Adawiah , R. (2023, February). FUND MANAGEMENT: AN EXPLARATORY CASE STUDY OF MOSQUES IN SOUTH SULAWESI INDONESIA. In Proceedings of the 1st International Conference on Social Science (ICSS) (Vol. 2, No. 1, pp. 188-194).
- Suarni , A., Asriati , A., Masnan , S., & Fitriani , F. (2019). Factors Motivating The Local Community of Belawa , Wajo Regency, South Sulawesi Province to Engage in



Edible Bird's Nest Industry In The Perspective of Islamic Business Ethics. Muhammadiyah International Journal of Economics and Business, 2(2), 183-194.

Pestel Analysis Approach. Review, 27(1), 71-87.

Surya, B., Salim, A., Saleh, H., Abubakar, H., Suriani, S., Tenry Sose, A., & Makkulawu Panyiwi Kessi, A. (2021). Economic growth model and renewable energy utilization: Perspective of natural resources management and sustainable development of the Gowa regency region south Sulawesi, Indonesia.

Surya, B., Hernita, H., Salim, A., Suriani, S., Perwira, I., Yulia, Y., ... & Yunus, K. (2022). Travel-business stagnation and SME business turbulence in the tourism sector in the era of the COVID-19 pandemic. Sustainability, 14(4), 2380.

Suriyani, A., Saleh, S., & Akhmad, A. (2023). Capacity Building Empowerment of Weaver Groups Through Weaving Business Innovation at the Ikat Jata Kapa Weaving Center in Sikka Regency, East Nusa Tenggara Province, Indonesia, Indonesia. European Journal of Development Studies, 3(2), 59-68.

Wenas, MS, Rengkung, LR, & Jocom, SG (2023). Analysis Internal and External Feasibility of House Construction Cut Integrated Chicken \_ With a Cooling Process in the District North Minahasa Feasibility Analysis Of Internal And External Construction Of Chicken Slaughterhouses Integrated With Cooling Processes In North Minahasa Regency. 19, 657-668.

Wijaya, A., Fasa, H., Berliandaldo, M., & Prasetio, A. (2022). Development Strategy Village Tour Sustainable in Indonesia: Approach Pestel Analysis of Sustainable Tourism Villages Development Strategy in Indonesia: