

KFC's Akhona Qengqe on business survival and innovating for the future

By  Lauren Hartzenberg

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Even Africa's biggest fast-food brand, KFC, has not been spared the devastating financial impacts of the Covid-19 pandemic. But despite lost sales, and an uncertain economic trajectory, Akhona Qengqe, chief people officer at KFC Africa, is a firm believer in the resilience and agility of the franchising sector and the promising business innovation that's taking root in the midst of a crisis.



Akhona Qengqe, chief people officer at KFC Africa

Speaking during the inaugural Franchising for Africa virtual conference, hosted by the Franchise Association of South Africa (Fasa) last week, Qengqe detailed the significant challenges brought on by the global pandemic.

"The biggest challenge is probably around job losses," she said, "not just locally, but elsewhere in Africa and in many markets globally."

"The fact that 60% of our continent's population is under the age of 25, and that is the group that has been most affected by unemployment, is truly telling of the challenges that our economies and businesses are yet to face in the future," she said.

On a global scale, Qengqe said that KFC has seen fewer customers because of the change in shopping patterns and customer behaviour, which ultimately resulted in a loss of sales. In response, KFC underwent a restructuring towards the end of 2020 to ensure that its structures were "leaner" and better positioned to face the challenges that the business would need to navigate for future growth, Qengqe said.

Impacts on operations and supply chain

KFC Africa operations have been affected by staff absenteeism, mainly due to illness, while the supply side of the business has been negatively impacted by the rising cost of goods and mounting input costs, which are primarily driven by a weak and volatile currency, Qengqe said.

“What that has done is it’s driven up selling prices. Consumers are starting to feel the pinch and are now telling us that what they used to pay for things last year is significantly different to what they pay this year – and that’s across the retail industry.”

While the substantial growth of e-commerce holds promise, it’s not a cure-all in Africa. “From an infrastructure perspective, we’ve seen some retailers that have shifted to e-commerce channels. But the reality of our continent is that data costs are still quite high, and that limits the ability of the masses to fully utilise these platforms.

“This is compounded by the fact that delivery networks are not as advanced, so some areas still remain inaccessible by delivery aggregators.”



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Financial relief

As a franchisor with considerable scale, Qengqe recognised KFC's responsibility to financially assist franchisees who struggled due to lost sales during the pandemic, particularly when relief from the banks ceased.

“The financial challenges that the franchisees in our system have faced have compromised their ability to pay back the loans they've taken to open up their businesses. We've had to come to the party to assist them with different levels of relief, because we know that without them we actually don't have a business.”

Through the Yum Relief Fund, KFC team members have been able to apply for grants to assist with financial relief for themselves and their families – whether cash was needed to pay for Covid tests, to cushion the blow from losing a loved one to Covid-19, or to cover the loss of income due to store closures as a result of the riots in KZN and Gauteng recently.

Against a somewhat sombre backdrop illustrated above, Qengqe said that franchising businesses, and KFC in particular, have made important pivots in how they do business.

E-commerce and dark kitchens

Though in its relative infancy on the continent, and despite limitations in certain regions, Qengqe said e-commerce presented a new sales channel, which until now had not been adequately explored. “Delivery as a channel, and e-commerce as a channel, have started to grow exponentially, albeit from a small base.”

“We're also seeing the emergence of dark kitchens, and the acceleration thereof,” she added. Qengqe explained that dark or ghost kitchens enable food service businesses to accelerate their delivery channel because the kitchens are used as a

delivery point, and they significantly help to avoid high rental costs, especially in prime locations.



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Customer expectations driving innovation

Qengqe pointed out that as customers become more discerning, they're requiring more ingenuity from brands. She referenced KFC branches in Sandton, which are beginning to incorporate self-ordering kiosks. "That's definitely an area we're moving into – to allow people to order at the kiosks themselves and just pick up at the counter."

She explained that this system allows KFC to serve more customers, thereby driving more transactions, and it avoids having people stand in lengthy queues.

In a similar vein, she pointed to the launch of the Shoprite Group's cashierless concept store, which she said "signals the level of innovation and sophistication that the current economic challenges are ushering us towards".

"However, it's an economic conundrum, because on the other hand, we need to be creating jobs so that we can have customers," she added.

CSI and sustainability

Qengqe listed sustainability as another key trend steering the future of business. "Sustainability looks different for different businesses. We need to think about the carbon footprint we leave behind but also consider how ready we are to navigate an uncertain future but still remain viable and profitable."

KFC removed all plastic straws from its stores two years ago, but Qengqe said beyond packaging, the company is "constantly reviewing" how else it can run a sustainable business, not just from a product perspective but from a people perspective.

As an example, she elaborated that KFC's Add Hope initiative not only solves today's problem of hunger, but the CSI programme invests in the sustainability of economies. "Children who are hungry cannot learn, and if they can't learn they can't create a future for themselves where they can contribute towards the economy," she said.



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Skill sets of the future

In conclusion, Qengqe emphasised the importance of investing in skill sets to future-proof one's business. She said that KFC has invested heavily in tech and digital skills, and that businesses need to be deliberate about how they're resourced to not only survive the current climate but to lead in the future.

"What type of skills are we going to use to be able to navigate an uncertain future? We need to be less reactive and more proactive, and build those skill sets sooner."

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