

Mashhadi, Aazir Hammad; Ijaz-Ur-Rehman, Qazi

## Article

# Impact of external environment on the performance of the fast food industry

International Journal of Management, Economics and Social Sciences (IJMESS)

## Provided in Cooperation with:

International Journal of Management, Economics and Social Sciences (IJMESS)

*Suggested Citation:* Mashhadi, Aazir Hammad; Ijaz-Ur-Rehman, Qazi (2012) : Impact of external environment on the performance of the fast food industry, International Journal of Management, Economics and Social Sciences (IJMESS), ISSN 2304-1366, IJMESS Int'l Publishers, Houston, TX, Vol. 1, Iss. 1, pp. 19-25

This Version is available at:

<https://hdl.handle.net/10419/62014>

### Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

### Terms of use:

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*



<http://creativecommons.org/licenses/by-nc-nd/3.0/>



# Impact of External Environment on the Performance of the Fast Food Industry

Aazir Hammad Mashhadi and Qazi Ijaz-Ur-Rehman

Riphah International University, Islamabad, Pakistan

The Purpose of this study is to analyze the impact of Political, Economic, Social and Technological macro environmental forces on Pizza fast food industry in Rawalpindi / Islamabad and suggestions for improvement in their performance. This research work is based on co-relational (survey) research design and instrument used for research is interview. PEST analysis was selected to analyze PEST forces in fast food industry. The paper provides empirical data to identify those factors that play key role in improvement of performance. In this study we found that the four factors P, E, S, and T are the key factors that can determine the performance of the fast food industry. Our result showed that the P is somewhat insignificant but other all three factors are the key factors which show the significant results. Hence we can say that managers have to keep these factors in mind to perform better.

*Keywords: Pizza food industry, PEST analysis, Pakistan*

The food intake of the people of any country is related to a number of factors like income of consumers, employment status, educational level and cultural differences (Dowler, 2001). Due to global change the life styles of people change gradually, they spend more money on fast food rather than spending on higher education, computers, books, magazines, newspapers, videos and recorded music (Schlosser, 1998). Fast foods have been defined by Bender and Bender (1995) as “ Fast food is broad term used for a restricted menu of food that lend themselves to production techniques, suppliers tend to specialize in product such as hamburger, pizza, chicken and sandwiches” . Definition of the fast food in a book by the Lundberg is “ Fast food means quick service-the food already

prepared and held, limited menu items and no table service” (Lundberg, 1984). The sheer size of the fast food enterprise guarantees that it has a considerable influence on the eating habits of large segments of the population (Fieldhouse, 1996). Segmentation of residential customers should be focused by the firms like the target customers in specific geographic places, plan strategically if there is differentiation in land of selected segments and the people capability to influence political decision making (Kwate, 2008). Few studies have examined the effects of neighborhood access to fast food outlets on individual health outcomes. The studies that have taken place have all been in the U.S, and there is scant evidence for an association between access to fast food retailing and individual health outcomes (Burdette and Whitaker, 2004; Jeffery et al., 2006; Morland et al., 2002a).

Profitable food, beverage management, and planning, defined the fast food in term of fast food restaurant. Fast food restaurants are low price, quick service and convenient places for eating (Sweeney, Green, & Drake, 1980). Another definition of the fast food restaurant is the " Eating establishments that utilize standard food preparation, service, equipment, management systems, and labor saving techniques in providing a limited food menu" (Haas, & Robins, 1981).

The word " restaurant" was first us in America by the Jean Baptistie in 1794. He was a French refugee; he came to America and opened his first restaurant. Later on it was Lorenzo who served the food industry for more than 50 years (Lundberg, 1984). After the start in 1970, the fast food industry accelerated at a great pace and people started to take interest and the large chains of the food industry came into being, such as McDonald' s, Berger King, and Hamburger and Pizza chains (Lattin, 1985).

The aim of this study is to investigate the effects of PEST forces on the performance of fast food industry of Pakistan.

### **Literature Review**

Literature shows that the entry decision to any market is significantly affected by the Political (P), Economical (E) and Social (S) conditions (Whitelock & Jobber, 2004). The growth rate of fast food industry is directly proportional to employment and consumer income. The consumer spending at fast food outlets reflects the better life patterns of people according to economics (Deane, 1987). According to Deane, these factors affect the growth of fast food

industry and with a better understanding of these factors managers can increase the profits and remain up to date with time. A positive correlation was found between income of consumers and visit of customers to some types of restaurants. Consumers with higher income visit restaurants more frequently as compared to lower income consumers.

Fast food has the negative effect on the social habits of the people, as the gain in the mass (weight) is found to be directly proportional to the fast food especially in Women (Jeffery & French, 1998).

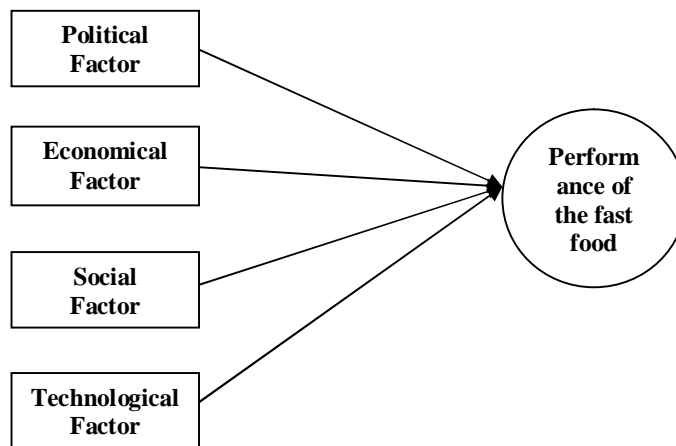
It is supposed that both the technical and the legislative parties should sit together and find some solution to the problems that are being faced in the environment to improve the quality of the fast food so that the technical issues may be made the part of the policy (Tester, Stephanie A. Stevens et al., 2010). Hazard analysis and critical control point (HACCP) is found to be the very good technology to improve the speed of the safety implementation and the quality of the food in the industry especially fast food industry (Sweet, Balakrishnan et al. 2010). The use of the technology has increased the growth of the fast food industry, as the Burger King and the Macdonald' s has increased their budget for the TV advertisements, and as a result led to increase in the sale (Harris, Schwartz et al. 2010). Poultry meat (One of the key ingredients used in the fast food industry) quality insurance is the very key and primary issue for the fast food industry, so for that purpose the PRP are introduced to manage the meat requirement and supply efficiently (Manning & Chadd, 2006).

Vladimirov (2011) found the implementation of the food safety management in the Bulgaria reveled the fact that it can significantly improve the fast food quality, but unfortunately some weak points in the Bulgarian Politics act as a constraint in the development of the fast food industry. In public opinion it is found that in a country government is responsible for the awareness in the public, that what kind of food should be used or avoided, (Badrie, Titre et al., 2006).

Fast food has a large social effect on the life of the people, it is found to be the one of the most important factor in the increasing obesity rate in the young generation (Bowman, Gortmaker et al., 2004). Due to the advancement in the technology the fast food is now available at more convenient places and at the more convenient price. This industry is increasing at a rapid rate, it is also producing consequent impact on the social, political, economical aspects of

the life (DeMaria 2003). Now a day' s computers are being used to analyze the quality of the pizzas (Brosnan and Sun, 2004). On the bases of literature review we are proposing following hypotheses:

- H<sub>1</sub>: Performance of the food industry is significantly related to political factor of the country.
- H<sub>2</sub>: Performance of the food industry is significantly related to economic factor of the country.
- H<sub>3</sub>: Performance of the food industry is significantly related to socio-cultural factor of the country.
- H<sub>4</sub>: Performance of the food industry is significantly related to technological factor of the country.



*Figure: Theoretical Framework*

## Methodology

The target population of the research is the fast food industry of the Pakistan. The selected industry is well known in the country and as well as internationally. Convenience sampling technique is used because the study was self financed by researchers. Sample size selected for the research by convenience method was 35 pizza selling outlets. The present study was a cross sectional and has been conducted among the different outlets of the pizza in Rawalpindi and Islamabad. The data was collected by means of a " self report" questionnaire. An introductory session was organize before disseminating the questionnaires to develop know how to the managers about the research topic. The scale used for measurement was 1, " strongly disagree," and 7, " strongly agree" for measurement of performance and for four factor P, E, S and T. English is taught as a foremost, compulsory subject in Pakistan. From start till university level English is the medium of instruction. Every educated person in Pakistan understands English that' s why, the translation

of the questionnaire into the native language was not necessary. Political factor was measured by 8, economical by 4, socio-cultural by 6, technological by 6 items adopted from Renewal Associates (2003) and financial performance was measured by 3 items adopted from Delantey & Huselid (1996). The average reported Cronbach' s alpha for the scale was .76 for political component .73 for economic component, .76 for social component, .75 for technology component and for.73 for Performance.

## Results

Data was analyzed by using SPSS, first of all the reliability of the model was analyzed, then correlation and regression was run. Results of the correlation and regression are given below in tables.

At first step the scale was analyzed and Reliability of the all variables was found, which was reported to be more than 0.70, which shows that the questionnaire is reliable and can be used.

**Table 1: Correlation Matrix**

	AvgP	AvgE	AvgS	AvgT	AvgPER
AvgP	1				
AvgE	0.17	1			
AvgS	0.23	0.42*	1		
AvgT	0.74**	0.34*	0.70**	1	
AvgPER	0.27	0.34*	0.58**	0.63**	1

\*  $p < .05$

\*\*  $p < .01$

The results for the correlation and regression showed that performance is positively correlated (0.279) with the political effect, but in our result its significance is about 0.107 i.e. it is not a reliable or significant measure, but results for the R<sup>2</sup> showed that for P the coefficient of determination R<sup>2</sup> = 0.078 which means that politics has a very little effect on the performance, so it dissatisfies our H<sub>1</sub>.

Correlation between the performance and the Economical factor is found to be the 0.340 which mean that the performance of the fast food industry is positively correlated with the economical condition of the environment, where as the R<sup>2</sup> = 0.116 it means that 11.6 % of the variation in the Performance can be described by the Economic condition, these result are at the level of the 0.05. Social has R<sup>2</sup> = 0.345 which is a high value, which shows that the 34.5% of the performance of the industry depends upon the social behavior of the people of the certain area or location: it satisfies our H<sub>2</sub>.

The correlation result for the Social and Technological factor with Performance are found to be the 0.588 and the 0.635 respectively which shows the highly positive correlation and these result are at the level of the 0.01, S has R<sup>2</sup> = 0.345 i.e. explains the 34% dependence of the variable. Technology has the value for R<sup>2</sup> = 0.404, which is also a quite high value and shows that the technology has a great impact (40.4%) on the performance and it satisfies our hypothesis H<sub>3</sub> and H<sub>4</sub>.

Collectively these all four factors contribute to predict the 49.5% of the performance (overall model explains the effect by 49.5%). Evidences

show that with economic growth of a country, income of people of that country grow and they spend more on food and visiting restaurant. When economic structure of a country is reformed the GNP per capita increases rapidly then income and lifestyle will be changed. It can be anticipated that after economic reforms households will get more than one income source, have smaller families and the population will be better educated. The socio-cultural aspect of a society improves the efficiency of fast food restaurants, with increased civilization people prefer to enjoy life and taking meal out side the home. In Pakistan people take it as an amusement activity. The political factor do not influence the performance of fast food services significantly because Pakistan is facing political tragedies from many years now the air of terrorism is high in Pakistan, so the people of Pakistan almost ignored political effects and sales on restaurants are going on. The technological impact on performance of fast food outlets is positively related and more the technological advancements in fast food industry more the customer satisfaction and hygienic products.

### **Conclusion**

In this study we found that the four factors Political, Economic, Social, and Technological are the key factor that can determine the performance of the fast food industry. Our result showed that the Political factor is somewhat insignificant but other all three factors are the major contributing factors; which show the significant results. These four factors (P, E, S

and T) collectively contributed to the 49.5% of the performance for the industry. It means that the performance of the industry can be enhanced by keeping these factors in mind. And only one variable; T can explain the performance by 40%. It means with the indulgent of the technology in the industry; the industry can grow too faster. Hence we can say that for a manager, to perform better; have to keep these factors in his mind.

Future recommendations for the managers:

For managers we recommend having a close eye on the R & D in the fast food field, and also on the social and economic factor, as these are the major contributors; when entering into new market or expanding the business or to compete in a market.

### References

- Badrie, N., M. Titre, et al. (2006). "Public awareness and perception of genetically modified engineered foods in Trinidad, West Indies." *British Food Journal*, 108(3): 192-199.
- Bowman, S. A., S. L. Gortmaker, et al. (2004). "Effects of Fast-Food Consumption on Energy Intake and Diet Quality Among Children in a National Household Survey." *Pediatrics*, 113(1): 112-118.
- Brosnan, T. and D.-W. Sun (2004). "Improving quality inspection of food products by computer vision-a review." *Journal of Food Engineering*, 61: 3-16.
- Bender, A.E. and Bender, D.A. (1995). *A Dictionary of Food and Nutrition*, Oxford University Press, Oxford.
- Burdette, H.L., Whitaker, R.C. (2004). Neighborhood playgrounds, fast food restaurants, and crime: relationships to overweight in low-income preschool children. *Preventive Medicine* 38 (1), 57- 63.
- DeMaria, A. N. (2003). "Of Fast Food and Franchises." *Journal of the American College of Cardiology*. 41(7): 1227-1228.
- Deane, E. (1987). Restaurant's share of consumer food dollars rising, *Nation's Restaurant News* . 54.
- Dowler, E., 2001. Inequalities in diet and physical activity in Europe. *Public Health Nutrition* 4 (2): 701- 709.
- Donald E. Lundberg (1984), *The Hotel and Restaurant Business*. New York: Van Nostrand Reinhold Company Inc. 223.
- Eric F. Green, Galen G. Drake and F. Jerome Sweeney. (1980). *Profitable Food and Beverage Management and Planning*. Haycten Book Company, Inc, p. 19.
- Fieldhouse, P. (1996), *Food and Nutrition Customs and Culture*, 2nd ed., Stanley Thornes, Cheltenham.
- Gerald W. Lattin (1985), *The Lodging and Food Service Industrv*. Educational Institute of the American Hotel & Motel Association, p. 121.
- Harris, J. L., M. B. Schwartz, et al. (2010). *Fast Food Facts*. R. C. f. F. P. a. Obesity.
- Jeffery, R. and S. A. French (1998). "Epidemic Obesity in the United States:Are Fast Foods and Television Viewing Contributing?" *American Journal of Public Health* 88(2): 277-280.
- J., Mcguire, M., Linde, J., (2006), Are fast food restaurants an environmental risk factor for obesity? *International Journal of Behavioral Nutrition and Physical Activity* 32.
- Kwate, N.O., 2008. Fried chicken and fresh apples: racial segregation as a fundamental cause of fast food density in black neighborhoods. *Health and Place* 14 (1), 32- 44.
- L. Manning, R. N. B. and S. A. Chadd (2006). "Food safety management in broiler meat production." *British Food Journal* 108(8): 605-621.
- Lynn W. Robbins and Thomas P. Haas (1981), "Simulation behavior of fast food restaurants under alternative cost/volume conditions." *American Journal of Agricultural Economics*, pp. 146-152.
- Morland, K., Wing, S., Diex-Roux, A., 2002a. The contextual effect of the local food environment on residents' diet: the atherosclerosis risk in communities study. *American Journal of Preventive Medicine* 92 (11), 1761- 1767
- Sweet, T., J. Balakrishnan, et al. (2010). "Applying quality function deployment in food safety management." *British Food Journal* 112(6): 624-639.
- Tester, J. M., J. Stephanie A. Stevens, et al. (2010). "Effective Use of Frameworks and Research to Advance Policy." *American Journal of Public Health*: 3-9.
- Vladimirov, Z. (2011). "Implementation of food safety management system in Bulgaria." *British Food Journal* 113(1): 50-65.

- Whitelock, J. and D. Jobber (2004). "An evaluation of external factors in the decision of UK industrial firms to enter a new non-domestic market: an exploratory study." *European Journal of Marketing* 38(11/12): 1437-1455.
- Schlosser, E. (1998), "Fast-food nation: The true cost of American diet", *Rolling Stone Magazine*, issue 934, <http://www.mcspotlight.org/media/press/rollingstone1.html>.