

Marketing analysis for kfc in china



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This paper will introduce KFC in China as an example to analyze and evaluate marketing strategy of KFC. Firstly, this paper will evaluate marketing environment of KFC in China through SWOT. Secondly, the detailed marketing segmentation and targeting strategies will be analyzed in Chapter 2. Then, marketing mix of KFC will be explained in third chapter. Finally, the conclusion of this paper will be given in the final chapter.

Kentucky Fried Chicken (KFC), headquartering in Louisville, Kentucky, in the United States, is described as one of the leading international fast food restaurants (KFC 2010). There are KFC restaurants in more than 76 countries and they offer over 300 products. KFC, as a subsidiary of Yum, has outlets almost all over the world: Japan, Singapore, Hong Kong, China, Australia, the United Kingdom, and South Africa, the USA, etc. (Luo, 2000).

KFC opened its first fast food restaurant in Beijing in 1987. It had further developed to over 140 cities in 15 provinces and municipalities in 1999 (China Business Information Network, 1999). Up to 2001, there were more than 500 KFC restaurants all over China. In the early 1980s, under the reopening of China to overseas investment, KFC became the foremost multinational fast food chain to go into China. In the 1990s, KFC and other multinational fast food chains were largely prosperous in the big Chinese urban centers. KFC has become a fraction of local Beijing life, which has affected Chinese childhood experiences. It has become part of the social lives of the Beijing children.

Chapter 2 Marketing Environment

2. 1 SWOT Analysis

This section will introduce SWOT to analyze and evaluate general environment. SWOT analysis, considered as an evaluation matrix to assess organizational internal strengths and weaknesses and opportunities and threats of its circumstance, aims to provide support for decision-making and strategic planning (Bartol et al., 1991).

2. 1. 1 Strengths

KFC which entered China through Beijing in 1987 was the first western fast food restaurant, which provided KFC first mover advantages and a huge potential market for KFC's products. The opening of the first KFC restaurant in 1987 was largely covered by local medias and was watched by millions of Chinese. Early success in the Southeast Asia market made KFC confident in its capability to balance its corporate control with the demands for local responsiveness. Network system of KFC helps KFC to maintain the complex balance of control and local effectiveness. Inexpensive advertising further promote the rapid development of KFC in China. KFC adapts its advertising campaign to match the tastes of the local Chinese customers, including a Chinese version of the " We Do Chicken Right" advertisements. The control mechanisms of KFC in China try carefully to ensure standard levels of quality, service and cleanliness (QSC). This matches the positive image in Asia of Western fast food restaurants with high reputation, air-conditioned, and cleanliness. Furthermore, the products of KFC are not too strange for the Chinese because chicken is not an unfamiliar food in China and the prices of chicken are lower than other meat and more widely available. Chinese

consumers are increasingly health conscious, but they also raise the consumption of chicken (Luo, 2000).

2. 1. 2 Weakness

Expansion costs for every new restaurant is high. It is difficult for KFC to get a constant supply of quality chickens from the local supplier. It has to rely on the domestic partners in order to get the utility services and it is usually not easy for KFC to get timely and sufficient service. KFC is a fast food corporation that it cannot offer China in terms of technology. However, local partners think that they understand Chinese customers much better than KFC. The limited understanding of Chinese consumers may not to a great extent make the appropriate marketing strategy.

2. 1. 3 Opportunities

China has a population of 1.2 billion, which represents a great potential market for KFC. In the 1980s and early 1986s, China's real GDP averaged a growth rate of about 13.99% (China Statistical Yearbook, 2001). During early 1990s, the annual increase in food and beverage retail sales was about 19% on average. The poultry industry is one of the top priorities of China's agricultural modernization plans. Therefore, it receives great support from the government, which presents a great opportunity for KFC that rely heavily on chicken products.

2. 1. 4 Threats

Expanding into China market involves a great deal of uncertainty. There is insufficient market, industry or financial information. Opportunities and risks can be very different throughout the country. There were many risks when

KFC first entered the China market. It was necessary for KFC to establish long term contractual agreements with local partners, poultry suppliers, landlords, etc., which could take lengthy negotiations before operations began. At that time, China was not as open as it is today; there were many unknown factors and social unrest. The complicated legal system, sourcing and distribution problems, the insufficient amount of infrastructure and local management expertise all showed threats to KFC, even some basic utilities were not easy to obtain in some places in China. Differences in culture, customs, and beliefs may easily lead to conflicts.

2. 2 Market Segmentation and Targeting Strategies of KFC

In terms of Hua and Sharpe (2001) and Daniels and Radebaugh (2001), with the changing policies, the Chinese government has encouraged investments from the foreign countries. The poultry industry is in China's agricultural modernization plans. KFC has received a great support from the Chinese government and has had a competitive edge. There would be various kinds of consumers and probably different wants and needs, locations, buying attitudes of the consumers in China. They have different consumption behaviors and buying practices towards KFC. Therefore, when KFC entered the China market in 1987, it divided the potential customers into different segments and adapted the marketing mixes to match the demands of one or more segments.

2. 2. 1 Market Segmentation

KFC segmented the consumer markets by looking at the 4 major elements: geographic, demographic, psychographic and behavioral variables. KFC used multiple segmentation bases to identify smaller, better-defined target

groups. There are now KFC branches almost all over China. When KFC first entered China, it mainly focused on the large and middle-sized urban cities in the eastern coast. But in recent years, in order to maintain its market leader position, KFC in China has started to expand its business to the central and west China, many inner cities and provinces are also their focuses. As the consumers' tastes, wants and usage rates often vary closely with demographic variables and these variables are usually easier to measure, when segmenting the market, KFC first used these factors to do the segmentation. For example, KFC in China focuses on young families with 3-4 members whose parents are usually well educated with middle to high income. Then, KFC used behavioral segmentation to target additional consumer groups. KFC targeted on those regular and heavy users who consume in KFC frequently, it used "Return Rate" to differentiate the light and heavy users and hoped to target on the loyal customers who have positive and enthusiastic attitudes towards KFC.

2. 2. 2 Market Targeting

At this stage, KFC evaluated the various segments and decided how many and which segments to target. KFC focused its analysis on the segment size and growth, segment structural attractiveness, company objectives and resources. After the analysis, KFC has chosen "Family members" as their major target customers, whereas the teenagers have been the main targets of the promotion strategies, because KFC believes that the teenagers are more eager to accept new and western style fast food. All the KFC's products, services and environments are specially designed for them since teenagers are the major group of customers who like the eating

environments and mood of the multinational fast food chains (MNFFCs). As a result, KFC started its business in China from the teenagers, hoping that they would use their family roles to further attract other age groups in their families. Moreover, KFC in China has put many efforts on the young children as well. There are children's eating areas especially designed for the little customers. These areas are mainly designed for birthday parties in which the decorations are made to match the children's tastes as far as possible. There are two reasons behind for KFC to do so. First, KFC hopes that eating western fast food will become a habit of the young Chinese children. When the children grow up, KFC will be part of their daily lives. Second, the roles of children are very important in the Chinese families, through their motivations, KFC thinks that the whole family will be attracted to enjoy meals in KFC. It wants to establish a whole family-eating mood and builds up an image that it is a joyful place to eat. KFC in China also emphasizes that happiness is the attached value when you and your family consume in KFC.

After choosing the target segments, KFC had to decide what position it wanted to establish in those selected segments. A product's market position is a complicated idea of perceptions, impressions and feelings that target segments have for the product compared with competing products.

Therefore, KFC positioned its products by their specific product attributes- "the world famous chicken cooker". KFC has emphasized on the tastes, freshness and the 60 years chicken cooking experiences in the promotion and advertising programs. It has stressed on the main differences from its competitors. By entering the China market, KFC has capitalized on its market leader position by increasing market inertia; expanding to new markets; and

adopting the already well-developed supply and distribution channels as a contractual supply network for new entrants (Luo, 2000).

Chapter 3 Marketing Mix

According to Armstrong and Kotler (2001), companies have overseas business consider how much to adapt their marketing strategies (i. e. the marketing mix) to the local situations. This section will use marketing mix to explain the marketing strategies of KFC in China.

3. 1 Price

KFC was the first multinational fast food chain in China. It enjoyed the first mover advantage and could set the price without any direct pricing comparison with competitors in the same field, therefore, KFC decided to set the price at medium to high level at that time. The Chinese have had high purchasing power since GDP growth rate in 1987 was 12. 76% (China Statistical Yearbook, 2001). Even KFC sets the prices at medium to high level, it is still affordable by the Chinese customers. Many Chinese are willing to spend money on foreign foods as they think that foreign foods are of high standard. So, the relatively higher prices can still attract the Chinese customers. For example, the average Beijing consumers think that, having meals in KFC are high cost events. In 1993, a regular two chicken piece meal cost 17. 10 RMB, a children's meal cost around 8. 80 RMB and a typical meal for 3 people cost about 18-48 RMB, whereas the average monthly income of a Chinese at that time was about 400-600RMB. Even KFC knows that some of the customers think that the prices are too high, however, instead of lowering the prices in China, KFC chooses to maintain the prices and waits for the market to grow up around the prices.

3. 2 Product

All KFC stores including those in China carry out the “ CHAMPS” plan, such as C-Cleanliness, H-Hospitality, A-Accuracy, M-Maintenance, P-Product quality, S-Speed, to maintain high food qualities and the overall standard. There are increasing health and nutrition consciousness among the Chinese. A special consultative commission composed of 10 most authoritative nutriology experts and doctors has been established in China, hoping that KFC can introduce and develop more Chinese-style foods with higher nutritional values. KFC in China believes that quality is important to its success, as the Chinese consumers are increasingly demanding for high quality products. KFC understands that service specific industries should be less homogenous; therefore, adaption to the China market is important. A lot of effort has been paid to satisfy the Chinese customers, KFC tries its best to provide foods that are fresh but not too unfamiliar to the Chinese. Therefore, some new Chinese style foods, for example, fried rice, noodles and chicken congee, etc. have been introduced in the menu in order to match the local Chinese tastes.

KFC in Beijing broadens its scale by distinguishing its products from other multinational fast food chains. KFC understands that only western is not sufficient to bring success. With the increasing competitions, every company tends to emphasis the uniqueness of their products. KFC’s operation methods in Beijing are progressively ‘ domesticated’. Foods sold in KFC are no longer exotic, but are friendly, popular and even intimate kind of food. This process of domestication contains the effect of ‘ localization’, which means the innovations and modifications that KFC made in China, so as to compete with the local competitors. This localization helps KFC to become a

famous place for children in urban China. KFC in China adapts to the local tastes and usually introduces new products to the market. KFC has not demolished China's culinary traditions. Many Chinese ingredients are added to the KFC chickens in the cooking procedures. In Beijing KFC, for example, it has introduced a Chinese-style spicy chicken sandwich and during my Beijing field trip in March 2003, through the KFC advertisements, there was a product called ' Old Beijing Roast Chicken' that foreign customers do not have in their markets. Besides these two products, there are also other foods particularly designed for the Chinese, for example, chicken congee and popcorn chicken spices, etc. Another key for the success of KFC in Beijing is that it provides foods that the northerners adapt to eat. They favor foods with similar tastes like what KFC is selling, such as bread and potatoes, etc.

3. 3 Promotion

KFC in China usually adapts its advertising campaigns to match the customers' tastes. There is a Cantonese version of " We Do Chicken Right" advertisement in China. In order to increase the brand awareness and motivate sales volume, there are periodical meal sets and promotional prices for some special foods or meal sets constantly. There are also children meals especially designed for children. KFC also takes part in many charitable events in China, for example, donating clothes and money to the affected areas, sponsoring and taking part in many activities and functions, such as Football festival for the youth. In 2001, KFC also set up the website of chinakfc. com in China, which is a website specially designed for the customers in China. This website provides a large range of information, efficient and low cost online services to the customers. There is also a KFC

online member club, KFC members in China can download KFC coupons, play games, and get information about KFC online (China KFC, 2010). It has developed a better communication channel between KFC and its customers in China.

KFC in Beijing adapts their promotion campaigns to match the preferences of the Beijing children. The most obvious focus is the creation of Chicky (Qiqi in Chinese), which is a cartoon character developed by KFC. The company hopes that Chinese children will think that KFC when they see this icon. At the beginning of KFC's development in Beijing, it firstly kept on using its original symbol Colonel Sanders. But later on, the local managers found that the Beijing children did not really like the most representative symbol of KFC, they regarded Colonel Sanders as an old grandfather, with his white suit, white hair and goatee. Chicky is different, it is a chicken with energetic image and dresses up in famous hip-hop pop fashion culture of the USA. Beijing children see this image constantly on local TV programs. Besides the playing image of Chicky, he also works hard at school. In August 1995, customers who bought a children's meal could have a back-to-school pencil case. Chicky prompts their little customers to 'study hard and play hard'.

In order to increase its connections with the Beijing children, KFC in Beijing usually cooperates with schools, teachers and parents and sponsors children's sporting events, essay competitions, and other programs for children, etc. KFC in Beijing promotes KFC restaurants as 'fun and exciting places to eat'. The parents think that KFC is a place basically for children. KFC in Beijing has created a superior image of desired tastes and lifestyle aspiration successfully (Bourdieu, 1984).

3. 4 Place

KFC has more than 140 restaurants in Mainland China. KFC outlets in China usually locate at places where there are high national and city profile, large area, well-established distribution channels, with easy access to local customers and tourists, and close to the suppliers. As a result, transportation costs can be saved, and the changing tastes of local customers can be easily recognized and KFC can use suitable strategies to match the consumer preferences more quickly. KFC restaurants in China mainly locate in areas where there are adequate supplies of chicken. KFC usually chooses locations near to the major ports or metropolitan centers and expands from there. This allows KFC to establish a strategic network with government and port authority contacts, material supplies, and distribution resources before entering to rather unfamiliar locations. Places with favorable government policies, low labor costs and availability of sufficient labors are factors that KFC may consider when it chooses locations of the outlets in China.

3. 5 Customer Service

According to the changing life styles and economic development in Beijing, take-out windows with full menu and pictures can be found in the Beijing outlets, which are specially designed for the new fast-placed entrepreneurs in Beijing. The menu is similar to the one in the USA, with fried chickens, coleslaw and sodas, etc. Beijing customers can look into the KFC kitchens through large windows. The stainless-steel counters and tiled floors show the cleanliness of the restaurants. Furthermore, sinks for hand washing are available in every KFC; signs of sanitary facilities are clear to the customers. The staffs of KFC constantly clean the counters, empty the garbage bins,

sweep and mop the floor, in order to assure the cleanliness of the restaurants. Consumers feel confident about the foods provided by KFC. With the capability to produce a large amount of food, KFC in Beijing is appointed by the Chinese government and other business organizations to serve large banquets and feasts. Starting from 1994, KFC in Beijing has started to provide free delivery services within Central Beijing for orders that exceed 500 RMB. Moreover, there are ' children's hostesses' found in every Beijing KFC outlet. They are responsible to greet and take care of all the little customers in KFC. Besides the above-mentioned services, there is another function of KFC in Beijing-special places are set-aside for children's birthday parties. In the Dongsu KFC in Beijing, there is a place for birthday celebrations, where seats for about 50-60 customers are available and decorations are beautiful and appropriate there.

Chapter 4 Conclusion

After analyzing and evaluating KFC in China, it is important to find out the successful marketing strategies that lead to its rapid growth in Mainland China. The Chinese customers are increasingly conscious about the product quality, brand images of the products and the company, auxiliary services, health content of the products, efficiency, eating environments, status, etc. Instead of adopting price competition in the China market, it is important for KFC to concern more about the eating environment, customers' demand and satisfaction, products and promotion strategies. KFC has adopted differentiation and adaptation strategies in China, which have processed very successful so far. A comparison between the operations in Beijing KFC and Hong Kong KFC has been done. KFC have differentiated their products

from other competitors by having their own brand images, paying attention to the quality control and promotion strategies, providing high quality products and services to the customers, etc. Foods and beverage that suit the tastes of the customers are particularly designed in the China market. Although KFC uses an international standardized marketing strategic system, when facing such a huge market in China, adaptation is important to its success. Even though KFC is such a world famous multinational fast food chain and has many successful products, it still invents new products for the China market specially. Together with other promotion, distribution and pricing strategies, they help KFC to grow rapidly and successfully in China. To conclude, KFC's rapid growth in China implies that a company's success in China are largely affected by its successful market segmentation, market targeting, marketing positioning, marketing mix and a good management of differentiation and adaptation. Chinese customers have much higher demands than before, every company that plans to start business in China should pay more attention to customers' demands. Besides providing standardized and efficient products and services, they should also try their best to differentiate their products from the competitors, design new and high quality products and services that adapt to the tastes of the Chinese customers. Since China has a large market volume which is very important for each firm to develop and expand their business and most Chinese customers inclined to pay attention to food safety and quality, promotion is very important in the China market. It will be much easier for the companies that have well-organized promotion plans and high quality products to succeed in China.