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### 1.0. Introduction

This report mainly focuses on the cultural issues such as language and translation, Chinese values and eating habits, and customs of KFC in China.

### 2.0. China target market profile and cultural values

#### 2.1. Trends

China's agricultural products and imported food consumption have increased because of the increase in the wealth of the country (Harper, 2007). Importation of agricultural products and foods from the United States has risen from \$12.1 billion in 2008 to a staggering US\$25.8 billion in 2013 (Foodexport.org, 2015). This represents a 114% increase; China remains the biggest export market for agricultural produce. Even though there are variability in business culture as well as import requirements' uncertainty, this growing economy does not seize to create business opportunities for the U.S. exporters (Foodexport.org, 2015).

##### 2.1.1. Foodservice Sector

A report by Chengdu ATO stated that governmental policies enacted around late 2012, towards the reduction of lavish expenditure by officials, have negatively impacted China's hotel restaurant and institutional (HRI), which has maintained 20 years of double-digit figure expansion in 2013

(Business 2 Community, 2015). While these effects persist, recovery signs have been displayed in this sector since late 2013. It remains bright and strong because of new government policy that has almost reached full digestion and also, urbanisation that brings 20 million Chinese annually to the city centres (Business 2 Community, 2015). Furthermore, disposable income increase has contributed continually to higher spending on exotic food expenses; western cuisine has a firm grip because of the rapid increase of international restaurants and hotels. Even though Shanghai, Beijing and Guangzhou are the strongest, when it comes to consumer spending power within the HRI sector, Emerging City markets will continue to expand at the fastest rate (Business 2 Community, 2015).

Recently, middle class and wealthy urban Chinese are the official demographic targets for upscale restaurants, star-rated hotels and other food-related service outlets. The population of Chinese with annual household income that falls in the range US\$7,322 to \$61,016 are 200-500 million, and this is termed as middle-class consumers, according to Euro monitor and A.T. Kearney international estimates (Zhou, 2015). However, the official figures show that less than 125 million people have a household income that is greater than US\$61,016 (Zhou, 2015).

Chicken fast-food remained a sector that faces the challenge of issues related to consumer trust in 2013. The challenge was as a result of the antibiotic Chicken safety scare towards the end of 2012. Avian flu H7N9 outbreak in 2013 also intensified the pressure on this already pressurised operating environment and contributed to the massive decline in multinational chicken fast-food restaurant development, especially the KFC brand (Zhou, 2015). Consumers in this sector were also tempted by Asian fast-food restaurants that introduce a more Chinese-style food in addition to wider ingredients variety geared towards the capturing of a larger value share in 2013 in the foodservice fast-food sector (Zhou, 2015).

## 2.2. Competitive Landscape

As a result of the solid consumer foundation that has been built in China, Yum! Restaurants remained the leader in the fast-food chain in 2013. KFC is owned by Yum brand. KFC ran a limited time half-priced bucket offering in its stores between October and November 2013 to improve its brand image (Blog.lidan.net, 2015). This resulted in positive feedback during this period as same-store sales were observed to have recovered. KFC also embarked on aggressive marketing campaigns one which included the rollout of “Who can represent KFC”. It is geared towards inviting the consumer to vote for his favourite chicken type; between spicy crispy and original

flavour (Blog.lidan.net, 2015). On the other hand, localised food options at KFC outlets are known to perform well; there was no compromising of consumer benefits as rice dishes containing pork chop, beef and meatballs were offered to the consumer at a reasonable price range of CNY15.00-CNY22.00. Hence, these products continue to be attractive to Chinese rice lovers.

### 2.3. Prospects

Predictions indicate that fast food growth will be 6% as per the value sales using a constant 2013 price to CNY960.4 billion by 2018 (Atsmon, Magni, Li and Liao 2012). Multinational players are attempting to rebuild consumer confidence by focusing on research and development to offer Chinese-style fast food to maintain stable growth (Hbs.edu, 2011). Also, demands regarding variety, food taste and delivery speeds will be paramount amongst consumers. Multinational as well as domestic players will have to fiercely compete with each other in the highly competitive market environment of inherited Chinese fast food, as this concept is expected to increase dynamically within this forecast period (Hbs.edu, 2011).

### 3.0. KFC market cultural values and brand position in China

Even though fast food is often referred to as unhealthy by a large number of consumers, it still enjoys highly significant growth in China. Lack of traditional leisurely lunch breaks and longer urban environments working days have contributed to increased consumer interest in quick, inexpensive and hygienic fast food (China and Tran, 2012). In 2011, there were over 1.3 million fast-food outlets, and sales value of fast food increased by almost 17% within that period, accounting for more than 6% increase from 2010 (China and Tran, 2012). Successful brands like McDonalds and KFC have introduced breakfast menus targeted towards white collar workers who do not have enough time for breakfast preparation before leaving for the workplace. With over 4000 outlets and a market share of 6%, KFC in China continuously remains the market leader; they started entering into towns as well as fourth and fifth-tier cities in 2012 (China and Tran, 2012). Chinese consumer considers taste to be significant, as a result, Asian or Chinese flavours have been adopted by most international QSRs and have tweaked their menus to cater for the local environmental condition. For example, fried dough and Chinese porridge are local Chinese food offered by KFC (China and Tran, 2012). The ability to include local flavour is important to success for any international player in the fast food sector.

KFC, being a market leader, experience tremendous success as a result of the incorporation of Chinese elements with its menu targeted at catering for Chinese tastes. One of the factors that

made Yum! Brands a success is the seizing of consumers across multiple segments like those who have a preference for Asian style fast food. This has also made it possible for the organisation to maintain its leadership position in the Chinese fast food environment. Capturing multiple consumer segments such as those who prefer Asian-style fast food had enabled KFC-Yum! Brands to maintain its market leader position in China's fast food environment.

#### 4.0. Suggested solutions for the issues faced by KFC China

The key issue faced by KFC China was identified in the previous assignment as culturally based. This cultural issue is divided into three major segments:

- **Language and Translations (Issue 1):** Most business makes it of paramount importance to make a good first impression when entering a foreign country. KFC in attempt to follow likewise, started on the wrong foot when it commenced operations in China in late 1980 (Zhou, 2015). The restaurant's infamous slogan "Finger-licking' good" was accidentally translated to a not so appealing phrase: "Eat your fingers off." (BusinessNewsDaily.com, 2015)
- **Chinese Values (Issue 2):** Family habits are held highly by the Chinese as a result of the people's strong family bond; this includes picking up the family elders eating habits. KFC faced this problem as a result of the people not being accustomed to the eating western food. This was an issue while opening branches in several different locations in China. However, as a result of the company being a fast food company, it had more reception in cities. Hence, the cities are more preferred to locate a KFC outlet.
- **Eating Habits and customs (Issue 3):** Research reveals that in Chinese culture, going to restaurants is not just to eat, but also to have social communication with other people; a concept that is popularly called Café in western countries (Chen, 2006). On the contrary, Americans prefer fast food because of its convenience concerning access and location; they are found on highways and do offer quick services (Bian, 2009) (Xu, 2005). Due to this reasons, highways are not the choice location for its outlet in China.

The suggested solution for each issue is provided below:

##### **The solution for language and translations issues**

Though the company brand is a significant force in other markets outside of China, it is still important to enter new countries uniquely. It is crucial for organisations to carry out thorough research into the region as well as the local industry before undergoing product development, branding as well as other localisation efforts. Globalisation has made localisation even surprisingly important; products can now be found online by consumers, and the one that they are most likely

going to connect with are the products that have localised their customer experience. The advertisement sector and the company should have a proper understanding of the meaning of the words to overcome language and associated translation issues. They should also confirm that the right meaning is passed across, rather than translate the words verbatim. It is also of paramount importance to craft marketing slogans that are within the country's language and culture.

On the KFC menu, some of the products' names need to be changed from its original names to ones in the hometown. For example, the product Big Bucket which comprises of diverse kinds of fried chicken in one package is called 'Quanjiatong' in Chinese (Liu,2009). Its literal meaning in Chinese is "a bucket of food that can be shared for the entire family". This Chinese translation connects especially with Chinese culture, which emphasises on the benefits of family reunion and the need to share happiness. For innovative Chinese products in China, they must be given a meaningful name. Sometimes it is difficult to distinguish between products through judging by its name. E.g. "the 8 beauties juice" is an 8 ingredient fruit juice, "the 9 treasures juice" is a 9 ingredient juice, and "a room filled with gold and jade" actually means a box with fried corn and celery (Liu,2009).

### **The solution for Chinese values**

While it is crucial for KFC outlets in China to provide a diversified menu as well as adopting Chinese tastes, it is necessary to focus on other Chinese values. KFC must focus its target on "all types of family members" cutting across kids to elders alike. Also, its dining environment needs to be crafted to fit the dining environment of a family setting at home, so that its customers will feel the warmth of being at Home. The point of emphasis in KFC's outdoor advertisements and indoor decoration in its outlets should capture elements such as the importance of family reunion, love, husband and wife missing each other, care across different generations and so on.

In contrast to using famous actors and superstars, KFC can instead utilise some funny scene commercial, or the introduction of a storyline making it more appealing, easy and close to normal life. Moreover, because of the popularity of Japanese Anime and Local cartoons in China, KFC could introduce a toy denoting well-known cartoon characters such as Detective Conan, Astro Boys and Doraemon in kid's meal. It is advisable also, to give cool complements with foods that are targeted and attractive to both adults and children. This complimentary gift item could be rainbow cola cups, actors and singer's image batches and so on.

### **The solution for Chinese eating habits and customs**

Chinese people see fast food restaurant in similar light as a conventional restaurant, where they are not just interested in having dinner but also as a social gathering spot where they can talk with each other and catch up with friends that they have not met in a long time; this is analogous to Café's in the western world. Research reveals that the Chinese people have a preference for a restaurant over inviting people home for or to a bar or a tea house when meeting with friends (Chen, 2006). While the opposite is the case in America; there is a preference for fast food restaurants because of its quick and convenient service (Xu, 2005). Because of this, it is highly logical for KFC to locate its outlets in downtown areas with large population density. Its stores need to be also equipped with children's playground and sliding board so that parents can relax and stay longer.

KFC should avoid drive-thru style of restaurants because many Chinese domestic consumers have not fully adopted this automobile lifestyle. As a result, for the Chinese people, dining means sitting in a restaurant or relaxing after a stressful trip or a combination of both. The Chinese New Year ushers in the spring festival, which is one of the most important festivals in China. It also signifies the beginning of spring. During this period, KFC has to redesign its decoration to reflect Chinese elements such as "China red". It can also add a corresponding animal sign to decorations, product packages and commercials. Colonel Sander ought to modify its outfit to a more traditional Chinese garment. Also, the music to be played in the restaurants should be substituted with traditional Chinese songs, with a happy and festive feeling. There should also be an emphasis on other festivals too. In Urumqi, which is the capital of the Xinjiang autonomous region; home to Muslim Uyghur people, KFC might want to hold parties for boys who have just gone through the religious circumcision ritual.

## 5.0. Conclusion

For KFC to be a popular and household name in China, it cannot adopt the approach utilised in America or other places around the world; it would have to study and give preference to Chinese customs which is held in high importance.

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