

A Study of The Problems in The Development and Operation of KFC's Chinalized Products

Haochen Hu^{1, †}, Kaiye Xu^{2, †}, Yimin Xu^{3, *, †}

¹Ningbo Foreign Language School, Ningbo, 315123, China

²Melbourne School of Design, University of Melbourne, Parkville, 3010, Australia

³David Eccles School of Business, University of Utah, Salt Lake City, UT 84112, United State

*Corresponding author Email: u1344379@utah.edu

† These authors contributed equally

Abstract. KFC is a very famous fast-food company in China, which has taken advantage of several pain points in the Chinese fast food industry to gain a significant position in the huge Chinese market, but they still have a vision for the future to better integrate themselves into China. However, it is still difficult for KFC to be fully Chinalized because the traditional products in China are very difficult to change. So KFC has improved its corporate culture and products, and also refined its leadership style to make its products more relevant to the local Chinese products. And based on the above issues, it was also concluded that these behaviours helped in Chinalizing. Finally, it is proposed how it can be done better.

Keywords: chinalization; pain point; culture; products; project management theory.

1. Introduction

KFC is an American fast-food chain headquartered in Louisville, Kentucky, with fried chicken as its main product, and is the second largest restaurant chain in the world. KFC was founded by Harland Sanders, who began selling fried chicken at his roadside restaurant in Corbin, Kentucky, during the Great Depression. Sanders recognized the potential of the restaurant franchise concept and in 1952, the first "Kentucky Fried Chicken" franchise opened for business in Utah. The chicken became popular in the fast-food industry, competing with the already dominant burger in the marketplace. Sanders, known as "Colonel Sanders," became a famous figure in American cultural history, and KFC widely used Sanders as an advertising image. However, the rapid expansion of the company broke the aging Sanders, and in 1964 he sold the company to a group of investors, mainly John Brown and Jack Macy. However, KFC has had such great success in the United States, has encountered many problems when it was introduced into China. In 1987, the first KFC Western-style restaurant was established in China. But public opinion at the time put so much pressure on the company that KFC tried to abandon its China venture. However, because of the huge population in China at that time, KFC had to create a good image for the Chinese people because of the economic opportunities it could bring. In the eyes of the Chinese people at that time, they liked to grow and buy their own food. So Chinese food was essential in the eyes of the Chinese people. At the same time, because the prices in the United States were set up on the high side in China. So Chinese people reject this fried chicken food. This is because there is a big difference between traditional Chinese food and Western food. Because the food of KFC has a unique recipe.

Therefore, in the eyes of Americans they are particularly fond of this flavor so popular that it is everywhere in the streets. And the Chinalization of KFC is gradual and slow. KFC has tried to develop many products to satisfy the Chinese. Today's taco is gaining popularity among the Chinese. And the problem was further solved in terms of project management. Cultural differences, food introduction and leadership styles are three significant differences between the US and China. Because of the difference in history between the US and China creates different people's life and cultural atmosphere. In addition, the United States is separated from China by an ocean, so the transportation of food is a pain point, as well as the food is not very popular in the region. Finally, the leadership style of the

people within KFC created difficulties in Chinaliization. Because of the hierarchy, the KFC Chinalization hierarchy in the US is denied in China. But the production and marketing approach was changed through a project management approach. It further changed the production process as well as the sales process in terms of time price and delicacy. In terms of project management theory, this accelerated the line house to accommodate the large number of Chinese purchases. This forced them to speed up production to keep customers from waiting too long. They used the CPI and Pert methods to accurately calculate the optimal line by comparing many factors such as time and price. At the same time, they worked out the difficulties of each line to try to change it. As a result, KFC gradually appeared in the eyes of Chinese people and is now popular in China. The project management theory and method has changed the Chinalization of KFC and made KFC in China a huge life.

2. Future Prospects, Business Pain Points in China and Difficulties of Chinaization

KFC is now one of the largest foreign fast foods in China. The fast-food market in China is very large, and it is not simple for KFC to occupy such a large position in the current market.

2.1 Current situation of the fast-food industry in China

The fast-food industry in China has had certain changes over the decades. They began to change from emotional cognition to rational cognition, in which the current situation of China's fast-food development reflects the characteristics of fumbling and impulsive to rational accumulation-based development characteristics are more obvious. Specific performance in the following points: first, the development of thinking more objective, pay more attention to the objective reality from the start, focusing on returns; second, there is only one store of this type around the location where each store is located, and most businesses rely on their area and the expansion of one area., to obtain practical results; third, the internal accumulation of more in-depth, continuous accumulation of internal strength, the pursuit and maintenance of sustainable development of enterprises; third, the development of enterprises more stable, the pursuit of steady and stable, steady development and continuous improvement. Third, the development of the company is more stable, and the company is striving for steady development and continuous improvement.[1].

2.2 KFC's future prospects in China

The first place to start is to describe KFC's prospects and goals in China. First of all, it is important to know that since KFC's first store opened in 1987 in Qian men, Beijing, they have been actively building a "new restaurant" with "delicious and safe, high quality and fast; balanced nutrition and healthy life; based in China and unlimited innovation" KFC is not a local industry, so coming to a new place requires some different improvements. So, from 2015, with the help of Internet platform, from online platform, microblogging to WeChat new media to create a full range of online platforms, KFC began to enter the digital field for the digital system of innovation; offline brick-and-mortar stores use unique technical capabilities and now very advanced technology and capabilities in the restaurant to promote the use of digital systems to serve: network systems without the use of network cables, electronic systems composed of the menu, scanning the QR code to reach payment, etc., to provide consumers with a more personalized and portable dining experience. In 2016, KFC precisely grasped the role of its mobile collection as a representative of the future of life. To this end, KFC focused on cell phones, developing special software that users can use on their phones, and dovetailing traditional store scenarios with mobile applications in three dimensions: using software on cell phones instead of credit cards or cash to pay, using their own hands instead of using waiters to get food, and membership services." Customers' waiting time, meal time, and good customer experience to improve the business performance of the stores are supported by strong information systems [2].

2.3 KFC's operational pain points in China

KFC first started from the pain points of the consumer groups in the Chinese restaurant industry then and now. At that time, China's restaurant market was unbalanced in all aspects, the whole industry chain was not perfect, the industry was not highly concentrated, and the per capita restaurant consumption level was low. In China's \$4 trillion catering market, there was no single giant company, and the market share was extremely fragmented. This is due to the low threshold and low competitiveness of the catering industry, which also creates uncertainty of sustainable profitability [3].

At the same time, the trend of consumer upgrading is profoundly affecting the supply and demand structure of domestic industry talent.⁵⁸ Data from the Yingcai Recruitment Research Institute show that the catering industry in first-tier cities such as Beijing and Guangzhou is expanding, and on the one hand, the expansion of the catering industry has led to an increase in labor demand, but on the other hand, there are obvious recruitment difficulties and talent surplus. There is also a low degree of standardization of the chain restaurant industry, China's own fast-food enterprises only about 15% of the standardization, factory operation, most fast-food enterprises are still stagnant in the traditional workshop production, take-out stage.

The standardization of the catering industry includes the standardization of materials, the standardization of ingredient handling processes, the standardization of personnel services and the standardization of various administrative operations. To establish an automated restaurant chain, the first step is to establish a standard operating process and strengthen the training of relevant service personnel.

Finally, the most critical point is that the profit margin of the business is relatively small. According to data from the National Bureau of Statistics, the restaurant industry grew steadily in the first quarter of 2018, achieving revenue of 971.1 billion yuan, up 10.3% year-on-year. As the scale of the catering industry continues to expand, the employment demand of enterprises is also gradually increasing.⁵⁸ Tongcheng talent recruitment data show that the salary standard of catering enterprises in Beijing ranks first in the country, at RMB 7,656, followed by Nanjing, Guangzhou, Shanghai and Shenzhen, at RMB 6,447, RMB 6,377, RMB 6,331 and RMB 6,196 respectively. In the current year 2020, this number will only go higher, not lower, due to covid-19 and other relationships.

3. The difficulties in the "ChinALization"

The problems and difficulties are common when KFC set in China. There are three factors listed to influence the chinalization. It includes culture gap, introduction of new product and the leading style of KFC. The company which set American fast-food restaurants started by Colonel Harland Sanders is specialized in fried Chicken. However, as more and more restaurants are widely spread through the world, including China.

3.1 Enterprise culture

The culture difference is a factor causing many problems. The American culture is to set up the fast-food restaurant and fast food occupies an common food in citizens' mind. Thus, KFC became a part of it in America. On the contrary, the culture differences cause China much harmony. China is a collectivistic society that stresses harmony and belongingness. The collectivistic identity carries more weight than the individualistic identity in the Chinese context [5]. As a result, Chinese communication style is marked by preventing of direct resistance. Therefore, it maintains harmony [6]. As a result, as China confronts of the problem of social problem and the social media force. KFC has no powerful strength to set up high status in Chinese people's minds. Thus, the culture cause estrangement between United States and China. The KFC could not be fast brought into Chinese people's lives.

3.2 Introduction of products

Besides, the introduction of the product meets many difficulties because there are a lot of competitions with many different companies entered in China from different part of world. And the product can't be easily accepted by Chinese people. This is because Chinese don't taste the favour of fast food and there is rarely no Chicken fast food companies set in China. Thus, people doubt and consider confusions with these new products. They are strange with US people and don't know whether they have safety problems and they are delicious than the home-cooking food like seafood America rarely rises. The company is facing more competition as the Chinese restaurant market gets increasingly crowded. Starbucks thought there will be 600 million citizens in China. It is the twice the population of the United States. By following KFC's process, it typically enters the capital city of a province and then develop to other nearby cities. KFC chose China's Beijing as first place, then spread to the east and south coast, which are more modern than other regions of China. After the spreading to east and south coast, KFC expanded to the north, the central area, and the west. Now, it covers all the mainland of China [7]. When the fried Chicken first introduced widely in China, most Chinese are unfamiliar with the cooking of Chicken so they might think how strange the chicken is. And they persist to roast chicken or boil down the chicken in the pot rather than using much oil to cover the chicken. The outer-layer of fried 'fur' is a special property in people's mind. Thus, the food didn't get acceptance at that time. Thus, the company was anxious because they know China has the highest ratio people in the world and it was the most important key to attract Chinese's minds to get prosperous. In conclusion, at that time, the introduction of new products meets a high-level problem of KFC's chinization.

3.3 Leading style

The third factor that the leading styles differences plays a crucial gap to stride. In America, the KFC leaders who head the leadership and ability to guide workers are people who have high degree of honesty and loyalty. This is a crucial element to KFC in U.S, considering that this organization has a secret recipe that should never be revealed to anyone. As a result, at that time, KFC sets a stark hierarchy in United States. On the contrary, most Chinese restaurants were geared towards the public because the system in China at the time was different from that of the United States. This led to many foreign restaurants not being recognized by the Chinese people, even though they were well known abroad. Most Chinese restaurants insist on the opinions of the people to make the food to the people's taste and will change many aspects of the restaurant with these opinions, such as setting up monitors in the kitchen, treating employees and supervisors equally, and supervisors should give employees the right to be involved in the handling of company issues. So, the difference is very stark in China and the United States. In United States, KFC's organizational structure consists of six levels. The management board, which includes the president and regional directors and the chief financial officer, is at the top (CFO). This is followed by general managers, assistant general managers, unit managers, team members, and workers. This is complicated to form in China. And China proposes the equality between people thus the difference of teaching styles provide difficulties for KFC to enter in China.

4. Research based on problems occur in product management

The following section will be focus on what the project management theory is, why it can be apply to solve the problem encountered by the corporation. Finally, some suggestion will be based on the theory to KFC so that they can handle the problems and difficulties mentioned previously.

4.1 Introduction to project management

A project is a unique, disparate set of activities with a defined start, finish and outcome and under the constraints of time, cost and scope [8]. Nowadays, projects are utilized as a method to solve problems including innovation. Projectivisation became a phenomenon as the result of the increasing

proliferation of projects [9]. In order to finish those projects on time and meet the target that has been set, management throughout the procedure of the project is crucial to keep it on track.

Project management is a process helping the team to achieve the expectations within the limitation of time, cost and scope [8]. Projects symbolise variation and it makes corporations projects symbolise variation and it allows enterprise to produce novel products, procedures, programs in a efficient way while project management is helping cross-functional groups to become more and more resultful e and globalisation of the projects make it formidable to administrate without a formal methodology. The project plan let the department involved know exactly what must be done and the project itself will be well-organized [10]. Another reason to adopt project management is that there are numerous factors that will prompt the failure of the project such as poor communication, quality issues, whimsical expectations and so on.

In order to avoid problems mentioned above and minimise the risk that will occur, project management is a utilitarian tool to achieve such goals. There are also some critical factors for a triumphant project like reasonable resource distribution, sufficient communication between each member or departments that get involved in mature control mechanisms. Those are also what project management should look forward to accomplishing. Last but not the least, it is a precious experience to work in a project team because it allows the participants of the team to improve their abilities and maybe serve in a management position in the future [10].

4.2 Why it can be used to solve problems

The project management theory can be used to solve the problems of developing new products that fit the needs of Chinese consumers. Projects start with a need for change, that is: regularly introduce novel products to the Chinese market and make the products more suitable for Chinese customers to maintain and even expand the market share. The project management theory provides several methods to help to solve the problem mentioned above.

The Critical Path Method divides the perplexing project into numerous discrete activities or tasks helps to find out which activities are essential to complete the project promptly and link them as critical paths to show their importance within the whole procedure. The critical path graph also demonstrates the relations between each activity or task intuitively. The Critical Path Method decides the the Critical Path Method decides the sequence in which the tasks need to be finished, what tasks feed into them, and how long each activities will require to completed [8].

The PERT method is another tool that can not only demonstrate the estimation of time that needed to finish the project, but the shortest and longest time that the project will take and this allows the teams to predict the impact that may occur afterwards if it fails to reach the scheduled time. The method also allows the team to track the exact status of the project. Time-cost trade-off method will indicate the increase of cost if the company wants to finish the project quicker and the extent of this acceleration.

4.3 Advice based on project management theory

“The process that organisations implement as projects are designed to create value, for example, producing and marketing products” [9]. Since the development of new products is an extended and onerous project, and introducing new products play an indispensable role for KFC to retain market share and attract customers, it is crucial to implement the project management methodology to make sure that nothing goes wrong.

CPM shows what activities are the most critical ones along the process of developing products and relations among them so things will not be messed up. PERT helps KFC to estimate the required time for generating new commodities and keep a close eye on the current status of the development. If KFC wants to accelerate the project to fascinate more customers and therefore expand their market share, the Time-cost trade-off method is a significant tool to utilize.

The crayfish taco which was introduced by KFC in June 27th, 2022 is a paradigm for chinalized new products since crayfish is served as a unique food in China and taco is a extraneous food kind.

The KFC replaced traditional taco content with local Chinese ingredients and served only in mainland China. But they waste a long time developing such products. Another successful precedent is their breakfast. They produce porridge, soymilk and other local Chinese food in the morning for the white collars who have no time to cook breakfast by themselves. But they spend a long time introducing new products, which is a problem. That's the reason why they should adopt CPM and PERT to cut the long-time short. The time-cost trade-off method might be useful if the company determines to shorten the developing time.

5. Conclusion

KFC entered the Chinese market in 1987 and they keep moving forward as the technology advances. KFC manages to improve the business as they utilize the digital and informational tools. However, KFC met some pain points in its Chinese market. Firstly, is the constantly changing consumer group because of the rapid development of contemporary China. The consumers upgrading brings huge impact on the structure on the market and this is the second point. The automation and standardization of the Chinese fast-food industry is low and obsolete. Last but not the least, the profit margin for KFC is less. The adversity that the KFC encounters is mainly because of the following aspects: KFC is an American fast-food enterprise and it is a part of American culture, which means they are extraneous to Chinese culture and inevitably, cultural conflict occurs. The introduction of food is difficult due to the hot and intensive Chinese market competition. The leading system and style difference is the last factor that impedes the development of KFC. Project management is a theory that can be applied to resolve the hardship facing by KFC. It is widely adopted by global enterprises and it provides several different methods to deal with different aspects of the problem. The project management theory includes Critical Path Method, PERT and time-cost trade off method. CPM identifies the crucial activities to introduce new problems, PERT shows the required time for each activity and the whole projects, time-cost trade-off methods indicate the cost to accelerate the project.

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