

# Analysis of KFC's localized marketing strategy in China

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## Abstract

**In today's information society, international competition is intensifying, and the pace of internationalization of enterprises is also accelerating. Many foreign-funded enterprises are no longer limited to domestic production and operation, but are gradually opening up to overseas and gradually occupying overseas markets through excellent strategic marketing. With the rapid development of China's economy, multinational companies from all over the world have also begun to invest in China, and among these multinational companies, KFC has performed extremely well. It has been 36 years since KFC entered the Chinese catering market, and after more than 30 years of development, the two giants of KFC and McDonald's have basically achieved a monopoly position in China's "foreign fast food" market. The main reason for KFC's success is its localized marketing strategy. This article will focus on the development history of KFC, China's localization strategy, and comparison with McDonald's, hoping to provide some references for the development of Chinese multinational companies in overseas markets.**

## Keywords

**Multinational corporations; KFC; marketing strategy; Localization.**

## 1. The development history of KFC

### 1.1. KFC's development around the world

As we all know, KFC is an international restaurant chain in the United States, which specializes in fried chicken nuggets, and is also the second largest fast food company in the world. Founded in 1952 by Colonel Harland Sanders, KFC had more than four hundred branches in the United States in just five years. KFC was acquired by PepsiCo, which was later spun off from its restaurant system by PepsiCo to form a restaurant chain called Yum, which is today the largest restaurant chain in the world with more than 20,000 restaurants in more than 120 countries around the world. Yum China has now become a franchisee in Chinese mainland and has three major brands in China: KFC, Pizza Hut, and Taco Bell. With the globalization of the economy, the internationalization trend of the catering industry is becoming more and more obvious, almost every country has its own representative company, KFC and McDonald's are the two earliest catering giants in the world, they have developed in the world for more than 50 years, they have a very high brand awareness and a large number of loyal customer bases. In 2022, McDonald's and KFC ranked second and third in the list of the top 25 global catering brands in terms of brand value with a brand value of \$39.721 billion and \$17.623 billion, respectively.

### 1.2. The development of KFC in China

The history of KFC's development in China can be traced back to 1987. That year, KFC opened its first store in China, located in Wangfujing, Beijing. This marks KFC's official entry into the Chinese market, and with this as a starting point, KFC began to explore, learn from Chinese society and market, and gradually create a management model with local characteristics. At the same time, KFC has gradually become a landscape in the hearts of Chinese consumers. The world-renowned Nielsen Company conducted 16,000 questionnaire surveys in 30 cities in 1999, and the results showed that KFC was the first Western-style fast food restaurant to enter

China, and was regarded by Chinese as "frequent customers" for its unique flavor and high quality, ranking first among China's top ten internationally renowned brands, and recognized by Chinese for its unique flavor and high quality.

So far, KFC has spread all over China, successfully opened more than 9,000 restaurants in more than 1,400 cities in China, and its annual revenue in China in 2022 was US\$7.22 billion, a year-on-year increase of 3%. In 2022, McDonald's restaurants have more than 5,700 branches in China, achieving a net profit of US\$6.2 billion. When it comes to KFC, we have to mention his strong rival McDonald's, the two have a sharp edge against McMang, on the streets of China, every time you see a KFC store, you don't have to think about it, there will definitely be a McDonald's nearby. When I first entered China, the styles of the two companies were very similar, and there was not much difference. Because they are all Western-style fast food restaurants, their operation methods are similar, so their operating standards and operating processes are the same. However, the subsequent development process has become a watershed between the two companies, and KFC has made a series of efforts in the Chinese market with its own strength, leading the way and making other companies look forward to it. McDonald's has always been known for its high degree of standardization, and it is well deserved that McDonald's can become the largest fast food chain in the world. In contrast, KFC's share in the international market is too far behind, both in strength and scale, there is a big gap, and sales cannot be compared with McDonald's. But in China, KFC and McDonald's have been completely reversed, and the latter has even left the former in the dust. McDonald's status in China is obviously lower than that of KFC, and there is still a big gap. KFC far surpasses McDonald's in terms of the number of stores and turnover in China. The undeniable reason for such a stark difference is that KFC entered China earlier than McDonald's and took the lead in the market; Secondly, an important reason is that KFC attaches more importance to the development of localization and has done sufficient market research. As we all know, there are many Chinese and different tastes, in order to cater to the diverse tastes of Chinese customers, KFC has put a lot of effort into the dishes, the innovation is very strong, and according to the actual situation in China, a set of marketing strategies in line with China's national conditions have been formulated.

## **2. KFC's localized marketing strategy in China**

### **2.1. Localization of product strategy**

#### **2.1.1. Diverse product types**

Before 2002, KFC's strategy in the Chinese market had always been to keep the authentic American flavor in front of Chinese customers as much as possible. According to the survey, in the life of Chinese, breakfast is very important, most Chinese like to eat porridge, because porridge is rich in nutrients, therefore, drinking porridge in the morning is the first choice of many people, and the eating habits of Chinese also make them more inclined to choose Chinese food. KFC has developed to maturity, and has also set up a special China Health Food Advisory Committee, and invited many well-known domestic experts and scholars to serve as consultants to specialize in research and development of new products. However, they did not lose their characteristics because they met the eating habits of the Chinese, but on the premise of maintaining the original taste, they tried their best to meet the usual habits of the Chinese. In 2002, KFC introduced white porridge into its breakfast menu for the first time, and combined it with Western breakfast to form a set of breakfast series that combines Chinese and Western cuisine; In 2003, people saw the name "Old Peking Chicken Wrap"; In 2008, KFC launched a new "Safe Fritters", which is basically the same appearance and taste as traditional Chinese fritters, but does not use any aluminum salt, which is not only in line with the healthy diet concept of modern people, but also fits the brand image of their own home; In 2010, a very

popular mushroom bacon and chicken rice was released; In addition, in some traditional festivals in China, KFC will also continue to launch some new products at this time, such as zongzi for the Dragon Boat Festival, moon cakes for the Mid-Autumn Festival, and glutinous rice balls for the Lantern Festival. It not only maintains the appearance of traditional cuisine, but also has different materials, which is very in line with the dietary needs of Chinese. In contrast, McDonald's is not so "humane" in China, its production process is more standardized, and the dishes are relatively simple, so it is also more cautious in terms of localization. In 2017, McDonald's successively entered into strategic cooperation with CITIC Group and Carlyle Group, and jointly established a new company to officially kick off the prelude to China.

### **2.1.2. Localization of advertising strategies**

In China, KFC's advertising strategy is all-encompassing. It was first used as a medium of television, and now it is an online self-media media as a medium, penetrating into the lives of Chinese through the Internet, and with its unique advertising techniques, it quickly resonated with Chinese. For example, the famous sentence "There are so many delicate rivers and mountains" in "Qinyuan Spring and Snow" was well quoted by KFC into its advertising slogan: it evolved into "life is so delicate", which well associated the famous ancient poems with itself. Considering that Chinese attach great importance to the concept of family, KFC has launched a series of family-related packages, including children's packages, couples' packages, family buckets and so on. These activities may seem mundane, but they are actually very creative, allowing customers to enjoy delicious food in a warm, family-friendly atmosphere, which can be described as killing two birds with one stone. In recent years, the introduction of celebrities such as Wang Yibo and Wang Junkai into the ranks of spokespersons has injected a new vitality into the Chinese market and prevented the aging and weakness of the brand.

## **2.2. Localization of price strategy**

### **2.2.1. Portfolio pricing**

The so-called combination price is to make a staple food, plus some snacks, drinks, desserts, etc., into a set meal, the price will be lower, so it will be liked by most people. For example: 5-piece set of popular wing burgers: 2 New Orleans grilled wings + 1 New Orleans grilled chicken thigh burger + 2 spicy chicken wings + 1 French fries (medium) + 1 cup of drink (42 yuan). By grasping the psychological characteristics of customers and using the price advantage, combination pricing makes customers feel value for money; This not only speeds up the ordering speed of customers, but also improves the efficiency of the restaurant, killing two birds with one stone.

### **2.2.2. Discount pricing strategy**

KFC will provide a lot of large coupons on certain holidays, and there will be special offers from time to time, providing consumers with one more choice. If you are a student, you can also get an exclusive KFC student discount card, which allows you to buy goods at a more affordable student price, thus gaining the love of student consumers. At the same time, when it comes to launching new products, there are also a variety of early trial prices. Discounted pricing strategies often attract the attention of potential customers and can increase publicity to drive more sales, increase consumer favorability towards the brand, and also strengthen customer loyalty.

### **2.2.3. Differential pricing strategy**

Economic conditions vary widely from region to region in China, so KFC's pricing strategy will also vary from region to region and from city to city, leading to price differentiation across the country.

#### **2.2.4. Psychological pricing strategies**

Psychological pricing strategy refers to the use of human psychology knowledge to set product prices and guide consumers to make purchase decisions. Therefore, many of KFC's products adopt the method of mantissa pricing, keeping fractions, and most consumers will have the idea that this price is very cost-effective. For example, the yellow chicken crispy chicken is 13.5 yuan, and the honey sauce whole chicken two-piece set is 39.9 yuan, etc., so that consumers have a feeling of affordability psychologically.

### **2.3. Brand localization**

#### **2.3.1. Brand culture**

KFC's brand culture is mainly embodied in the core values of "enthusiasm, optimism, innovation and service". This value has been adhered to by KFC for a long time, and it is one of the important factors in KFC's successful development and becoming a global enterprise. First of all, KFC emphasizes enthusiasm, adheres to the service concept of making every customer feel warm and goodwill, and constantly pursues better user experience and service standards. Second, stay positive in the face of challenges and problems, and encourage consumers to be more optimistic. At the same time, innovation is an important part of KFC's brand culture. KFC continues to explore and innovate, try different ways to meet consumer needs, and continue to lead the development and transformation of the fast food industry. Finally, service quality has always been a key point of KFC's brand culture, which focuses on providing high-quality service, thinking and acting from the customer's point of view, and striving to ensure product safety, taste, quality and hand consistency. The requirements for operational details are very strict, which requires strict adherence from the staff of all KFC locations around the world. It embodies KFC's brand strategy and is the culmination of KFC's decades of experience in operating fast food services.

#### **2.3.2. Localization of brand culture**

KFC has been in China for decades and has established a good cultural brand image in China. They will launch some limited edition products according to the characteristics of each country, and then promote them with their own brands to attract more people to buy. For example, in China, a representative case is the early cooperation between KFC and Tsingtao Beer, which launched the special marketing of "fried chicken with beer". In addition, KFC also attaches great importance to social responsibility, actively participates in public welfare and charity, and pays attention to environmental protection and other issues. Their "KFC Caring Kitchen" program, which provides free meals to the underprivileged, has won widespread acclaim. We are also more familiar with the "One Dollar, One Love" jointly launched by KFC and the China Foundation for Poverty Alleviation, which has delivered a warmth to many children in poor and remote areas in the past ten years, making them feel truly caring; KFC's "CHAMPS" program is considered to be an important way for KFC to fulfill its corporate social responsibility globally, aiming to improve the living conditions of children by promoting their vertical development, while also bringing positive impact and social contribution to various communities.

### **2.4. Localization of business methods**

#### **2.4.1. Franchising with "Chinese characteristics"**

Franchising is a well-known concept, and many of the large and small stores on the market are franchised franchise stores. These stores use a unified brand, a unified decoration, a unified dress, and a unified purchase and sales channel. But these are only the superficial characteristics of franchising, the core of franchising is a win-win situation, not only the brand side to obtain franchise income, but also the franchisee should obtain investment income. Nowhere is this more evident than in KFC's "not starting from scratch" franchise.

The franchising of KFC is to transfer a profitable store to the franchisee, which includes a mature operation system, a renovated store, normal use of equipment and facilities, trained employees, etc., the franchisee only needs to continue to operate in accordance with the original business model, and will be able to obtain profits, which basically avoids the investment risk of investors, and also ensures the brand image of KFC. KFC's "not starting from scratch" franchise is completely different from the franchise we often see, its core is to ensure the return on investment of investors, that is, the starting point of this franchise is to make the partner profitable, so as to ensure the success of the cooperation and ensure a win-win situation.

In August 2000, KFC's first franchise store in China, which "does not need to start from scratch", was officially authorized in Liyang City, Changzhou. Although the United States is the earliest country for KFC chain operation, in China, KFC is based on reality, according to China's national conditions, to explore a more suitable marketing road for China's development, KFC will call this novel franchise road "Chinese characteristics". On the other hand, McDonald's is overly cautious in its strategy of opening up franchises in China, and McDonald's franchises are nearly a decade later than KFC. By the end of 2017, McDonald's accounted for more than 90% of the world's franchise business; However, in the Chinese market, the franchising business accounts for only 30%. McDonald's China does not have any aggressive strategy in terms of market localization, and is more inclined to "seek progress while maintaining stability".

#### **2.4.2. Channel strategy**

KFC's distribution model is based on the localization strategy of suppliers, and its domestic procurement of raw materials exceeds 97%, including bread, meat, beverages and so on. Moreover, KFC's raw materials are also directly sourced from China. So as to effectively save the cost of purchase, transportation and so on. For the convenience of guests who cannot come to the store in person, KFC has implemented mobile phone ordering, online ordering, and arranged a special person to be responsible for food delivery. Subsequently, KFC started the home delivery business again and expanded its sales scope. KFC franchisees don't have to pay a franchise fee, they only need to invest themselves to buy a store in an already operating restaurant chain. This franchise model saves the franchisee the trouble of starting from scratch, but KFC also has very strict requirements for franchisees, in addition to having enough funds, it is also necessary to have a positive attitude, and to be able to do business, and when needed, to be able to provide some help.

### **3. Questions and Suggestions**

#### **3.1. Problems with KFC's basic indigenous marketing strategy**

##### **3.1.1. Mainly fried food**

Fried foods have a very low nutritional value, especially at high temperatures, which causes a lot of damage to the nutrients of the thing itself. Many fried foods are carcinogens, and medical studies have shown that fried foods usually contain high energy density, and digestion and absorption are faster, which can easily lead to excess energy, which may lead to obesity; The unsaturated fatty acids in fried foods are easily oxidized at high temperatures, and the high calorie content of fried foods can also put an additional burden on the cardiovascular system, which may increase the risk of cardiovascular disease. Especially for the group of students who like KFC, this will not only affect their physical development, but also their mental development, which is extremely detrimental to their development. At the same time, the elderly should also pay attention to the health of their diet, and should not eat high-fat foods without moderation.

##### **3.1.2. The price of some products is high**

According to customer feedback, a considerable number of consumers think that KFC products are expensive. For example, it is KFC's "soy milkgate" incident. It is said that their soy milk is



not freshly ground, but made from soy milk, and the cost of a single cup of soy milk is less than a dollar, but it is sold for seven and a half yuan in the store, which makes many people feel dissatisfied. KFC's other products are also generally overpriced, such as a 20-yuan Chinese breakfast that only includes soy milk fritters and sun eggs. The high price will make many consumers feel that the product is at a serious premium, and even produce resistance.

### **3.1.3. Logistics and distribution issues**

Since some of KFC's ingredients need to be purchased from different suppliers at home and abroad, the delivery distance is long, resulting in high logistics costs. In addition, due to the strict storage and transportation conditions of food, if there is a problem in the logistics link, it may affect the freshness and taste of the food, so it is difficult to ensure the quality of delivery is also one of the problems of KFC in logistics.

## **3.2. Recommendations for the basic soiling of Kentucky**

### **3.2.1. Pay attention to food quality and safety**

Focus on the nutrition and health care of the product. Today, Chinese pay more attention to food safety. In China, with the continuous occurrence of food safety problems, people are paying more and more attention to food safety issues, and how to ensure food safety is the key to the survival and development of the Chinese market. In addition, it is necessary to strengthen collaboration with suppliers. From the beginning of the procurement of raw materials, all unhealthy additives should be excluded, and the raw materials of major suppliers should be checked, so that the best and safest can be found.

### **3.2.2. Set a reasonable price**

The price of KFC is now higher than that of other competitors, and there is still a long way to go from the cost, so KFC can work the cost and take into account the value of the goods and the needs of customers, so that the merchant can not only make money, but also meet the requirements of customers. It is recommended that they maintain a reasonable price strategy that balances the cost of the product with consumer demand. They can consider adjusting the pricing according to the consumption level of different regions and stores to ensure that the price of the product is competitive in the market.

### **3.2.3. Develop reasonable logistics and distribution services**

It is recommended that KFC continue to optimize its supply chain and logistics network to ensure timely supply and quality assurance of products. They can establish long-term relationships with reliable suppliers while adopting advanced logistics technology and management systems to improve logistics efficiency and accuracy to meet the increasing demand for orders. And collaborate on distribution, so as to improve the timeliness and service quality of logistics and distribution.

## **4. Fourth, the enlightenment to China's multinational enterprises**

### **4.1. Enhance product innovation capabilities**

KFC is a foreign fast food company, and when it developed in China, it did not rest on its laurels, but learned from each other, complemented each other, and achieved results that other companies could not match. Moreover, it does not stick to its own unique advantages, but constantly innovates, constantly improves its products, and accurately finds what it wants in the Chinese market, hoping to go to a higher level. This also points out a way for our domestic multinational companies to go out, and if we want to increase the share of foreign countries, the first thing to solve is the lack of independent innovation. Only by continuously innovating products can the company achieve long-term development, and at the same time, it can also

distinguish itself from other companies in foreign markets, so as to highlight its own uniqueness and meet the diverse needs of different consumers as much as possible.

#### 4.2. Establish a corporate brand image

The image of the white beard of the KFC colonel and the golden arch of McDonald's have been ingrained in people's minds, but it is difficult to find one or two that can match the restaurant industry in China. Brand image has always been considered an intangible asset, and establishing a good brand image can not only bring a large number of loyal customers to the company, but also win more market share for the company. Especially in China's multinational companies, when they have just entered the overseas market, because of the lack of sufficient experience, they will inevitably encounter all kinds of difficulties, at this time, a good reputation and corporate brand image play a vital role, which can make China's enterprises gradually out of the trough, regain the trust and support of consumers.

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