



**International Business and Management**  
Vol. 10, No. 3, 2015, pp. 142-146  
DOI:10.3968/7102

ISSN 1923-841X [Print]  
ISSN 1923-8428 [Online]  
[www.cscanada.net](http://www.cscanada.net)  
[www.cscanada.org](http://www.cscanada.org)

## KFC Development in Chinese Market—Based on the Social Responsibility and Ethics

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**Supported by** The Fundamental Research Funds For The Central Universities (1509314).

### Abstract

This report investigates the current state of Kentucky Fried Chicken and its development from the past 27 years of operation in china. Beside, we examines the predicted future advancements of KFC. The discussion focuses on the advantages and limitations of KFC's market evaluation. The performance of KFC sales in china is examined in relation to the five points, that is KFC's history, the external and internal analysis of KFC, the issues, strategic options and evaluation of best options. It is concluded that further consumer research and market testing will continue to improve KFC's sale quality. It is also suggested that KFC should build up a strong future through his rich future, which is filled with lots of experiences.

**Key words:** KFC; Chinese market; Social responsibility

Li, S. L., & Yu, Z. (2015). KFC Development in Chinese Market—Based on the Social Responsibility and Ethics. *International Business and Management*, 10(3), 142-146. Available from: <http://www.cscanada.net/index.php/ibm/article/view/7102>  
DOI: <http://dx.doi.org/10.3968/7102>

### INTRODUCTION

KFC (Kentucky Fried Chicken) is one of the American multinational restaurant chain created by Harland David Sanders in Louisville, Kentucky state in 1930, which mainly sold high caloric fast foods, such as Fried Chicken, hamburgers, French fries, egg tarts, soda and so on. KFC

entered China in 1987. The Front Door of Beijing opened the first western-style fast-food restaurant chain in China. Now, KFC is affiliated with Yum brands, and forms a strategic alliance with Pepsi.

The purpose of this paper is to survey the current state in china and briefly discuss predicted advancements of KFC in the field. By examining a range of recently published journal articles, and internet sites on the topic of KFC operation in china. The paper describes the five points that make an important content of our study. Also, we examine the current situation on KFC's market scale. The report considers the effects of further strategic advance in some areas and the effects on its future development.

## 1. DIFFERENCES BETWEEN CHINESE AND THE WESTERN

### 1.1 Differences Between Chinese and the Western Diet Culture

The differences between Chinese and the western culture lead to the differences between Chinese and the western diet culture, as shown in Table 1.

**Table 1**  
**Differences Between Chinese and the Western Diet Culture**

Chinese diet culture	Western diet culture
China's five reconciled cookery is aimed at the pursuit of delicious	Westerners pursue nutrition in diet
Chinese cuisine is aimed at taste	Westerners believe food is to appease hunger
Chinese feed on rice, porridge, noodles or dumplings and so on	Western prefer to eat bread, hamburgers, French Fries, or beef etc
The dish named exquisite elegant, reserved, and auspicious	Western cuisine naming is straightforward, protruding raw materials

Although the rapid development of economic globalization and information, Chinese and the western food culture have many differences, timely, they complement each other in the fusion. KFC, who is supposed to be the western fast food, but now serves some Chinese porridge in order to cater to the tastes and meets of consumers in China.

## 1.2 Comparison Between Traditional Western Fast Food and the Chinese Fast Food

Differences between traditional western fast food and the Chinese fast food, as shown in Table 2.

**Table 2**  
**Differences Between Traditional Western and Chinese Fast Food**

Traditional western fast food	Chinese fast food
Single species less choice	Species diversity due to the fusion of Chinese and western taste, more choice
Mainly sales Fried food	A variety of cuisine
Little vegetable varieties western tastes is unpopular	Vegetable variety the taste is Chinese
the same product	Continuously introduce new products
Encourage to eat more	Guide the right amount, a balanced diet
Copy the American model of food safety system	Build mode of food safe system in China

## 2. KFC ENVIRONMENTAL ANALYSIS IN CHINA

### 2.1 External Environment Analysis

#### 2.1.1 The Political Laws and Regulations Environment

National and local laws and regulations improve the industry regulations in catering industry. These measures include that work out development planning of catering industry and the urban commercial network planning. The laws and regulations about catering industry play a role of catering industry's standards.

#### 2.1.2 The Economic Environment

Over the past 20 years, China seizes the economic opportunities of globalization, accelerating reform, expanding opening up, and become one of the largest developing countries who benefit from globalization. As a main food business, KFC is in line with Chinese people's spending. KFC seizes the international and Chinese economical market in the world, so it can develop quickly in recently years.

#### 2.1.3 Technological Environment

As a member of the food industry, KFC demands for raw materials is higher. KFC takes use of advanced technology. Its strict scientific cooking process, which differs from other methods, needs to use the seven of 11

herbs and birth chicken. Potatoes, potato chips and other materials are from the United States. In so doing, delicious foods attract many Chinese consumers. The advanced modern science and technology, to a certain extent, greatly satisfy the demand of consumers.

#### 2.1.4 Social and Cultural Environment

As per capital net income increases in China, the consumption structure of Chinese has changed a lot. Chinese consumers are no longer just full belly or the pursuit of taste, but tend to more demand for fashion healthy balanced diet. However, KFC is a multinational company, its culture differs from China. Therefore, it enforces the idea of "localization" management, and also updates their meal card.

### 2.2 Internal Environment Analysis

#### 2.2.1 Adequate Funding

KFC has strong financial support. This is mainly from the franchise. At the beginning, a franchisee must pay 37,600 dollars as initial franchise fee, which is a one-time fee, and then make some adjustments according to the US price index. Meanwhile, each franchisee develops another new store, it has to pay the costs.

#### 2.2.2 Human Resources

KFC staff is a good team. They work strictly abide by the guidelines, and are serious and responsible. So they pursuit perfect quality, pay more attention to product details. At the same time, they are warm and vibrant, and grow together with KFC. Such advantages is mainly due to that KFC attaches more importance to staff training at all levels in order to realize the value of life of each employee in the process in conjunction with business vision together. By it, gather a steady stream of powerful driving force for the development of enterprises.

#### 2.2.3 The Fundamental of Management

Before entered the Chinese market, with many years of management experience in international expansion and across thousands of stores worldwide, it should be said, KFC has a very solid management foundation. KFC advocates the spirit of enthusiastic participation of each employee, and KFC provides comprehensive training, rich welfare and development plans to bring the potential income to each employee.

#### 2.2.4 Relations with Suppliers

KFC take active measures to increase the scale of local suppliers and foreign suppliers. Suppliers implement stars systematic assessment and provide the training for suppliers to overcome weaknesses and deficiencies, and improve the quality standards of suppliers.

#### 2.2.5 Mode of Operation

KFC uses concession business, which is characterized with a high degree of risk aversion. On the one hand, once the restaurant chain industry establishes a good corporate image, all of the stores will share the resulting benefits. But on the other hand, once any store destroys the image,

the whole brand will be affected. So their ability to resist risks is very fragile.

### 3. THE “SUCCESS” REASONS OF KFC IN CHINA

#### 3.1 The Constantly Innovative Products

After entering the Chinese market, in order to adapt to Chinese diet culture, at initial the product range from single chicken, to the present, its business scope has extended to the Chinese fast food. Our Chinese porridge, vegetables, rice, and even breakfast in milk fritters can be purchased at KFC.

#### 3.2 Customer-centric Business philosophy

In services, KFC has a very important guiding principle: customer interests and needs and don not hurt the

interests of customer. Main advantages: clean and elegant surroundings, sincere and friendly hospitality, accurate supply, location good equipment, high-quality and stable quality, fast prompt service.

#### 3.3 Good Information Management System

As a global company, KFC has a powerful information management system. Foreign guests and staff as the business window, it is convenient for calculating how much money the guests consume. When the close time of the store each day after the data submitted into the database, the day’s total sales and the number of guests are passed into internal information storage. The effective management of consumer’s information improves the search function, so CFC can know clearly consumers’ choices. The Figure 1 is a flow chart of the KFC business ordering system:

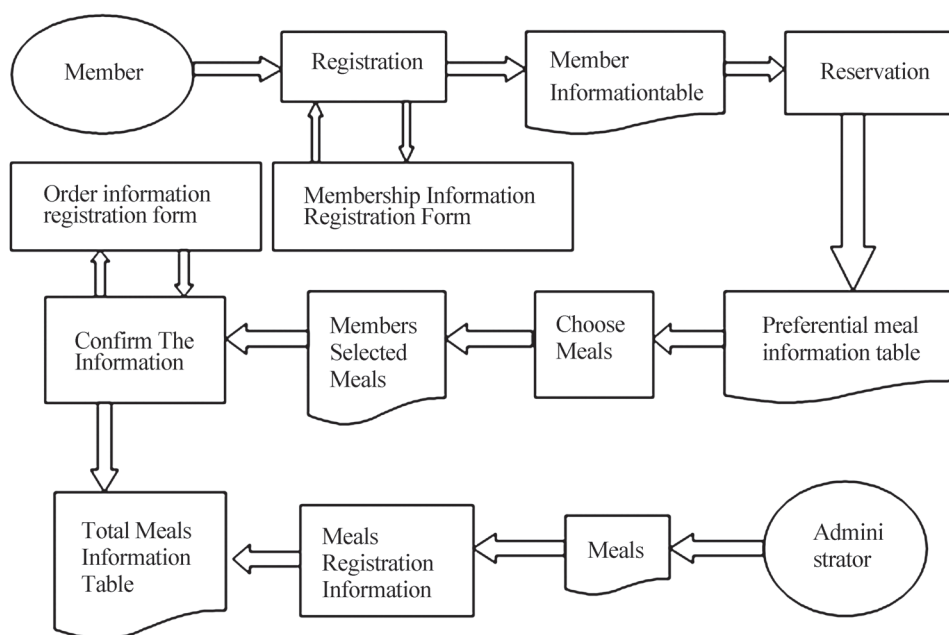


Figure 1  
KFC’s Information Management System

### 4. KFC’S SOCIAL RESPONSIBILITY IN CHINA

#### 4.1 Disaster Relief Fund

Committed to community projects. Since 1997, KFC is a major donor to Project Hope, Primary schools, and primary schools teaching Fund. Whenever there is a natural disaster, KFC is always the first aid donor. For example, the flood in 1998, “Mother River Protection” in 2000, KFC donated cash and food during that period. After the earthquake in Sichuan Ya’an, KFC donated 5 million yuan to the disaster area; in 2014, after the earthquake Lu Dian, KFC donated two million yuan to the disaster area.

#### 4.2 China KFC Dawn Fund

KFC and China Youth Development Foundation established China KFC Dawn Fund in September 2002.

The Fund is to support those college students who are poor but excellent. The first and second phase of the Dawn fund donated more than 80 million Yuan, total covering 54 universities of 28 cities. More than 15000 poor students will be helped.

Besides providing scholarship to poor college students, the fund also provides an opportunity for them to work in KFC restaurant. To help them become a member of KFC’s family, and what is more important is that teach them to serve others, cooperate with team in practice, and master more work skills by using advanced KFC restaurant management and training system.

In addition, students can also form Dawn Community with other students having the similar backgrounds to pay close attention to the society, help each other, and share happiness with each other.

## 5. KEY ISSUES OF KFC

### 5.1 The Issue of Food Safety and Quality

Previously, KFC products were exposed to have Sudan ingredients. Then, it came to the fast-growing problem about KFC's chicken, that from a poult to a chicken only needs two weeks. Why? All chickens are injected hormone, so they can grow up very quickly. And this hormone will be bad for people affected by these ingredients, KFC's food safety also aroused fears. Once trust is lost is very difficult to repair.

### 5.2 Recycling Rate of Resource

Those various boxes taken away in KFC are disposable, and they are abandoned even unused, which result in a waste of paper. If it can find a suitable alternative that can be recycled, that will greatly improve the utilization of resources.

### 5.3 The Problem of Raw Material Suppliers

The raw materials of KFC come from fixed suppliers, and the quality of those raw materials provided by the suppliers largely determines the quality of KFC products. Some years ago, Shanghai fu xi event shocked the broad consumers and the public. The cooperation between KFC and fu xi in China started in 2008. It is known that the guarantee of food safety of upstream will be more convincing. Instead, behind appearance of Shanghai fu xi is dishonest behavior conducted by the managers in KFC.

### 5.4 More Fierce Market Competition

Now, more fast-food restaurants enter Chinese catering market, such as McDonald's, DICOS. So KFC's market share has been shared by those new competitors, and the competition is becoming more and more fierce. At the same time customers' taste is changing, while KFC's newly developed products haven't attracted customers of all ages.

## 6. THE RECOMMENDATIONS FOR THE KFC'S DEVELOPMENT IN CHINA

By SWOT analysis, we can find KFC's strengths and weaknesses, and external opportunities and threats that exist, as shown in Table 3.

**Table 3**  
**The SWOT Analysis of KFC in Chinese Market**

Strengths	Weakness
Second best global brand in fast food industry, KFC is known in the world and is a trustworthy brand in many countries, mainly due to its early franchising and international expansion	Untrustworthy suppliers. Over the years, KFC has been contracting suppliers, which supplied contaminated poultry and quick chicken to KFC, thus resulting in falling sales and damaged reputation.
<p><b>Opportunities</b></p> <p>a) Increasing demand for healthier food. While demand for healthier food increases, KFC could introduce more healthy food choices in its menu and reverse its weakness into strength.</p> <p>b) Home meal delivery. KFC could fully exploit (it test deliver services now) this opportunity and reach more customers.</p>	<p><b>Threats</b></p> <p>Saturated fast food markets in the developed economies. The fast food market in the developed countries is already overcrowded by so many fast food restaurant chains and this already proves to be a threat to KFC as it finds it hard to grow in the developed economy</p>

Through SWAT analysis, we make the following comments on the development of KFC

(a) KFC should launch a new menu and marketing strategy to cover the customer's demand.

(b) KFC should redesign product packaging and enhanced service models to reduce the waste of resources.

(c) KFC can make a contemporary staff uniforms, gradually roll-out of new store design, and provide a number of digital initiatives including a new mobile app, E-menu and prepay take-out option.

(d) Good restaurant brands must know that the way to get customers' hearts is through their stomachs, but only delicious food is not enough. They also need to deliver a comfortable store environment, excellent service, and a distinctive culture for their customers.

## CONCLUSION

This paper has identified different perspectives of KFC and its strategies from the beginning up to now in Chinese fast food market. In Chinese market restaurant market, KFC has made a continuous development and achieved great success. We believe that KFC's new business and competitive strategies are leading to an inevitable road to business expansion in China.

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