

# Analysis on Popeyes in China's sustainable growth

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## ABSTRACT

China is a huge rising economy, numbers of foreign companies saw this opportunity and entered Chinese market since 1978, after the Chinese economic reform. In this paper, the author talked about how Popeyes can receive sustainable growth in China. The author also analyzed the low rated review on the internet to see what can they improve, and compared Popeyes with their successful competitors KFC and McDonald's. Besides, the author used online user experience as data source, then used Normative analysis to show what should Popeyes do. According to the results, Popeyes can take the following strategies: improving their customer service and food quality, lowering the products' price, and localizing their products.

**Keywords:** *Sustainable growth of Popeyes, collection of customer review, comparative analysis, data analysis, analysis on the price and location.*

## 1. INTRODUCTION

Popeyes is a well-known Canadian fast-food chain store. The first store in China landed on May 15, 2020, and it turns out to be their most successful new market entry week in Popeyes 48 years history [1]. A lot of foreign companies experienced the same success at the beginning of their entry, but soon their profit flew down, and ended up with exiting Chinese market. The strategies that a lot of foreign companies use to enter the Chinese market nowadays are known as the "internet celebrity economy". Popeyes corporates with social media influencers, but that usually lead to decay after their insanely boost at the beginning. It is an interesting topic that how can a foreign company keep sustainable growth in China.

This paper will set Popeyes as an example to analyze how can a foreign company keep sustainable growth in China. In this paper, the following questions are going to be investigated: What are the reasons costumers gave negative reviews? What are the differences between Popeyes, KFC, and McDonald's? The first question will be investigated base on the analysis of costumer reviews, and the second question will be investigated from several aspects, which are price, store distribution, and products localization. These results will show how can Popeyes improve their performance and achieve the sustainable growth.

## 2. LITERATURE REVIEW

The China economic reform is a milestone for Chinese economy and it provide a huge opportunity for foreign companies enter Chinese market. Garnaut, Song and Fang talked about this reformation and how it change Chinese economy in there China's 40 Years pf Reform And Development 1978-2018 (2018) [2]. They talked about the GDP rapidly growth and they specifically talked about how

the interaction between China and the rest of world increases after the reform. This idea provide an evidence that why foreign companies want to enter Chinese market, and what opportunity company as Popeyes saw. The most successful fast food brands in China are McDonald's and KFC. Steven, Hong, Ching, and Reid talked about why KFC and McDonald's are so successful in China. In their Fast Food, Street Food: Western Fast Food's Influence on Fast Service Food in China (2018), they talked about McDonald's creating new food by combining Western and Eastern food, and KFC adopted some of China's traditional street food in their menu [3]. This explained why KFC and McDonald's are successful and why Popeyes should pay more attention on localizing their menu. Yang talked about the boom of Chinese Midwest region in the article 'Chinese Midwest' sees development boom(2018) [4]. That became a reason for Popeyes and other foreign companies to study about the opportunities in Midwest China.

## 3. METHODOLOGY

Popeyes received lots of negative rates on DaZhongDianPing, which is the most popular store rating application in China. More than half of reviews gave Popeyes moderate to low rates over the total 6476 reviews. The author used DaZhongDianPing as my review source, since it is the largest store rating application in China, so it provides a relatively big costumer sample size. The author collected and reorganized my data in Excel. Then, the author deleted invalid data such as people who actually did not make the purchase. After cleaned the data, the total valid data are 830. After that, the author grouped these negative reviews into 3 groups, which showed why people dislike this store: bad service, low food quality, and price. Some reviews contain more than one aspects and the author marked them down and make a chart based on the data that was collected. The result shows why people dislike Popeyes and have an idea about what aspects to

improve. And the author also counted how many times people mentioned that they prefer KFC and McDonald's, which are their top competitors in China. Comparing the differences between KFC, McDonald's, and how can Popeyes improve their business can be found out.

However, there are some limitation of the data, since the author gather these data from an application, and most of costumers who will write an reviews are young generation, so that the data are lack of the opinions of certain age range. Also, these reviews might contain some rational

response, costumer who had bad experienced in certain aspects might gave low rated to all aspects due to the anger.

#### 4. ANALYSIS

##### 4.1. Analysis on the problem of Popeyes

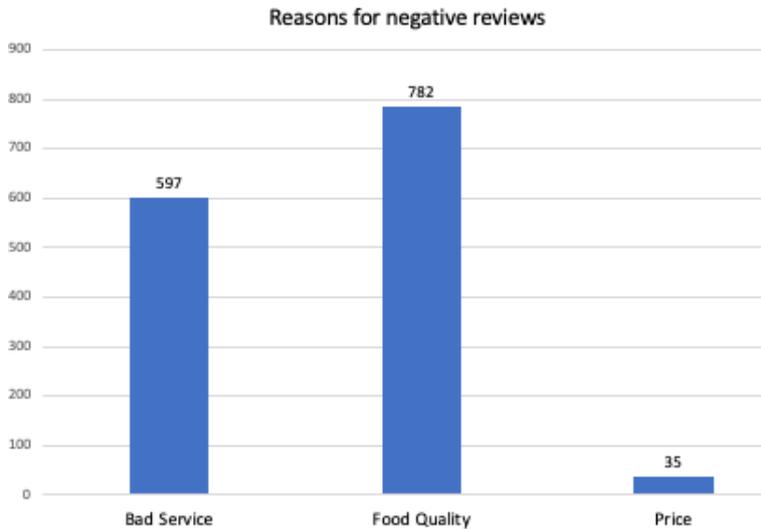


Figure 1 Number of consumers under different reasons for negative reviews

Figure 1. shows the main three reasons for negative reviews which are bad service, food quality, and price. It also shows the number of customer reported each of these reasons. According to this figure, the main two reasons for Popeyes' costumer who reported their unsatisfaction are bad services and awful food qualities. As a result, Popeyes might need to develop their performance in these specific aspects to satisfy their costumers.

Besides, KFC and McDonald's are the most well known and popular Western fast-food chain in China. KFC has

more than 5,000 stores in China [5], and McDonald's has more than 3,500 stores in China [6]. How commonly people mentioned and choose KFC/McDonald's over Popeyes is marked. As a result, how important Popeyes' competitors' performance for its future growth is, and why it is necessary to do the following comparison between KFC, McDonald's, and Popeyes will be figured out.

Number of Costumer Prefer Competitors

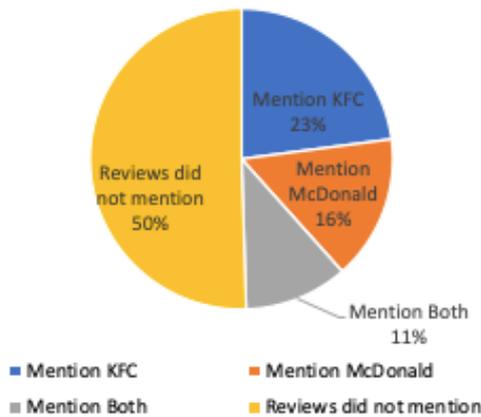


Figure 2 Proportions of Number of Costumer Who Prefer the Competitors

According to the Figure 2, half of the reviews mentioned Popeyes' two main competitors in China, McDonald's and KFC. The costumers showed that they preferred these two brands rather than Popeyes. As a result, Popeyes might need to study why their competitors are so successful in China, what are the differences between them, and how can Popeyes improve itself to surpass the competitors.

**4.2. Comparison between Popeyes, KFC, and McDonald's**

Table 1 Price Comparison Between KFC, Popeyes, and McDonald's

	Signature Fried Chicken (1pc)	Mashed potato	Chicken Popers(small)	Salad	Fries(small)
Popeyes	¥17.00	¥12.00	¥13.00	¥15.00	¥12.00
KFC	¥11.50	¥7.00	¥11.00	¥13.00	¥8.50
MacDonald	¥14.50			¥13.00	¥12.00

**4.2.2. Localized entrée.**

The author collected the numbers of entrée of Popeyes, KFC, and McDonald's, and compared the number of entrée of each brand in China and the United States. Since the United States is the origin country for all of these three brands, it was chosen as the control group (Popeyes was originally founded in Louisiana, United States, and acquisitioned by a Canadian company called Restaurant

**4.2.1. Price**

Some of the most popular foods in Popeyes, KFC, and McDonald's were listed. Besides, the price of each of them was compared to each other. Although some of the products are not available in McDonald's, Popeyes' price is still higher than their competitors.

Brands International) [7]. Also, the products, which differ from the United States, were selected as the products that the companies localized for the Chinese market, to see the possible relationship for expanding and localization. The data below was come from the menu of Popeyes, KFC, McDonald's. The author counted the number of entrée for each of these brands and consider the different products from the United States to China as localized products.

Table 2 Number of entrée in China, United States, and Localized Products

	China	US	Localized Products
Popeyes	4	1	3
KFC	8	4	7
McDonald	17	12	11

**4.3. Different Strategies Between McDonald's and KFC**

For Popeyes, a sustainable strategy can be a strategy that is identify, has the pros of McDonald's and KFC, but also find the chances between McDonald's and KFC's competition.

**4.3.1. Store Location**

From the store distribution, according to GeoHey's store distribution map, McDonald's are mainly focus on big cities and the East Coast of China, which are the most wealthy area in China. KFC has more stores that open in Middle and West of China than McDonald's [8]. The location selection is very important and the article "The different ways to enter the Chinese market and the management of the related financial risks" also talks

about the reason and importance for business to select appropriate location [9].

**4.3.2. Localization**

According to the analysis above, KFC has less localized products than McDonald's. However, there is a huge difference between how these two localized their products. Though McDonald's has more localized products, they still develop based on burgers. KFC's innovation are more localization. For example, the Beijing style wrap, beef over rice, and chicken thigh over rice. That could be one of reason that why KFC are so adapted by Chinese market. According to Popeyes' menu, they barely localize their products, so localize their product to adapt their Chinese costumers can be an aspect for Popeyes to improve.



**Figure 3** Part of Popeyes China’s Menu

**5. SUGGESTIONS**

For Popeyes, they need to first solve their existing problems that reflected by the negative reviews. They can spend more on their employee training, and improve their customer services. They also need to improve their food quality, by changing their recipes, food resources, and improve their quality check. They also need to adjust their price to compete with KFC and McDonald’ s and to localize their products to satisfy their Chinese costumer. Find a new way out between McDonald’ s and KFC is the key. McDonald’ s mainly focus on East Coast of China, while KFC have a lot more stores in smaller cities and Middle and West of China. Focus on smaller cities that KFC has NOT dominated yet can be an option for Popeyes, since the fixed cost could be lower than big cities, and second and third tires of cities still have enough purchasing power for Popeyes to make profits. Localized product is important for Popeyes as well. Fully study Chinese costumers’ preference, and innovate foods that adapted their tastes are essential to dominate Popeyes in China.

**6. CONCLUSION**

For a foreign company to enter the Chinese market, it needs to first improve its shortcomings, then study the market to see what are the needs of the costumers, and study the competitors’ experiences, and learn from them. However, there are some limitations to this report and its data. First, Popeyes’ entrance in China is during a global pandemic, so it can contain some very occasional reflects with the customer reviews. This report also has strong timeliness, which means the data the author collected such as menus and reviews might change in a short period. In the future study, the author can trace the data’ s change and build a machine learning model to predict the change, and the company can respond more efficiently with the prediction.

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