



McDonald's VS. KFC, Which is More Successful in Marketing in China?

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Abstract. The aim of this thesis is to analyse and compare the different marketing strategies adopted by McDonald's and KFC in China since the Covid-19 pandemic and their impact, using comparative examples. The study found that both companies have been making efforts to localize in recent years, but have used different strategies to achieve this goal. Based on the popularity of Weibo related tags alone, McDonald's had more people engaging in discussions when launching new products. This paper hopes that the results of this study will allow more fast food brands in China to find appropriate marketing ways to their products.

Keywords: McDonald's, KFC, Marketing Strategy, Localization

1 Introduction

McDonald's and KFC, the world's first and second largest restaurant chains, entered the Chinese market in 1987 and 1990 respectively. Despite the fact that at that time, even in big cities like Beijing and Shanghai, the per capita spending of the two restaurants was still far from the income of the middle class in most Chinese cities, McDonald's and KFC were still popular with most of the consumers. Since their entry into China mainland, both McDonald's and KFC have been expanding their shops to more cities. At the same time, events such as China's accession to the WTO have led to an upgrade in Chinese consumption [1] and McDonald's and KFC have reverted to their 'fast food' positioning, instead of giving the impression of "premium foreign restaurants". At this point, the two brands could rely on less and less brand image to add to their image, and with people becoming more health conscious, they had to start marketing to keep their brands active. Therefore, this paper analyses how Chinese fast food brands should adopt better marketing techniques based on several different marketing strategies and the results of both McDonald's and KFC brands in China in recent years, compares the strengths and weaknesses of the two brands' marketing through real-life examples.

2 McDonald's Marketing Strategy

McDonald's, as the world's number one restaurant chain, has mostly outsold the local KFC's sales around the world. But for China mainland, McDonald's not only entered the Chinese market three years later than KFC, its entry into smaller cities was also slower than KFC's, which made McDonald's popularity and number of shops much weaker than KFC's during the same period for all the time. By the end of 2021, KFC had more than 8,300 shops in China, almost twice as many as McDonald's during the same period [2,3]. To change the situation at the time, McDonald's pioneered a number of new marketing approaches.

2.1 Limited Commodities

In 2020, McDonald's launched more than 160 new products in mainland China, which included not only the flagship limited ice cream, which has been introduced every month for several years, but also numerous new burger and fried chicken series [4]. During the week of all the new products, the 'Thick Angus MAX Burger' and the 'Chicken McCrispy' were so well received that McDonald's did not list them as period limited items, but rather they still appear on the menus of most McDonald's shops today. 2021 saw McDonald's go one step further and announce the 'Creative Menu' campaign, which guarantees a limited edition every month! It could be a burger, ice cream or a non-McDonald's staple such as cake. Their first product, "spicy oil sundae", was a hit, followed by "coriander sundae", Pan Grilled Chicken Sandwich with pickled asparagus' and a host of other new products, combining Chinese food we often hear about with ice cream and burgers to make up some strange-sounding limited edition new products.

2.2 Joint Products

McDonald's co-branded products are mainly focused on its Happy Meal. The Happy Meal is a small set meal for children that has been offered by McDonald's since the 1980s. The Happy Meal now sold in mainland China includes a main meal, two snacks, a drink and, most importantly, an accompanying toy. The toys offered by McDonald's in mainland China are updated very frequently, almost once a month, and each time the toys are collaborations with well-known animations, movies and games, such as the launch of the Snoopy series of toys in 2015, the collaboration with Lego Batman in 2017, the series of toys with Nintendo's Super Mario in 2019, and the signing of a several-year collaboration agreement with Shanghai Disney in 2022 agreement to launch various toys [5-8]. However, McDonald's introduced these toys to attract children to buy Happy Meals, not adults.

2.3 Discount Prices

In terms of price, the fast food industry, due to its low price elasticity and positioning to serve the public in the hope of making more consumers accept the brand's meals, aims to be competition-oriented in its product pricing strategy, hoping to enable the brand to penetrate the market quickly with suitable prices for the public [9].

For example, from 2019, McDonald's China has launched a “1+1=12” discounted set menu service, where you can buy a set menu for just RMB 12; every Monday, various offers are also offered, sometimes even with free Chicken McCrispy and Chicken McNuggets; From 2020, McDonald's has also introduced the “oh My Card” membership card, which offers certain set menus for over 50% less than the original price.

As the target consumers have changed to a younger demographic, McDonald's is also actively collaborating with social media sites in China, such as Sina Weibo's 'Lick the Cone and See the World', and a series of projects with Douban and Taobao [9].

3 KFC's Marketing Strategy Analysis

Although KFC is not as strong as McDonald's overall in the global market, comparing the annual financial results of KFC and KFC China's parent company, Yum and Yum China in 2021, China has become KFC's largest market in the world. Within the single market of mainland China, KFC has surpassed McDonald's in terms of the number of shops, cities it is present in and the amount of revenue it generates. KFC's first shop opened in Beijing in 1987, which marked its entry into the mainland Chinese market. Since then, KFC has continued to open new shops in China, and by the end of 2021, McDonald's had more than 4,300 shops in China, while KFC had almost twice as many, reaching more than 8,300 [2,3].

3.1 Limited Commodities

From the opening of its first shop in Beijing in 1987, KFC's menu remained almost identical to that of its American counterpart until 2002, when it shifted its marketing strategy in China and served congee during breakfast hours for the first time. In the years that followed, KFC continued to introduce Chinese specialties, from rice and dough sticks, which are available nationwide, to local specialties such as fried noodles and hoisin soup, and even mooncakes and zongzi, which are available for a limited time during the Mid-Autumn and Dragon Boat Festival [10].

3.2 Joint Products

KFC is very happy to promote its own products and those of its friends through co-branding, especially since entering the 2010s. In the last two years, KFC's co-branding activities have become more and more frequent, and the users of almost all the brands it works with are a core group of young people. For example, the two collaborations with the well-known Japanese anime Love Live! School Idol Festival in 2020 and the

original Chinese game Genshin Impact in 2021 made many fans hit the shops, and the launch of Nintendo's Pokemon in 2022. The launch of Nintendo's Pokémon Go character Koda Duck co-branded toys in 2022 is even more popular throughout China.

3.3 Discount Prices

KFC has been running its own discount programme, “Crazy Thursdays”, since 2018. The campaign doesn't have a set range of discounted products, but it runs every Thursday and many items, such as fried chicken and egg tarts, are heavily discounted. Instead of making less and less waves as time goes on, the campaign relies on fans' creative paragraphs and videos, which spread more and more through the internet. Almost every Thursday, someone in the WeChat and QQ groups (two of the most popular Chinese social apps) would post a funny snippet of “Crazy Thursday”, making more and more people aware of the campaign.

4 Comparison of between McDonald's and KFC

The marketing strategies of McDonald's and KFC in China are very different, with the biggest difference being reflected in the operating companies. McDonald's operations in mainland China underwent an operator change in August 2017, with a new operating company in which two companies controlled by CITIC Group, a wholly state-owned Chinese company, jointly established a new company and are the largest shareholders of McDonald's (China), while the US head office McDonald's Corporation accounts for only 20% of McDonald's (China) [12]. The new company was then renamed Golden Arches [13]. The new company was subsequently renamed Golden Arches China Ltd. On the other hand, KFC attaches great importance to the development of the Chinese market. Yum China, which is responsible for KFC's China operations, has been listed independently on the New York Stock Exchange and Hong Kong Stock Exchange [11]. In addition, as early as 2002, KFC set up a special China Health Food Advisory Committee, employing a number of Chinese experts and academics as consultants to develop new products in the Chinese style [10]. KFC's products launched in China are mainly purely Chinese meals, such as congee and fried noodles. In contrast, McDonald's is happier to launch products that combine East and West, such as combining a burger with a pickled asparagus.

Both approaches have advantages and disadvantages, and as neither brand publicly announces its sales volume, Weibo readership is used here to compare the figures. For KFC, as it is not a Chinese restaurant itself, it is always controversial when launching new products as most people do not think that a fried chicken restaurant can make authentic Chinese food. For example, in 2021, KFC launched “Beijing Fried Noodles”, which was met with disagreement from many people, especially local Beijingers. Firstly, for Beijing Fried Noodles, many Beijingers don't even approve of the fried noodles made by local restaurants, let alone how they would rate an American fried chicken restaurant's fried noodles. Secondly, KFC fried noodles are priced far higher than those famous Beijing fried noodle restaurants, while weighing less per bowl. As a

result, there has been a lot of KFC bashing on social media, with related tags being read a total of nearly 70 million times on Weibo. However, the skepticism McDonald's has suffered in China has only gotten worse. Due to the generally unacceptable-sounding names of the products McDonald's launches, from time to time, they receive a lot of attention once they are launched. For example, in early 2022, McDonald's launched the cilantro sundae, which garnered a lot of buzz the day it was launched. According to Weibo, the official tag used by McDonald's was read by over 170 million people, and the tag used in media coverage was read by a total of over 75 million people, making it one of the most popular topics on Weibo at the time.

5 Conclusion

Due to the shift in McDonald's China's operating company in 2017 and the impact of Covid-19, the marketing strategies of both brands have shifted considerably in recent years, and there are very limited relevant papers that can be referenced, so most of the data in this paper come from the two brands' company financial reports, media reports, and their official social media accounts.

By comparing the marketing examples and influences of the two brands, it can be seen that both brands tend to converge in a general direction, both trying to rely on localization to achieve better sales results. However, the two companies have adopted different approaches to achieve this goal; KFC is less innovative in terms of food and mainly sells classic Chinese dishes directly, while McDonald's prefers to introduce some innovative dishes; KFC prefers to collaborate with more popular local Chinese IPs and celebrities to attract young people, while McDonald's focuses more on social media accounts such as Weibo and WeChat. Both brands have their own marketing and it is not possible to directly compare the impact of their marketing strategies on sales as there is no access to the actual sales of both brands, and as McDonald's China is not independently listed, it is not possible to analyse this by comparing profits. In the future, if sufficient resources were available to obtain information on the sales volumes and profits of the two companies, it would be more useful to analyse the marketing approach.

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