

MKT 4604 Marketing in China

Group Project – Final Report

Topic: Kungfu Catering Management Company Limited



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1. Executive Summary

Kungfu is the most successful Chinese fast food chain in China. It provides healthy Chinese fast food and efficient service. However, it faces difficulty in expansion in China.

The research objectives of this project are to study and develop business expansion strategy for Kungfu and to develop a marketing campaign for Kungfu to enhance its brand image. We have done primary research and secondary research in this project. We gained insights into Chinese fast food competitive environment via many research paper, press materials and consultancy reports. Moreover, the individual interviews with ten consumers help us to understand Kungfu's competitive position of Kungfu and the customers' perceptions of it.

We found that the Chinese consumers demand healthy food and efficient service, especially in big cities. Kungfu has potential to capture the opportunities in Chinese fast food market. Nevertheless, the competition in the industry is very intense. Despite current competitors, many domestic and foreign competitors are entering this market.

Based on the findings, we have suggested Kungfu to develop its business in two phases. In the first phase, it should enhance its internal operation, such as operation standardization, product development and environment design. After that, Kungfu can start expansion in China from first-tier cities. Moreover, we have suggested several details to facilitate the process of expansion, such as franchising and IPO.

2. Company Background

Established in 1994, Kungfu Catering Management Ltd owns over 300 chain stores in China and has become one of the most successful Chinese fast food brands.

With the aid of Computer Program Control Steam Cabinet, Kungfu has realized “standardization” and “industrialized production” of Chinese fast food. Together with the standard operation system, Kungfu has completely integrated into the international standard in terms of quality, service and sanitation.

However, the competition of fast food marketing is becoming fiercer, and Kungfu is struggling to get more market share compared with KFC and McDonalds. In order to win the game, Kungfu is seeking new opportunities and revolutions. The research will investigate current problems of Kungfu and accordingly recommend some solutions and new strategies.

3. Research Objective

It is found from the secondary research that although Kungfu Catering is one of the largest Chinese fast food chain stores in China, it encounters some problems in business expansion. Weak company culture and brand image is preventing Kungfu from develop faster. Besides, complains about the service of Kungfu are sometimes voiced by the customers. Hence, the objectives of this research project are as the followings:

- ✧ To analyze current problems of Kungfu and suggest relevant solutions
- ✧ To study and develop business expansion strategy for Kungfu.
- ✧ To develop a marketing campaign to enhance brand image

4. Research Methodology

Two research methodologies are used in this research.

First, we have done many secondary researches in order to study the industry, the market, the company, the consumers and the competitors. After reviewing the research of the industry, we have gained insights about the Chinese fast food market. Besides, the research of the marketing strategies of Kungfu and its competitors has given us a clear picture of the current situation of fast food industry in China.

Second, we have conducted ten individual interviews with current customers of Kungfu in order to understand customers' perception of Kungfu's brand image and service.

5. Situation Analysis

5.1 Consumer Analysis

(1) Convenience food continues to allure fast consumers

Hectic lifestyles increase demand for convenience food. People are under great pressure from multiple factors such as soaring house prices, career competition and supporting older family members. As a result of these factors, consumers are working longer hours and thus have less time for eating, which has encouraged foodservice operators to provide faster and more convenient services.

(2) Chinese consumers reduce spending in fast food restaurants

Consumer's propensity to purchase fast food is greatly affected by the economic

environment. Facing the slowdown of economic growth in 2009, the fast food industry witnessed a significant drop in consumer confidence and spending power. As a result, people responded swiftly to the fast food companies' aggressive promotion activities featuring the price cut.

(3) Chinese netizens go on internet to search for restaurant information

With the large body of Internet population, Chinese consumers have no difference from any other digital generation on the world in embracing computers and technology in their daily life. People like to look for restaurant information on the Internet before they make a visit. Famous national website such as dianping.com includes detailed restaurant reviews and rating by which consumers can find out the most popular dining place in their city.

(4) Consumers have high confidence in large fast food chain

The public's concern about the food safety problems increases purchases from the leading chained foodservice brands. Compared to small independent restaurants, consumers find higher confidence in the chained foodservice operators in terms of brand awareness, standardized manufacturing process, better hygiene environment and guaranteed food safety.

(5) Traditional food remains a strong appeal to local consumers

Though people have preference for convenience food, they would also tire of the same menu. Regular new product launches and different sets of menus are critical factors in attracting these high-demanding consumers to come back. While western-style fast food seems appealing to some Chinese consumers, most of the locals are accustomed to their local cuisine such as noodles, dumplings and other

Asian snacks alike.

(6) Health-conscious consumers go for Chinese-style fast food restaurant

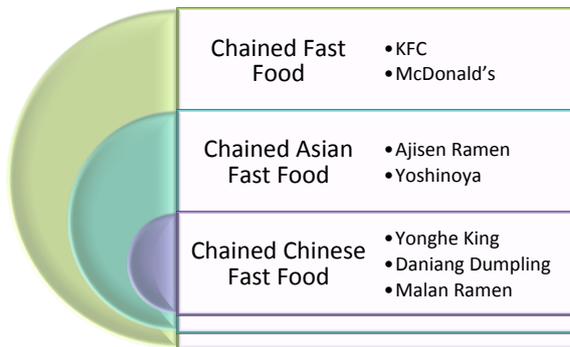
With the prices in international fast food chains such as McDonald's and KFC being too high, especially, for most people in underdeveloped cities and rural areas, consumers that prefer to visit Chinese-style fast food restaurant are generally more price-led, health-conscious and predominated by the middle-aged. While consumers that favor Western-style fast food companies are usually young adults who advocate foreign brands and are more affluent.

(7) Fast food transactions record the highest at leisure and travel locations

In terms of the dining location in first tier cities, the number of people who dine at leisure locations continues to increase steadily. Compared to standalone restaurants on the street, people prefer to enjoy meals in shopping malls or the leisure complex. Having fast meals after shopping and other leisure activities becomes observable Chinese consumer behavior. Also, transportation hub is another popular location where the fast consumers are taking their fast food meals. The *Chinese consumer foodservice report 2009*, published by Euromonitor International, suggests that the transaction growth at the leisure and travel remains the strongest, with comparison with other locations such as retail and standalone.

5.2 Competitor Analysis

In order to survive in this competitive environment, we need to identify the major competitors of Kungfu.



There are several levels of competitors. The most relevant competitors should be chained Chinese fast food, such as Yonghe King. Furthermore, fast food chains that sell Asian foods should be the second level. Lastly, western fast

food restaurants, such as KFC and McDonald's, are included in the third level of competitors.

Brand Shares of Chained Fast Food 2006-2009

Rank	Brand	Global Brand Owner	2006	2007	2008	2009
1	KFC	Yum! Restaurants China	39.8	40.7	41.0	40.2
2	McDonald's	McDonald's China Development Co Ltd	20.3	19.0	17.4	15.8
3	Dicos	Ting Hsin International Group	8.0	9.0	9.1	9.6
4	cnHLS	Hua Lai Shing Catering Management and Services Co Ltd	0.8	1.4	2.2	3.0
5	Ajinsen Ramen	Ajinsen (China) Holdings Ltd	1.5	1.9	2.5	2.7
6	Kungfu	Kungfu Catering Management and Services	1.3	1.7	1.8	1.8
7	Daniang Dumpling	Jiangsu Daniang Dumpling Co Ltd	1.1	1.0	1.0	1.1
8	Häagen-Dazs	Häagen-Dazs Distribution & Marketing Philippines Inc	1.0	1.0	0.9	1.0
9	Malan Lamian	Malan Lamian Fast Food Chain Co Ltd	1.0	1.0	0.9	1.0
10	Yoshinoya	Yoshinoya Holdings Co Ltd	-	0.6	0.9	0.8

Source: Trade associations, trade press, company research, trade interviews, Euromonitor International estimates

According to the Euromonitor, KFC, McDonald's and Dicos were the top three brands occupying the most brand shares of fast food chains in China from 2006 to 2009. Obviously, western fast food chains are the most important competitors in Chinese fast food market. Considering Kungfu's vision to be the top 10 global fast food chain, KFC and McDonald's definitely will be the major competitors. Besides, we also count Yonghe King as major competitor since it offers similar products and target same customer groups with Kungfu.

(1) Competitive Positioning

KFC is active in launching innovative products in the market and providing localized food. Currently it has more than 3500 outlets in China, the most in the fast food industry. Therefore it owned 40.2% market share in 2009.

Mcdonald's paid more attention to the first and second tier cities in the previous years. With aggressive discounting, it consolidates its leading position in the coastal areas. Also, the company plans to open more than 150 new outlets per year over the forecast period.

Yonghe King deems itself as the number one Chinese fast food. It offers healthy and delicious Chinese fast food to the customers. Currently, it only has 190 outlets in China, which concentrate in big cities.

(2) Strategic direction

KFC adopts two main strategies. First, it is by **price reducing**. In 2009, the company began to reduce its products' selling prices several times, by 10% to 30%, in order to maintain its leading position in the market. Second, it is by **expansion**. It tends to expand its branches in the inland and lower tier cities so as to maintain its leading position.

Mcdonald's pays more attention to **improve its consumer experience**. For example, it aims to redecorate most of its outlets in the next three years in China. At the same time, it plans to provide free Wi-Fi services in most of its outlets in 2010. For its **product strategy**, it maintains its global standards and is expected to continue to focus on chained fast food, providing western-style meals in the long run.

Moreover, in order to **attract more consumers**, it tailors to family consumers. For instance, all McDonald's outlets will give free mini ice creams to every kid dining in at each weekend in 2010. For other potential consumers, McDonald's claimed that it would accept promotional coupons from other consumer foodservice companies in early 2010.

Yonghe King is planning to accelerate its **expansion strategy** in the coming years. The company's long-term strategy is to achieve a total of 1,000 outlets in 5 years. The 24-hour operation of its outlet and the online takeaways ordering system will be its main selling point in this competitive environment.

(3) Brand Image

KFC is fairly localized. In favor of localization, it changed its brand image from "Expert in Chicken" to emphasizing healthy and balanced food. It keeps innovating and introducing new menus constantly.

Mcdonald's greatly emphasizes its westernized brand image, with the memorable slogan, "I'm lovin' it".

Yonghe King is a Taiwanese brand. Most of the customers regard Yonghe King as a restaurant that sells breakfast but not a place for dining.

(4) Products

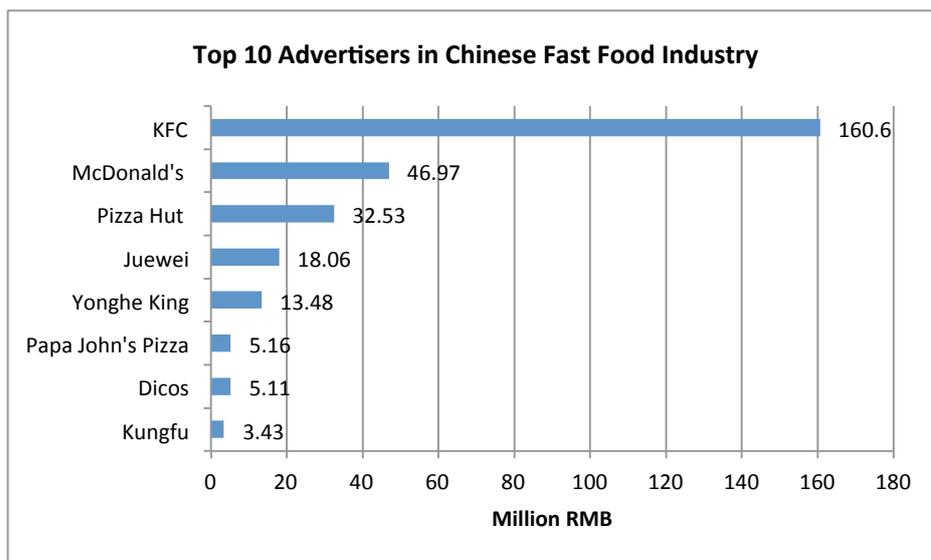
KFC has two approaches for launching its products. First, it is by **localization**. The exotic cuisines are modified in order to cater for Chinese consumers' eating

habits and preferences. In addition, new products are developed with regards to the characteristics of different regions in China. Besides, **KFC keeps on launching new menu items.** New products account for 40% of all products. In an attempt to keep the fast food remain refreshing in the minds of consumer and stimulate demand, new products consist of a great percentage of all products.

McDonald's works continually on **product innovation.** For instance, it has launched a new chicken wing themed restaurant. Also, its products are based on global standards instead of localization. It mainly provides western-style food like hamburgers and coffee.

Dicos' product range is very similar to KFC's, such that 70% of its products overlap with KFC's. Meanwhile, it takes initiative to develop more localized products, such as rice.

(5) Promotion



Among the fast food chains, KFC was the top spender in advertising, which allocated

much more resources to promotion when compared to competitors. Its advertising spending was four times more than McDonald's. Whereas, Yonghe King's advertising dollars were simply incomparable to KFC, not even reaching one tenth of KFC. Moreover, Kungfu's advertising expenditure is far less than its major competitors.

5.3 *Strengths*

(1) Clear positioning

“Steamed Chinese food is healthy!” is Kungfu's slogan. It believes that steamed Chinese food is good to human's health. Therefore, no deep dried food is provided to customers. This sharp and clear positioning strengthens the perception towards Kungfu of the customers. Up to now, it is recognised as the largest chained Chinese fast food restaurant in the market by sales value.

China is a rapidly developing country. More people start to have a busier lifestyle. Especially in first-tier cities e.g. Beijing and Shanghai and second-tier cities, people have to work longer on the work. As a result, Kungfu develops its market positioning clearly that is those people who pursue healthy food. Its target customers are white collars who have tight working schedule, but desire healthy foods and service efficiency.

(2) Standardization

Kungfu is a fast food shop providing steamed Chinese food. To ensure high food quality and speed, the company has invented a cooking machine and steam-controlled cabinet with computer program. It is the first chained Chinese fast food subsector to adopt a standardized cooking process. All the menu items sold in every Kungfu outlets have the same flavour in each outlet. Comparing with other Chinese

restaurants, the innovation of Computer Program Control Steam Cabinet enables Kungfu to actualize 'chef free' Chinese fast food. As less human activities are involved in the cooking process, the standardized food can be prepared.

(3) Effective services

Most of the management executives in Kungfu come from KFC and McDonalds. Therefore, they are well experienced in fast food industry. Their experience helps Kungfu develop its business by learning the good things from the foreign fast food chains which has good reputation in maintaining service management.

As a fast food shop, Kungfu promises to serve food within in 60 seconds. The speed of the service is compatible with foreign invested company for example, McDonald's and KFC. Besides, Kungfu established its self-owned management school, 'Rice University'. Frontline staff and management team are sent to the school to train up with standardized service quality and management skill.

5.4 Weaknesses

(1) Low awareness

Kungfu was founded in the Guangdong Province. The market penetration rate is high in Guangdong and the cities nearby. However, outside Guangdong province, the brand awareness is relatively low in many regions due to the lack of presence. As from the following table, about 75 percent of it outlets are in Guangdong. Comparing with foreign invested company such as KFC, its reputation and awareness are relatively weak.

Total Store Number: 371												
Guangdong	Beijing	Shanghai	Zhejiang	Jiangsu	Liaoning	Fujian	Hubei	Tianjin	Guangxi	Shandong	Hunan	Jilin
275	32	25	13	7	6	4	3	3	2	1	1	1

(2) Weak image

From the individual interviews with customers, we found that although the awareness in Guangdong province is high, its logo and image are not strong and well-established enough to fight against the competitors. In the Guangdong province, steamed food is one of the common cooking methods. Many restaurants can provide similar products to customers. The brand image of healthy and nutritious Chinese steamed food is in fact not that special comparing with other Chinese fast food stores.

According to a research, In Chinese food and Beverage market, 20% is occupied by McDonald's and KFC, Kungfu has to fight with the other 800,000 competitors in the remaining 80% of the market. It is obvious that Kungfu is difficult to stand out from the crowd with the Chinese steamed food.

(3) Higher prices

The price of the Kungfu 's product is higher than other Chinese fast food stores. For example, a set of meal costs customers about RMB30. The price level is similar to that of the foreign fast food chains such as MacDonal. Therefore, Kungfu faces a competitive disadvantage in its pricing strategy.

(4) Less capital

All the outlets of Kungfu are directly owned by itself. Therefore, Kungfu need to manage the resources effectively. However, Kungfu is still a private company. Its major competitors, such as KFC and Macdonald, are all listed company. They have huge capital supports their development in China. Therefore, it would be easier for them to expand than Kungfu. Less capital hinders the growing of Kungfu.

5.5 Opportunities

(1) Fast-growing fast food market

According to 'China Fast Food Analysis, 2008', China is the fifth largest fast food consuming nation in the world. The food retail sector has the major share of 63% in the overall retail sector and it will continue to account for a major share in future also. The share of fast food in retail industry is expected to reach 9.3% by 2011 from 7.4% in 2007. China's fast food industry is expected to grow at a CAGR of around 25% during 2008 to 2011. The fast growing fast food market indicates that Kufung has opportunities to grow further.

Meanwhile, changing and busy lifestyle, fast emerging middle class population and surging disposable income also show that the industry will continue to grow at a pace in coming years. The changing dynamics of the market implicates that owing to the busy lifestyle in cities, consumption of fast food will continue to increase in the coming years. Kufung has to seize the chance to expand further to meet the increasing consumption of fast food in order to increase its market share and gain competitive advantages.

(2) Customers demand good dining environment

Dining environment is found to be one of the important factors that influence preferences of the customers. According to the 'Fast Food Takes Off in China' 2010, customer are willing to pay more for clean and decent environment. It is suggested that perhaps the biggest attraction for the American fast food restaurant is the clean tables and bathrooms.

Normally, it is not easy to find the hygienic environment in other cheaper restaurants in China. Therefore, the environment is the main area the Kufung needs to be improved in order to meet the expectations of the customers. It is essential to beware that delivering more value to match the customers' expectation can lead to higher satisfaction level as well.

(3) Customers are becoming more health-conscious

Western fast food is regarded as unhealthy because of the fried potato chops and burgers. Owing to the fact that the customers in China are becoming more health-conscious, they prefer to consume food that contains lower fat and calories. As a result, they are more likely to choose healthy food instead of western fast food. Kufung offers healthy food options for the customers to choose since the selling point is "Steamed Chinese food is healthy!" Kufung has its potential to gain more customers who are health conscious once the customers perceive the food as healthier.

5.6 Threats

(1) Strong competition

A. Strong western players: According to QQ Finance 2010, foreign fast food brands occupy 4 places of the top 5 fast food brands in China Foreign competitors have a lot

of resources and experiences in the fast food industry.

Moreover, there are only 5 domestic brands in the Top 50 brands in fast food industry. The competition of fast food industry in China is very fierce. According to The Top 50 fast food companies report, among the top 50 strongest fast food companies, 90% of them has taken actions to expand to other provinces all over China for chained fast food retail outlets, the largest player, KFC, owns 3200 outlets up to 2010. KFC is the market leader in China, followed by McDonalds. With the strong brand culture and professional management, these western giants are still leading the market. Kungfu is not as competitive as the western players when compared with their existing marketing mix, cooperation scale, brand image and financial support.

B. More and more competitors are entering the market: China is an emerging market for fast food chain operators. As the purchasing power of the Chinese is increasing in recent years, they are willing to pay more for fast food. Therefore, more and more western fast food giant companies are entering the market, such as Burger King and Pizza Hut.

Kungfu is facing more and more challenges, not only from international competitors but also domestic companies. According to recent news in Takungpao, fast food industry is still growing the fastest when compared to the other industries. It implies that there is high potential for investment, drawing a lot of competitions. As people are more concerned about their health, the number of Chinese fast food restaurants is increasing rapidly in the market. It also implies that customers are now offered more options to choose. In other words, they have more bargaining power. Therefore, it is a must for Kungfu to differentiate itself from other Chinese and Western fast food

restaurants. Kufung has to look for competitive advantages in order to compete in this highly competitive fast food market.

(2) The products are easy to be copied

Kungfu offers steamed Chinese food that is easy for local competitors to copy. However, most of them are traditional Chinese steamed food and can be easily copied by their competitors. The key to this problem is how Kufung can stand out among those similar products in the fast food industry. Products can be the same in nature, but it can be perceived as largely different with the help of marketing efforts and product improvements. For these reasons, Kufung has to differentiate itself by constantly modification of the menu and promotion of the new products. To defend itself from being copied by the competitors, Kufung has to be aware of the actions taken by the competitors and gain competitive advantages by being the first-mover in the market if possible. Meanwhile, it is important for Kungfu to differentiate itself also in other aspects as well.

6. Key Issues

After all analyses, we have identified several key issues in Kungfu's 4Ps.

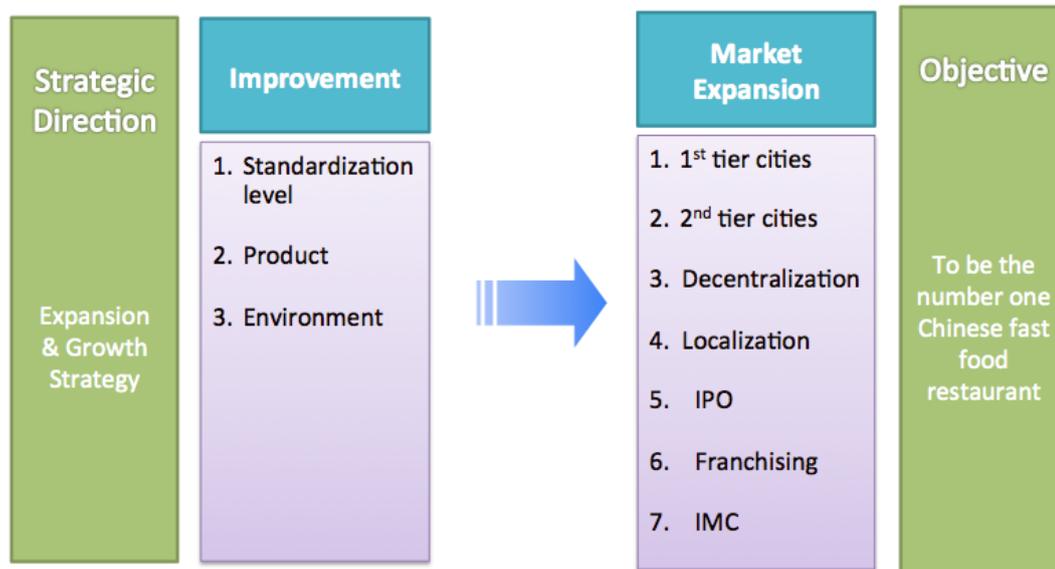
- (1) Product: Kungfu has limited menu choices. Besides, its recipe is easy to be replicated. Moreover, its menu items cannot fully satisfy the customers in different regions.
- (2) Price: The price is not competitive enough.
- (3) Place: Its dining environment needs to be improved.
- (4) Promotion: It has low awareness outside Guangdong province and the brand image is unclear. Furthermore, it lack of promotional efforts.

7. Recommendations

To summarize, there are several growth opportunities that can be identified from the perspectives of fast food market, Kungfu's current development, consumer behavior and competitors.

1. **Fast food market:** The fast food market in China shows high growth rate indicating the increasing demand for fast food.
2. **Current development:** Kungfu currently has low penetration rate in cities outside Guangdong, which means there are still many new markets for it to enter or penetrate.
3. **Consumer behavior:** Consumers tend to have fast-paced lifestyle and are becoming increasingly health conscious. Besides, Chinese cuisines are preferred. Kungfu's competitive advantages fit with the consumer behavior and thus its popularity and market potential can be substantiated.
4. **Competitors:** Compared with the Chinese counterparts who provide Chinese fast food, Kungfu has the advantage of higher standardization. Besides, although there are some foreign competitors that are highly competitive, Kungfu's positioning differs from that of those competitors.

Base on the above findings and analysis, we suggest that Kungfu adopt the expansion and growth strategy as the strategic direction because it is in accordance not only with the company's vision but also with the growth potentials for the company to have further expansion. However, before doing the market expansion, Kungfu is suggested making internal improvement first in order to deliver greater customer satisfaction and better meet the customers' expectation during the process of expansion. The strategic blue print for Kungfu is depicted in the following graph.



1. Internal improvement

When doing internal improvement, we suggest Kungfu focusing on three aspects: standardization level, product and environment.

1.1 Standardization level

Kungfu should enhance the standardization level of product, environment, service and staff training. According to the findings of the in-depth interview, Kungfu is considered to deliver inconsistent service quality. Secondly, people are willing to pay more for better environment according to research. Finally, enhancing the standardization level is the prerequisite for further expansion and franchising since without enough standardization level, the management and operation would be very difficult and the company would be adversely affected due to performances that are too inconsistent.

1.2 Product improvement

Kungfu should impose stricter standard on the quality control, widen the menu choices

and add delivery service. Kungfu suffered from the crisis of pork ribs quality and thus the food quality control should be given enough attention. Besides, According to the feedback from the in-depth interview, the choices in Kungfu's menu are too limited.

1.3 Environment improvement

Kungfu is recommended to improve its environment and provide better customer experience. From the in-depth interview, we found that customers prefer better environment and perceive the environment of Kungfu as less satisfying than that of the foreign competitors such as KFC and McDonald's. Moreover, Kungfu's major competitors are redecorating their branches aiming to offer superior customer experience. Thus, failing to make such improvement would lead to a competitive disadvantage in the future. The following pictures illustrate the environment of Kungfu and McDonald's. For the Kungfu's, the environment make customers feel dim and messy while customers feel comfortable in McDonald's.



2. Market Expansion

When doing market expansion, we suggest Kungfu focusing on seven aspects in terms of 1st tier cities, 2nd tier cities, decentralization, localization, initial public offering, franchising as well as integrated marketing communication program.

2.1 Expansion in first and second-tier cities

Though Kungfu has already spread among China, it is suggested to focus on increasing its number of chained stores in first and second tier cities instead of others. Consumers in the 1st tier cities are living busy and fast-paced life and meanwhile they really concern about health very much. Generally speaking, they have higher income and consuming power. Besides, 1st tier cities have strong radiation effect and the trend in 1st tier cities will influence other tiers cities. Kungfu is suggested to focus on the expansion in first tier cities due to its limited resources in the beginning stage of the expansion.

Following the expansion in first tier cities, Kungfu is also suggested to increase its penetration among 2nd tier cities, e.g. Kunming, Shenyang. The income level among second tier cities citizens are increasing rapidly in recent years. At the same time, people spend more time on working and there is large demand for fast food among second tier markets as it is not as well developed as that in first tier cities. Consumers in second tier cities also begin to adopt the idea of eat healthy. As numbers of second tier cities is much more than first tier cities, it will be more profitable.

2.2 Location strategy

Apart from the regional expansion strategy, Kungfu should also consider its location strategy. Besides standalone chained stores, Kungfu is also advised to set up chained stores in retail, lodging and leisure locations.

According to Euromonitor International (2010, Consumer Foodservice by Location—China), standalone locations accounted for the largest share in China's foodservice

industry in 2009, with 84% of outlets and 83% of sales value. Although standalone will continue to be the dominant location type in China's foodservice industry for some years, other types of location are expected to see faster growth in future. The rapid development of chained restaurants contributed to the stronger growth of non-standalone locations, like retail, lodging and leisure, during 2009. Leisure location was witnessed the most dynamic growth in outlet numbers in 2009, with a rise of 13% to 27,285.

First tier cities have well-developed retail locations and second tier cities are also building up a lot of shopping malls and districts. Consumers begin to get used to dine in retail locations. Both first and second tier cities are building more leisure location, like parks, for citizens. Besides, there are many concentrated residential areas in China as more than one third Chinese are living in developed first and second tier cities.

2.3 Decentralization and Localization

Since China is big and has diversified regions, Kungfu is suggested to adopt a certain level of decentralization among different regions. Kungfu can set up regional management offices, e.g. South China office, Eastern China office. These regional offices should have certain right in chained store management and they can adjust the strategy according to local circumstance. For example, the regional office has right in staff training, marketing and location selection. Decentralization strategy is also building a solid foundation for Kungfu's fast expansion.

Together with decentralization, Kungfu also localize its business according to different circumstance of each region. Consumers in different regions have different

taste of food. Localization of menu is needed in order to increase the acceptance of local consumers and facilitate the expansion process. For example, in Sichuan, Kungfu can offer spicy noodles to those customers so as to fit with their preferences and tastes.

2.4 Initial Public Offering (IPO) and Franchising

In order to facilitate the expansion process, large capital is necessary. According to Cai Dabiao, the president of Kungfu, IPO can help Kungfu to raise about 2 billion to 3 billion capital. It can also decrease the risk of franchising. Thus, Kungfu is suggested to go IPO within 5 years.

Furthermore, the fastest way to expand is franchising. Kungfu is suggested to turn certain percentage of its existing stores into franchising. Besides, Kungfu can also allow franchise for newly-open chained stores. However, apart from staff training, Kungfu is suggested to involve more into the management in the beginning stage of the newly-open store. Franchisers can take it over after the business is stable. In this means, Kungfu can better control the quality of the franchiser. Besides, it is also suggested to implement annual evaluation system of the franchiser for better quality control.

2.5 Integrated marketing communication program

In order to successfully carry out market expansion, IMC program can help. We aim to increase awareness of Kungfu to 50% outside Guangdong and to enhance the brand image. Our target audiences are those people who belong to working class. Besides, the big idea of the program is promoting healthy and fast though light-hearted and slice of life. We suggest Kungfu to carry out the following tactics.

a. TV Commercial (TVC)

Launch TVC in local TV stations such as Shanghai TV and Beijing TV. TVC can quickly increase the level of awareness and is an importance and effective channel to enhancing the brand image.

Sample of the TVC:



b. Public relationship

Public relationship can help Kungfu generate buzz, arouse attention and increase its awareness in a cost-effective fashion. We suggest that Kungfu hold a National Beauty Chef Competition. The whole process will be broadcasted on online TV like Youku and Tudou.com. Audience can participate in judging the contestants' performances, which can increase the level of interaction and quickly generate more word-of-mouth.

Proposed logo of National Beauty Chef Competition:



c. Sales promotion

Kungfu is suggested to have more sales effort such as providing more discount coupons to encourage more purchases. From the in-depth interview, respondents tend to be encouraged by discount coupons of a fast food restaurant. Furthermore, the major competitors of Kungku have long conducted aggressive sales promotion, especially in the form of discount coupons.

Samples of coupons:



d. Print advertisements

Public transportation is an indispensable part of the working class's life. Having print ads in metro, bus and bus station will have high exposure to the target audience and

thus make it easier and more effective to increase awareness.

Sample of print advertisement:



e. Online marketing

Internet and social media have been incorporated inextricably in the working class's life. Working class tends to spend more and more leisure time on them. Therefore, online marketing fits with the target audience's lifestyle and can be effective in generating word-of-mouth. There are some websites Kungfu can consider when doing online marketing, for instance, Kaixin, RenRen and Dianping.com. The selection is based on the popularity and relevance of the websites.

8. Conclusion

From the analyses, we found that Kungfu has the potential to win the Chinese fast food market. Besides, the company has a very ambitious vision to be one of the top 10 global fast food chains. Hence, we suggest the company to adopt expansion and growth strategy. In order to achieve this mission, we recommend the company to first improve its internal operation and then expand rapidly in China by several suggestions. To conclude, Kungfu need to first solve its internal operation problems before it goes expansion. Once it can achieve high level of standardization and attractive marketing offerings, it can capture the target market easily.

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