

# Overview of the Fast Food Industry and KFC in Hong Kong



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# 1. Overview of Fast Food Industry in Hong Kong

Fast food refers to food supplied quickly upon order with minimal service and are expected to be consumed quickly. Organized take-away food has over a century old history of targeting the lunch hours of workers. In the 1960s, there are already thousands of independent vendors that supplied Hong Kong's workforce with fast food throughout the day.

The fast-food industry emerged with the formation of the Café de Coral chain in the late 1960s. The chain restaurant offered low priced hot Chinese food that matched the fast pace of city life, speed and convenience. Since then, well-lit and comfortable cafeteria with improved hygiene and standard pricing quickly became the hallmark of many fast food restaurants. Moreover, the Café de Coral chain was also the first to offer both traditional Cantonese cuisine and Western dishes such as chicken wings, ribs and Ovaltine drinks. In 1975, McDonald's being the first American fast food store arrived in the territory, received an overwhelming welcome from the youngsters.

Since the late 1970s, the number of fast food and organized chain restaurants in Hong Kong has multiplied. There was a growing popularity for family restaurants like Pizza Hut in the 1980s. The fast food market was also further boosted by the increase in disposable income of younger consumers. These chains adopted a blanketing strategy to ensure market dominance by situating their stores at major malls in the territory.

According to the ACNielsen survey in 2004, of Hong Kong's 11,000 catering outlets, 1,100, or 10 per cent, sell fast food. McDonalds was voted the most popular fast-food chain, followed by KFC and Pizza Hut. Local chains such as Café de Coral and Maxims were popular with 62 per cent of Hong Kong voters. It demonstrates that Hong Kong public is receptive to both Cantonese and American fast food.

## 2. Fast Food Culture in Hong Kong

Main fast food shops in Hong Kong:

Local fast food chains	International fast food chains
<ul style="list-style-type: none"><li>• Café de Coral</li><li>• Fairwood Holdings</li><li>• Maxim</li></ul>	<ul style="list-style-type: none"><li>• McDonalds</li><li>• Kentucky Fried Chicken</li><li>• Pizza Hut</li><li>• Hardee's Food Systems</li><li>• Jollibee Foods</li><li>• Yoshinoya (Japanese)</li></ul>

According to government statistics, fast food shops account for nearly 20% of Hong Kong's total out of home dining market. Among all fast food chains, McDonalds, Café de Coral and Maxim are the top three most popular ones in Hong Kong, and they account for 20%, 11% and 7% of the total number of fast food shops respectively.

From 2001 to 2003, the number of fast food shops increased by 14% from 520 to 593. Over the past two years, there is a significant increase of 26% in fast food chains serving western food. Currently, western chains have surpassed Chinese chains in terms of penetration (88% vs. 80%) and are enjoying equal shares of trade in value terms (29% vs. 30%). Nevertheless, local fast food chains also have a strong foothold, 62 percent of fast food consumers choose local operators as their choice of fast food restaurants.

According to the ACNielsen Consumer Confidence and Opinion Survey conducted in October 2004, most people claim to have patronized in fast food shops seven times a month. The average spending on fast food per head is HK\$510, with an increase of 7% over the previous quarter. One third of fast food consumers are middle-income, mature working men who account for 70% of the total fast food business. Their total spending on fast food and frequency of visit are twice as much as the average fast food diner. 11% of fast food consumers who patronize fast food shops at least five times a week, with an average spending of HK\$2,836.

The survey reveals that while breakfast is the least popular occasion for fast food meals across Asia, USA and Europe, it is the most popular in Hong Kong.

Among the variety of fast food items available, “Hot tea with milk” is the most popular beverage in Hong Kong, particularly among middle-aged and older consumers. The younger generation prefers carbonated soft drinks while hamburgers or sandwiches are the most popular food among teenagers and female.

In Hong Kong, convenience (56%), price (56%) and type of cuisine (50%) are found to be the most important choice criteria. With fast food operators introducing healthier options such as salads, consumers today have more choices than ever.

### **3. Background of KFC**

KFC was introduced to Hong Kong in 1985. Its operations were taken over in 1997 by Birdland Limited. It now has 52 outlets in Hong Kong, serving 3 million customers every month. KFC, originated from Kentucky, USA., is the most popular and the most developed chicken fast-food chain corporation in the world. It specializes in Original recipe, Extra Crispy and Colonel’s Crispy Strips chicken with home-style sides. Colonel Sanders is the founder of KFC and also the pioneer of fast food chain restaurants. He actively promoted this chicken restaurant into a worldwide brand name by franchising. Every day, KFC is serving nearly eight million customers around the world. The chicken restaurant has been operated in Hong Kong (HK) for twenty years, with a total of 55 branches all over Hong Kong. There are 15 branches in Hong Kong Island, 21 branches in Kowloon and 19 branches in the New Territories.

On its 20<sup>th</sup> anniversary, KFC(HK) has put up a new image “KFC so real!” to impress the customers. This new concept targets at the youngsters, who like “real” ideas. The slogan is “KFC so real!” – Real food served by real people at real place. Food qualities, restaurants’ design and staff services are clearly emphasized. Customers can experience real pleasure every time visiting KFC. The “KFC Real Care Foundation” has been set up in Hong Kong to ensure its impact on charitable activities. The staff members are proactive to sell the charity cash coupons. It has raised over HK\$1 million due now.

## **4. Menu**

The basic menu of KFC(HK) consists of fried chicken (either original recipe or hot spicy), BBQ honey wings, Zinger Burger, Chicken A La King rice and mushroom rice. KFC(HK) also provides soft drinks with three sizes and Tropicana Orange Juice and Apple Juice. In addition to the main dishes, KFC(HK) also offers several sets of menus in different time-slots and for different targets.

### **4.1 “Rise & Shine” breakfast combo**

The breakfast menu is available before 11:00a.m. The prices of this menu range from HK\$10 to HK\$21.5 with a free drink. Tea refilling is free during breakfast hours. To Hong Kong people’s appetite, macaroni is available in selected meals.

### **4.2 Bucket menu**

This is available from 11:00a.m. Nine pieces of chicken in a bucket with two bottles of 600mL soft drinks are provided in a set with either one of the two groups of side orders. The bucket menu is specialized for groups of friends. A “Barrel Meal” set is available on weekends in which nine pieces of chicken and the two soft drinks are provided with both groups of side orders.

### **4.3 Individual menu**

There are eight sets of individual menu available after 11:00am in KFC(HK). Six of the sets are with two pieces of chicken and medium size soft drinks. Customers can choose among the six snacks to form their preferable sets. The other two sets are “Chicken A La King rice with a drumstick” as well as “Zinger Burger with Criss Cut Fries”. Both sets are served with a soft drink.

### **4.4 Snackers**

Instead of buying a whole set, single snacks like coleslaw, honey biscuits and mashed potato & gravy are available at KFC(HK). Besides, Japanese style snacks are recently added to the menu, such as the baby wings, seaweed rolls and yakitori. All snacks are available after 11:00a.m.

#### **4.5 Value choice**

Value Choice consists of two HK\$21 rice set. They are the Teriyaki Chicken Fillet Set and the Zinger Fillet with Mushroom Sauce Set.

#### **4.6 Tea menu**

The tea menu is available from 2:30 to 5:30p.m., from Monday to Friday. The prices range from HK\$11 to HK\$16, and it is served with combos of snacks, desserts and drinks.

#### **4.7 Drinks and dessert**

Apart from soft drinks, KFC(HK) also serves tea and coffee as well as some specials such as Aloe Apple Punch and Mango Punch with Nate de Coco. For desserts, KFC(HK) provided egg tarts which are traditional Hong Kong snacks.

### **5. KFC Corporate Responsibilities**

KFC(HK) can be considered as a newcomer in terms of philanthropy in the territory. The company launched a fund-raising campaign for the victims of Southeast Asia tsunami in 2004. In September 2005, the “KFC Real Care Foundation” was set up to commemorate the 20th Anniversary of KFC(HK) and to manage its charitable activities more effectively. An initial donation of HK \$1 million was granted. Major donors of the Foundation include the Charoen Pokphand Foods Public Company Limited, ConAgra Foods, Lamb Weston, Griffith Laboratories Limited, Pepsico International and Shanghai Fekin Electrical Equipment Co., Ltd. Currently, donation boxes are placed in all stores of KFCs to raise funds for Hong Kong’s World Vision.

In addition to corporate donation, KFC(HK) involves its staff members in local charity activities. Two teams of KFC staff are going to take part in Oxfam Trailwalker in November 2005 to support the poverty alleviation work of Oxfam in Hong Kong. Moreover, KFC’s employees also participate in a sale of charity cash coupons. KFC(HK) will donate \$5 to every ten-dollar cash coupon sold to the “KFC Real Care Foundation”.

Unlike McDonalds in Hong Kong, which emphasises primarily on children welfare, KFC(HK) does not specialise in a specific area with local charity work. At this point, local charity projects launched by KFC(HK) tend to be on short-term basis. This is quite different from KFC(China) which collaborates with China Youth Development Foundation (CYDF) in a ten-year project to provide financial aids to students at colleges and universities in fifteen China cities.

## **6. Services**

### **6.1 Birthday parties**

Colonel's "Round-the-World" Birthday Parties can be organised in KFC(HK) Customers can benefit from receiving Saint Honore Cake Shop Birthday Cake discount coupon, birthday card and a free gift pack. Birthday invitation cards and games will be arranged by birthday party ambassadors. Customers have three options to choose from for the birthday parties, which are Party Combo A, B and C.

### **6.2 Staff**

KFC(HK) revamped the staff uniform in 2005. All staff are required to serve customers from the bottom of their hearts, take initiative to understand the needs of customers, and be courteous and proactive. KFC staff are always trained to wear a friendly smile, and to be professional and service-oriented.

### **6.3 Environment**

All KFC restaurants in Hong Kong have spacious, tidy and smart interior designs. There might be thematic designs for different stores but all shops have comfortable sofas and round tables to create a feeling of home.

### **6.4 KFC Real Care Foundation**

In 2004, a fund raising campaign for Tsunami donation was launched by KFC(HK). Donation boxes in all its stores were put in all restaurant chains. Staff members are also proactive in the sale of charity cash coupons.

## **6.5 Membership area**

Food coupons are offered to signed-up members. Registered members can make their own KFC calendar through an interactive game there by logging into the membership website.

## **6.6 Delivery**

Delivery service is offered for order above \$60. The delivery time is from 11:30am to 10:00pm. This service covers 18 districts (87 areas) including New Territories, Kowloon, Hong Kong Island and the outlying islands are covered for delivery.

## **6.7 Contact points**

Customers can reach and look for KFC(HK) easily. The official website of the company is <http://www.kfchk.com>. Customer service hotline and email are also available on the website.

# **7. Marketing and Advertising of KFC in Hong Kong**

KFC has been doing many marketing and advertising activities such as TV advertisements, discount coupons, souvenirs exchanging offers as well as a membership programme to attract more customers, increase its market share in Hong Kong as well as achieving other business goals.

Stepping into its 20 years in Hong Kong, KFC has put up a new image by implementing a new slogan: “KFC So Real” in all its advertisements. Extending the theme and image of joy to share with friends and “fingers licking good” quality of food in its previous campaigns, the new promotional scheme “KFC So Real” contains four elements aiming to present Hong Kong KFC as a “*real place*” (a place that customers would feel relaxed and enjoy their time whenever they are in), serving “*real food*” (food that are fresh, supreme good quality and gone through stringent inspections and processing procedures) by “*real people*” (satisfactory service provided by friendly, professional and service-oriented staff). Customers can enjoy the “*real pleasure*” (enjoying the food, the place, the service by dining in KFC).

In the latest TV advertisement, these four elements were demonstrated with an office setting and how the people interact with each other. Even though everyone is

acting like a different person and the jobs are tough, everyone will show their “real me”, relax and enjoy the moment when they are having KFC’s food and the time will be merry.

Apart from TV commercials, KFC has co-operated with newspapers in Hong Kong to launch some promotional campaign from time to time. By matching the discount stickers with the correct coupons, customers can receive special offers when they visit and order from KFC next time. Online coupons are available on KFC’s website and all customers have to do is to print the coupon and present it when they order in KFC. Moreover, KFC also collaborates with other organizations such as Coca-Cola Hong Kong Limited to provide unique souvenirs exchanging offers to its customers. Occasionally special collections of Coca-Cola, Qoo, or even Japanese famous comics and anime characters Doraemon items are available for customers to purchase with special price once they place an order. Nevertheless, KFC has also established a membership programme in its website. Customers who join the programme can receive special offers regularly.

## **8. Recruitment & Staff Training**

KFC(HK) franchises recruitment and staff training processes to Birdland Hong Kong Limited. Management positions of KFC (such as restaurant managers) are degree holders either in Hotel and Catering Management or in Hospitality. Five years relevant working experience is required.

KFC also provides its staff with educational subsidy for training. The training of KFC managers focuses on five main areas: customer satisfaction, efficiency, labour cost, semi-variable costs and employee satisfaction.

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