Socio-cultural factors affecting consumer behavior: A comparison of McDonalds & KFC in China and India

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Abstract- Socio-cultural factors play an important role in the success of a company in any particular continent, country, region, district or area. Adapting to these socio-cultural factors is a must for a company if it wants to survive in a market different from its country of origin.

The cultural factors in each and every country are different. People have different tastes and preferences based on their culture. But these cultural differences can prove to be a challenge for international companies wanting to open their outlets in other countries. Considering the cultural differences between American and various other cultures, whether and how they adapt themselves to these cultures caught the authors’ attention (Zhou and Zhang, 2012, Cultural adaptation pattern analysis of McDonald’s and KFC in the Chinese market).

The objective of this research paper is to find out what adjustments had been done on the international companies’ part while entering a new market and their subsequent adaptation to these cultures. This research paper primarily focuses on what changes did McDonalds and KFC had to do to succeed in various countries and how they adopted the cultures of these countries. And ultimately which fast food chain was better in adopting these cultural changes and making a success out of it.

To find answers to the questions regarding the various differences between the American culture and the cultures of various other countries, secondary data is used which is collected from various research papers, articles in various magazines and newspapers to reach a conclusion about the proposed question.

Keywords: KFC, McDonalds, Socio-cultural factors, strategies, Socio-cultural adoptions.

Introduction

Cultural factors define the practices, methods and strategies that a company adopts when entering a particular economy. Other factors such as economic factors, demographic factors, political factors and environmental factors also play a huge role in choosing which strategy has to be adopted in a country but the major factor that forms the basis of such a strategy, be it an entering strategy or a promotional strategy, are the cultural factors of that particular country which ultimately make the strategy a working guideline to be followed. McDonalds business enterprise is the predominant brand in the global fast food industry. Out of all the active fast food brands around the world, McDonalds is amongst the most acknowledged by the people world over. The company has created a standard for the world when it comes to serving burgers. The company’s key to success is its brand name, healthy food, quality of customer service, and its target on “play to win” game plan approach.

McDonald’s is focused on being socially and environmentally responsible which helps the company with its positive revenue growth. McDonalds is the largest fast food chain in the world.
Kentucky Fried Chicken (KFC) is another leading brand in the global fast food industry. It is one of the most recognized brands in the world when it comes to fast food chains relating to serving various food products made from or with the help of chicken and other non-vegetarian ingredients. KFC started in USA in 1930 and has grown to become a true multi-disciplinary company. KFC has always kept its focus on foreign markets since the 1960s. KFC's growth can be contributed to their brand positioning as one of the best restaurant chains serving food items related to non-vegetarian ingredients. KFC ranks to be the second largest fast food restaurant chain in the world after McDonalds. The intentional objective of this research paper is to analyze the impact that socio-cultural factors have on the set-up and operations of various international fast food chains, particularly the two biggest fast food chains in the world, i.e., McDonalds and KFC. KFC and McDonald’s are two demonstrators and representatives of the American fast food brands who are operating in many parts of the world.

Conceptual Framework

In order to carry on the analysis, the authors first studied comparative academic literatures and theories about adaptive transformation/standardization, and further narrowed these theories to culture and cultural adaptation framework (the cultural division for these two companies to adapt is between the American and Indian and Chinese culture in this thesis). After this, secondary data was collected to study the performance of McDonald’s and KFC in India and China and several cases/examples regarding their cultural adaptation effort were introduced to help scrutinize the adaptation arrangement and patterns of these two brands. These two aspects jointly constructed the basis of this study and processed plentiful information to transit on the authors’ investigation and reaching to a conclusion based on this data (Zhou and Zhang, 2012, Cultural adaptation pattern analysis of McDonald’s and KFC in the Chinese market).

Concept of Socio-Cultural Environment: Socio-cultural environment in extensive terms dwell of both the social system and the culture of a people. It refers primarily to man created indefinite components which affect people’s behavior, relationship, perception and way of life, and their continuation and existence. In other words we can state that the social-cultural environment consists all components, circumstances and impact and influences which shape the personality of an individual and potentially affect his attitude, disposition, behavior, decisions and activities. Such components include faith or beliefs, values, philosophy, attitudes, habits, patterns of behavior and life styles of persons as developed from, religious, educational, cultural and social conditioning, (Bennett and Kassarjian, 1972; Adeleke et.al, 2003). These components or we can say components are studied and are shared by a society and imparted from generation to generation within that society. Thus, social-cultural environment, with respect to entrepreneurship, can be determined as consisting of all the elements of the social structure and culture of a people which undoubtedly or doubtedly affect and influence entrepreneurial emergence, behavior and performance, and entrepreneurship development in general.

McDonalds : The McDonald's Corporation is the world's first largest chain of ham burger fast food restaurant outlets, delivering service to around 68 million customers daily in 119 countries across 35,000 outlets (yahoo finance 2012). This company, headquartered in United States, began in 1940 as a barbecue restaurant outlet which was operated by Maurice and
Richard McDonald. In 1948, they restructured their business into a hamburger stand using principles of production line. Businessman Ray Kroc joined the company as a franchise agent in 1955. He subsequently purchased and acquired the chain from the McDonald brothers and oversaw its worldwide growth (McDonald's history 2011). A McDonald's restaurant is operated by a franchisee, an enterprise orcorporation, or an affiliate itself. The McDonald's business revenues are generated from the rent, royalties, and fees paid by the franchisees, as well as sales in company-managed restaurants. In 2012, the company had annual revenues of $27.5 billion and profits of $5.5 billion (McDonalds’s Corp. Income statement). According to a 2012 BBC report, McDonald's is the world's second largest private employer after Wal-Mart with 1.9 million employees, 1.5 million of whom work for franchises (Ruth 2012). McDonald's primarily sells cheese burgers, chicken, French fries, hamburgers, soft drinks, milkshakes, breakfast items and dessert. In response to the uncertain and changeable customer tastes preferences, the company has broadened and enlarged its menu to introduce wraps, fish, salads, fruit and seasoned fries (Evans 2004, Horovitz 2014).

KFC : Short for Kentucky Fried Chicken is another chain of fast food restaurants that specializes in fried chicken. It is headquartered in the United States at Louisville, Kentucky. The company is a subsidiary of yum! Brands, a restaurant company that also owns The Pizza Hut and Taco Bell chains. It is the world's second largest restaurant chain (as measured by sales) after McDonalds, with almost 18,875 outlets in 118 countries and territories in the world as of December 2013 (Annual report 2013). KFC was found and established by Harland Sanders, an entrepreneur who began selling fried chicken from his roadside restaurant in Corbin, Kentucky during the crises of the Great Depression. Sanders identified the potential of the restaurant franchising concept and in Utah in 1952 the first "Kentucky Fried Chicken" franchise was launched and opened. KFC promoted and popularized chicken in the fast food industry, transforming and diversifying the market by challenging the established dominance of the hamburger. Harland became an outstanding and significant figure of American cultural history by branding himself as "Colonel Sanders, and his figure remains universally used in KFC advertising. However, in 1964 he sold the company to a group of investors led by John Y. Brown, Jr. and Jack C. Massey. KFC was one of the first fast food chains to expand internationally, with its outlets opening in Canada, Mexico, the United Kingdom and Jamaica by the mid-1960s. Throughout the 1970s and 1980s, KFC went through a series of adjustments in corporate ownership with little or no experience in the restaurant business. The chain progressed to enlarge overseas however, and in 1987 KFC became the first Western restaurant chain to open in China. The chain has since broadened expeditiously in China, which is now the company's single largest market. KFC's original item is pressure fried chicken pieces, seasoned with Sanders' recipe of 11 herbs and spices. The constituents of the recipe symbolize arenowed trade secret. Bigger portions of fried chicken are served in a cardboard "bucket," which has become a recognised feature of the chain since it was first introduced by franchisee Pete Harman in 1957. Since the early 1990s, KFC has broadened its menu to offer other chicken products such as salad and side dishes, chicken fillet burger sand wraps, French fries and coleslaw, desserts and soft drinks, the latter often supplied by PepsiCo. KFC is known for its previous and prevailing slogan "Finger Lickin' Good," which was replaced by "Nobody does chicken like KFC" and "So good" in the interim (Iconic global brand 2014).
Socio-cultural adaptations by McDonald’s and KFC

McDonald’s in India: McDonald’s started its India operations in 1996. In beginning the Indian customers didn’t give chance to McDonald’s because they served beef in their burgers. In India, cow is considered as sacred and vegetarian people avoid sitting with someone having a meal that is non-vegetarian. The officials and heads of marketing at McDonald's were aware of the vast diversity in Indian food habits. McDonald's also had to work hard ensuring that the price of its menu items are under check, without negotiating on the hygiene and quality factors, to succeed in a country where frugality was an inherent characteristic. To accomplish in such a diverse market, McDonald's had to pay attention to all the socio-cultural factors. The first adjustment for McDonald's in India was replacing the beef patty of Big Mac, which was its specialty with something that was permitted in Indian culture. The alternatives were chicken, fish and lamb, and by introducing these in the burgers, McDonald's was able to tempt to the non-vegetarian section of the Indian population. Since the majority is vegetarian, to completely succeed in India, they had to serve the vegetarians as well, and this is what opened the way to introduce the McAloo Tikki - a burger in which potato was used as the patty, instead of meat. For adapting the religious beliefs and values of Indian customers McDonald's divided its kitchen into non-vegetarian cooking and vegetarian cooking areas. The vegetarian department crew was made to wear green aprons to appeal to the vegetarian customers. Also, around the world in McDonald's restaurants, beef flavoring was used in the preparation of French fries, but this method was entirely changed in India. Over a period of time, McDonald's decided to add more vegan items to its menu card, making it to temptation to a cross-section of Indian consumers. McDonald's intends on planning to open outlet restaurants that are ‘entirely vegetarian’ at two of the most revered sites in India (Online Journal of International Case Analysis (OJICA)). If they can persist this success and gain in India, as well as across the world, globalization will start to love McDonald’s even more. The company is now investing their time in doing marketing research, to search the finest places to open a restaurant and finding out what it is that people in India love to eat. This is what has distinguished McDonald’s from the rest of the western restaurants which tried to take the effortless path of just bouncing right into the country blind folded, and hope for the best for their survival in the market. Taking in consideration of Consideration of the fact that there are diverse and numerous different religions in India, McDonald’s had to place an extreme focus on their food selection (Ritzer, 2004).

KFC in India: KFC which sells Chicken across the world is turning 'vegetarian' in India. The KFC menu is increasing vegetarian items such as Veg Zinger, Veg Snacker and Veg Zing Kong. The brand has chased the introducing of a non-veg product with a veg equivalent (Prabhakar, ET, 2012). The other adaptation seen was the pricing of the menu. The buying behaviour of Indian customers is different from the Americans. Where in America, KFC gives a 10 piece chicken bucket which costs $6, KFC in India was selling a similar 8 piece chicken set for 200 rupees ($3) (pate0863, 2014). The staff members and employees for non-vegetarian serving and vegetarian serving are different. All these adaptation are made by KFC to appeal to the Indian customer.

McDonalds in China: McDonald’s changed their menu for the Chinese customer’s, fried egg and...
Chinese pancake appeared on the breakfast menu. In the winter of 2007, McDonald’s introduced a new hot drink with honey and ginger, for its extensively trusted in China that ginger decoction can help keep the cold away (McDonald’s website, 2013). McDonald’s basically focused on presenting themselves as family with children outlets; whereas after 2003, it targeted on youths from 14 to 30 years old. With its main targeting words “young, fashionable and lively”, now most of its commercials, endorsements and restaurant embellishment are outlined to attract young people from the psychological mindsets and viewpoints with some of the particular concepts like “sports” and “romance”. It wishes to gain identification from this customer group and stimulate their devouring. For instance, McDonald’s has chosen various sports superstars and pop music icon (i.e. Leehom Wang) as their spokesperson and representative in China. Not only children can find their gifts in McDonald’s, adults can also grab goods of their interest. McDonald hit the market with a new meal combo called “extra size and extra worth menu”, along with this menu, also a set of “rainbow” cola cups of 6 colors was also introduced as free gift, which set off a rise of accumulating these cola cups in China—young people would like to possess the entire set of cups even though they really won’t use it, but they think the design of these cups is cool and fashionable. These changes are for McDonald’s to attract its customer in China.

KFC in China: The Chinese people want to protect their heritage and are not so fond of eating out in restaurant. They select and pick their own cuisine and cultural restaurants. So, it was difficult for KFC to introduce their restaurants in China. Some customers complained that fast food was not as good as their Chinese cuisine, and that it lacked variety. So, KFC included several Chinese herbs and food in their menus like fried dough sticks, egg tarts, shrimp burgers, and soymilk drinks, and also foods personalized and tailor-made to the tastes of specific regions within China. Several adaptations were made like accessibility, adequate service, convenient environment, amusing music and amiable atmosphere garnered fans. This attracted office workers who enjoyed grabbing a quick bite on their way to work. KFC targets on “complete members of family” varying from kids to adults. It made attempts on building a dining environment of family-style in which customers can feel the warmth of home. KFC’s advertisements are mostly plain and colloquial. Instead of using super stars and famous actors, KFC tends to introduce a storyline or some funny scene into the commercials, making it closer to normal life and easier to approach. Moreover, observing the evidence that Chinese local cartoon and Japanese Anime are trendy and famous within Chinese children, toys were made available and offered in KFC kid’s meal are mostly toys of popular Japanese Anime characters such as 15 Astro Boys, Detective Conan, Doraemon, etc. KFC invited 40 Chinese state-level nutritionists to create “KFC-China healthful food advisory committee”. KFC’s menu for larger China region; nearly half of the products are specially outlined and planned with Chinese characteristic among over 50 new products at present (Bian, 2009). Some of these products are especially well known for giving prominence to the 8 schools of Chinese cuisine. These products are improved by adding special seasonings or Chinese ingredient elements to provide Chinese tastes. In the summer of 2004, KFC introduced Wong Lo Kat herbal tea only in Guangdong province; which is the first completely localized product of KFC (Li, 2007). It is proclaimed that KFC kept introducing 20 new items each year, contributing an abundance of choices for customers.
In terms of the interpretation of culture, Hofstede (1984) used to define a very common but vague set of models: “Culture is the cumulative setup of the human consciousness that differentiate the members of one human group from those of another. Culture in this impression is a arrangement of values held as a whole.” In the book of Culture and International Business (Becker, 2005), the author displayed a simple but renewed definition to make it easy to understand: “Culture is everything that people have, assume, and do as representatives of their community”, which demonstrating that culture is made up of (1) material substance; (2) perceptions, principles, character, beliefs and mindsets; and (3) specified, or expected behavior.

It is quite clear from the above arguments that socio-cultural factors have a large influence on our behavior and this behavior and mentality ultimately reflects in our buying behavior regarding almost everything that we consume in our day to day activities. So identical would be the case when it comes to what people eat and what they prefer to buy for eating. Be it purchasing something for cooking at home or buying something from outside. These factors not only affect the individuals or buyers who make the decisions on whether to buy a product or not, but also affect the companies who are trying to sell their products to the people of various cultures and ethnicities. If the company is trying to sell something which is completely against the culture and traditions of a particular place, then that company is most likely setting itself up for failure. Because it is unlikely that the people of a particular area will change their age old habits to adapt themselves to the culture of the particular company’s parent country. People are usually averse to changing their habits and don’t take very kindly to someone trying to enforce them into a new and foreign culture and tradition.

McDonalds and KFC, both originating in America started their expansion into the international market in the latter half of the 20th century. Some countries where they went readily adopted their culture and they didn’t have to do many efforts to change their menu according to their host country. But some countries demonstrated to be a challenge as the culture of these countries was totally different from their native country. The social norms in these countries were nothing like the social norms in USA. As a result, both the companies sometimes even met with opposition to opening their outlets in such countries. But these countries also contributed a huge potential if McDonalds and KFC could overcome the cultural barricades. And therefore, the phase of adopting themselves to these countries and their respective cultures began for both the companies. Already early in the late 1960s, R. Bartels (1968) for U.S. firms declared that, “greatness is on the firmly fixed similarities instead of the differences will enable a better understanding of the essence of overseas marketing.” nevertheless, many critics have contended that standardization is not feasible or desirable due to dissimilarities in the cultural, constitutional and climatic environments. Modification in features or products to satisfy local consumer needs is consistently a condition for entering foreign markets. To some extent, this debate has been futile since neither entire adaptive transformation nor complete uniformity is achievable. A thesis, published by Li Yan in 2007, about KFC and McDonald’s internationalization game plan and strategic approach. In this thesis she presented various facets concerning KFC and McDonald’s operation model such as cost control, way 8 of franchising, adaptation strategy and localized HR policy, etc. She gathered sufficient
secondary data describing these two companies’ internationalization demeanors, and gave some advice for Chinese fast food companies to develop their own world-renowned brands. In her thesis, cultural transformation was mentioned as one of the strategic approach but not given much stress, and Li didn’t serve much observational information to demonstrate the significance of cultural adaptation. However, the bountiful depiction of KFC and McDonald’s cultural adaptation approaches contributed to this study by adding dependable components. To addition of the previous significant works, Yu and Zhang (2009) select KFC and McDonald's as two sample models to study the role of cultural differences in international marketing. In order to carry on the study, they interviewed many marketing officials and managers of McDonald's and KFC to get information of their marketing strategies, after which they drew a outcome that the 4P marketing strategies in both the companies were influenced by the culture differences in different ways. Being variant from their viewpoint from the companies’ side, the authors of this thesis are willing to explore the divergence of cultural adaptive transformation measures through consumer’s eyes, and further study will be carried on to discover most considerably fitting marketing aspect(s) affecting consumer preference. In addition, the analytical mechanism in this thesis is 7Ps instead of 4Ps, because the authors believe the 7Ps marketing mix for service industry may be more precise in this case.

COMPARISON TABLE:

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<th>India</th>
<th>China</th>
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<tr>
<td><strong>MC Donald’s</strong></td>
<td>• Diverse cultures and religions were the biggest hurdles</td>
<td>• Psychological perspective of Chinese customers was the biggest hurdle to overcome.</td>
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<td><strong>KFC</strong></td>
<td>• Less preference for non vegetarian market was an obstacle</td>
<td>• First time turned vegetarian in India</td>
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<td></td>
<td>• Change in menu from beef to Big Mac with chicken/fish/lamb alternatives.</td>
<td>• Extreme focus on food solution and pricing menu.</td>
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<td></td>
<td>• More vegetarian Burgers and vegetarian outlets introduced.</td>
<td>• Beef flavoring method changed.</td>
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<tr>
<td></td>
<td>• More vegetarian Burgers and vegetarian outlets introduced.</td>
<td>• Meal combos with designer rainbow cola cups as free gifts introduced.</td>
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<tr>
<td></td>
<td>• Extreme focus on food solution and pricing menu.</td>
<td>• Focus on ‘young, fashionable and lively’</td>
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<tr>
<td></td>
<td>• Beef flavoring method changed.</td>
<td>• People not fond of eating out and preserve their heritage.</td>
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<td>• Change in menu with fried eggs and Chinese pancakes for breakfast and hot drink with honey and ginger for winters.</td>
<td>• Several adaptations like music, amiable atmosphere garnered</td>
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</table>
| | • Increase in vegetarian items in menu like Veg Zinger, Veg Snacker and Veg Zing Kong.  
• The prices of the menu were kept less considering in mind to keep it more affordable as well as maintain the quality and standard.  
• Different staff members for vegetarian and non-vegetarian sections. |
|---|---|
| | fans, etc were made.  
• Several Chinese herbs introduced with items like egg tarts, shrimps, soya milk, etc.  
• Efforts to build dining environment with family members.  
• Plain and colloquial advertisements with storyline and offering Anime gifts.  
• Specific Custom based products for specific regions in China. |

Conclusion: To sum up, the theoretical foundations of the thesis are elaborated in terms of related items, theories, hypothesis and connection among them. Firstly, the deliberation of “adaptation or standardization” is introduced, and significant arguments from two of the sides are related, intended to provide analytical supports for the standardization/adaptation preference of McDonald’s and KFC. Secondly, the authors presented the divergent scholarly definitions of culture and cultural adaptation, which is elemental to the consecutive analysis, narrowing down the argument of “adaptation” strategy to “cultural adaptation”. On more reasoning, it is found that both McDonalds and KFC have done their fare share in trying to adapt themselves to the culture of the native country. Many changes in their strategies and over all menu of each country are quite noticeable. It is difficult to say if one has beat the other in terms of cultural adaptations but one thing is for sure, that both the companies have done their best to make themselves suitable and attractive for the customers of each and every country that they have visited.

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