

KFC's response strategy under the epidemic

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Keywords: epidemic, kfc, strategy.

Abstract: COVID-19 pandemic, has hindered economic development, and it had many negative effects on all walks of life, like the financial losses, reduction on the number of the labor, etc. With these terrible impacts, a number of companies were facing closure. However, there were still some companies, like the catering company, KFC, which is the largest fried chicken chain company, could cope well with the huge shocks effectively from the pandemic, by operating three marketing strategies to change the current situation of KFC and getting additional outside support from the government and the society, although it was also influenced strongly in many aspects: advertising, economy and business proportion, but it had four coping methods, which were selling without touching, Drainage through e-commerce platform, window advertising and a paradigm shift. Moreover, KFC had also developed contactless pickup, online business, promotional video, and raising money for charity. So, this work aims to study the influence of the pandemic on KFC to investigate the strategies of KFC, which helped it to suffer from the economic downturn from the disease and its electronic commerce during the epidemic by analyzing the actual graphs and some references. In addition, KFC should maintain its strategies and concentrate on innovation..

1. Introduction

1.1 Research background

The coronavirus pandemic occurred suddenly, any industries were impacted. Nevertheless, the influence of the service industry was at the top, especially the catering industry. Only a number of restaurant companies, such as KFC cut most of the losses, but there were still many problems following it. The global supply chain was affected significantly, the prices of raw materials were also rising, and the process of the production sometimes would be disrupted and so on, resulting in a shortage of chickens in USA. Moreover, at present, the serious pandemic is still easy to recur, people are more likely to stay at home for safety, so the number of people eating out decreases. In this instance, KFC still succeeds to reduce the impacts to the Maximum extent and develops its online business

1.2 Research organization

This paper is made up of four main parts, which are introduction, literature review, conclusion and reference. The first part introduces the research background and organization. And in the part of literature review, this paper talks about the effects KFC have of the pandemic, the strategies of KFC to survive, the outside support and the future measures of KFC. The third one is conclusion, which is KFC withstood the negative effects from the pandemic successfully by changing its marketing strategy and developing online sales business.

2. KFC has effectively reduced its loss during the covid-19 pandemic

2.1 Impact of the epidemic on KFC

2.1.1. Advertising affect

In the period of epidemic, people seem to be more careful about the personal hygiene safety. However, the classical slogan of “It’s Finger Lickin’” shot in an advertisement may give a hint to audience, which may make a partial of people do not pay attention to the hygiene. So, The Fired chicken chain KFC has to stop using the slogan that has been in use for 64 years in advertising, but Catherine Tan-Gillespie, KFC's global chief marketing officer, said in a statement. "As we move away from finger-lickin'good, we'll make sure that this cherished meal stays the same all across the world," says the author [1]. Under the influence of the epidemic, this classic slogan may bring some bad effects, and may even be considered unhygienic, leading to buyers' distrust of KFC and a bad impression. This will have a huge impact on KFC's sales. However, this slogan has been in existence for many years and is well known to everyone. If the company stop using this slogan, KFC's popularity may be affected to a certain extent.

2.1.2 Economy affects

The innovative coronavirus pneumonia-related lockdown measures came into effect at the end of January 2020. Many villages and communities were blocked and residents were not allowed to enter and leave freely. This resulted in residents not being allowed to go to the streets to buy food and other products at will. Therefore, in the last two months of this quarter Severely affected, and the secondary impact will continue for six months. The company performance rose significantly in the first three weeks of January 2020, but the emergence of the pandemic has resulted in a 40 percent to 50 percent drop in same-store sales. When the epidemic was at its worst in mid-February, almost no one could go to the street to buy food, and even staff going to work became a problem. In order to reduce expenditure, about 35% of the stores were closed. This makes the sales of KFC decrease significantly. According to figure 1, in the first quarter, the Same-store sales declined to 11% and the 20% for System sales compared with the same period in the last year [2]. However, sales increased in the next three quarters as a result of the creation of a number of protective measures, such as contactless delivery and online sales service. The Same-store sales in the second quarter, third quarter and the fourth quarter declined by 10%, 6% and 4% respectively, and the System sales declined by 6%, 1% in the middle two quarters and increased by 3 % in the last quarter [3-4]. In terms of full-year profits, KFC’s total revenue in 2020 has dropped by 16% compared to the previous year. However, in 2021, with the vaccination, it is expected that the epidemic will be brought under control in 2021, and total revenue may be increased.

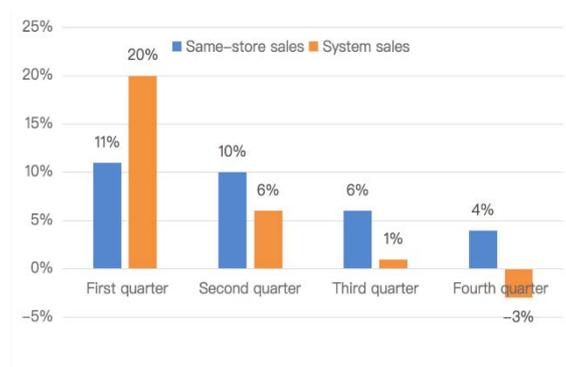


Fig.1. KFC sales decline rate in 2020

2.1.3 Business proportion affect

Under the influence of the epidemic, the store sales has undergone a significant effect, but the internet sales become the dominant way to sell. The Figure 2 illustrates that from September to

December 2019, online sales accounted for 60%, but when the epidemic broke out, the proportion of online sales exceeded to 84%, and even exceeded to 86% in the second quarter of 2020 [5].

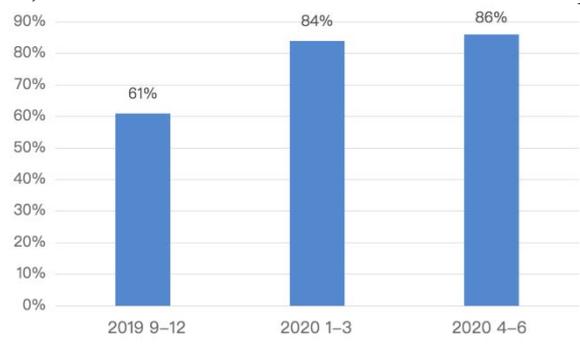


Fig.2. KFC proportion of online platform sales between 2019 and 2020

Figure 3 provides information about KFC proportion of takeout between 2019 and 2020. In July 2008, KFC has launched the home delivery service, which has existed for 12 years. The development of takeout is relatively mature, which is conducive to survival under the epidemic situation. Before the epidemic broke out, the proportion of takeout was under the 20 percent, and the occupation of takeout soared to 32 percent in the first three months after epidemic breaking out [5].

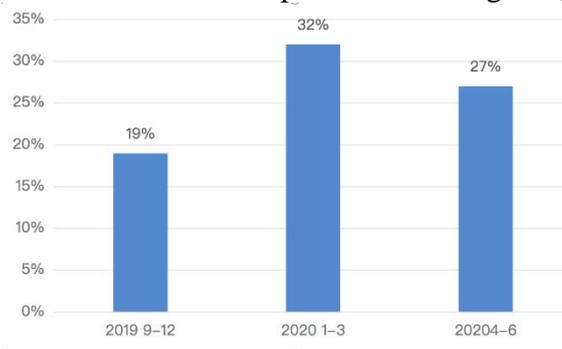


Fig.3. KFC proportion of takeout between 2019 and 2020

2.2 Operation strategy of KFC

2.2.1 Current KFC coping strategies and results

KFC's response measures in the epidemic are very effective. In 2019, the revenue of my country's catering industry was 4.7 trillion yuan, a year-on-year increase of 9.4% compared to 2018. However, due to the impact of the epidemic in 2020, the sales of the entire industry dropped sharply. From January to November, the national catering revenue was 3,457.8 billion yuan [6]. A year-on-year decrease of 18.6%, but KFC's revenue in 2019 was 8.78 billion U.S. dollars, and its revenue in 2020 was 8.26 billion U.S. dollars, a decrease of only 6% year-on-year [7]. Compared with the entire industry, KFC's strategy to face the epidemic is very effective, a drop of 12.6 percentage points less than the entire industry.

2.2.2 The Contract less selling

KFC began a series of "Contact-less" initiatives on January 30, 2020. At the whole range of country KFC home delivery customers have had the option of using the "Contact-less distribution" scheme and launching it in conjunction with a third-party platform such as ELEME Takeout or Meituan-Dianping Takeout [8]; beginning in February, some KFC restaurants will also test the "no touch point meal collection" service. Among them, "Contact-less distribution" means that users and cyclists do not have direct contact, and both parties negotiate and agree to place meals at designated locations to avoid face-to-face meal collection and minimize the risk of human-to-human transmission. "Pick up without contact point" means that KFC will advocate to restaurant consumers to use more mobile phone self-service ordering or self-service ordering machine to order, so as to reduce direct contact in the ordering

process. After ordering, consumers will pick up their meals at the counter according to the meal number. Some pilot restaurants will be equipped with self-taking shelves and signs to facilitate consumers to pick up their meals by themselves. The main purpose of these two contact less sales methods is to reduce the risk of virus transmission and gain the trust of customers. During this period of the epidemic, the spread of the virus has reached its efficiency and has made customers distrustful of buying food out of the home. Therefore, it has greatly affected the sales of the entire catering industry. And this contactless sales method is officially restoring customers' trust in the fast food industry.

2.2.3 Drainage through e-commerce platform

Because the epidemic has limited the flow of people and severely affected the store business, KFC has adopted e-commerce platform for drainage, sold through online shopping platforms such as Tmall and Taobao, and launched discount packages, which are similar to the combination of "delicious for dinner (2-3 people) and crazy Carnival meal (3-4 people)", and the prominent position is marked with "54 yuan less than the total price of a single product", that will arouse the customers' desire to buy those products [9]. In addition, KFC also launched the Food Village addictive package, that is, the main dishes are sold in the form of 4, 8, 10 and 20. This not only gives profits to consumers, but also increases the sales revenue of the brand and the most important liquidity money. After the implementation of this plan, KFC's online sales accounted for effectively increased. According to (figure 2) KFC's online sales accounted for increased from 61% in the fourth quarter of 2019 to 84% in the first quarter of 2020.

2.2.4 Window display

At the same time of e-commerce sales, short video publicity videos about disinfection, temperature testing and other safety measures as well as distribution are placed. In the whole process, consumers, shop assistants and other personnel in the store do not need any direct contact with product. With the increase of people's use of the Internet during the epidemic, window advertising has played a greater role. For example, the whole advertising has improved their self-esteem. The social reputation of the company has improved the public's preference for the brand, and let more people know and understand the enterprise [10]. What's more, companies have demonstrated their social responsibilities and caring for the health of customers through this method, which has effectively restored customers' distrust of restaurants. Further reduce the losses caused by the epidemic. And its main purpose is to establish the brand's favorability, so that the brand can increase its reputation. This will effectively increase KFC's sales in the future.

2.2.5 A paradigm shift

KFC rapidly shifted from its traditional focus on staged strategic planning and execution, to one that was much more capable of 'stratetection' — combining the two. "It became all about do, test, improve, repeat," he says, referring to the iterative agile approach that the company advocated and pride [2]. During this period, people pay more attention to mental health and happiness. Because of these changes, KFC has accepted a cultural and psychological opportunity, which makes the enterprise stronger in the long run.

2.3 Outside support

2.3.1 Government subsidy

KFC's parent company, Yum, has received several government subsidies or loans over the past 17 years. Just from 2004 to 2008, Yum received a \$653,126 subsidy and \$11,045,000 Federal Loans from the government.

Table 1. KFC's subsidy comes from the u.s government [4]

Subsidy Summary	Subsidy Value	Numbers of Awards
State/Local	\$653,125	10
Federal (graph and allocated tax credits)	\$0	0
TOTAL	\$652,12	10
Loan/Bailout Summary	Total Face Value	Number of Awards
State/Local Loans, bond financing and venture capital	\$0	0
Federal Loans, loan guarantees and bailous assistance (not including repayments)	\$11,045,000	2
TOTAL	\$11,045,000	2

In 2020, In order to better survive in the epidemic, Yum applied for a loan from the government again.

Although the fast-food chains themselves did not apply for subsidies or loans, their parent companies did. The parent companies applied for loans of \$5 million to \$10 million, including Yum. Those loans have played a huge role in the pandemic, with the fast-food industry recovering faster than the restaurant industry as a whole, with transactions down just 13% for the week ended June 28, according to NPD Group.

2.3.2 Social support

Before the epidemic, many people felt upset because they could not eat KFC, so they spontaneously organized many online activities to express their thoughts about KFC.

“KFC’s in-house social media team started to jump on a trend, which happened very early on, which was people trying to recreate KFC at home. Which was amazing because you see that people are missing the simple things in life.”

“[KFC’s in-house social media team] launched #RateMyKFC to fuel that trend. They had 13,000 submissions. People were going as far as recreating packaging, drawing Colonel Sanders logos on fries bags and buckets.”

“Then we created another campaign with them. It was an influencer-based campaign on Instagram Stories called KFC Clash with two sets of influencers going head-to-head with their own unique take on KFC. We had three or four weeks of that live on Instagram TV and then rebroadcast on Instagram Stories.”

These unofficial creations spread quickly on twitter and other platforms, attracting widespread attention and providing free marketing for KFC, which was suffering from a decline in conservative sales. Meanwhile, KFC officials also responded to this and shot videos to record the family version of KFC made by unofficial creators, which became a natural advertisement for KFC.

2.4 Future development

2.4.1 Contactless pick up

Contactless pick-up refers to the lack of direct contact between the delivery person and the person ordering the meal. Two people meet at a specific location, and a delivery man drops the food at the designated area, and the person goes to pick it up. Courier companies in China created the service to avoid recipients being away from home. From January 30, 2021, KFC began to apply this approach to the catering industry, launched an experiment in China, and received praise. KFC was able to stay open even as most restaurants in China were ordered to close. Considering that the current global epidemic is still severe, KFC should continue to carry out this way of catering and promote it in its stores worldwide to build trust among consumers and increase the turnover.

2.4.2 Online marketing

Although KFC can maintain its business status, Pandemic will still significantly reduce the number of customers due. Therefore, the online sales channel to increase publicity has become the best way out.

KFC should maintain offline non-contact service while withdrawing from bundled sales service online and give a large share of discounts for short failures to stimulate consumers' consumption impulse. Despite the significant value, KFC can take the initiative to adjust the gross profit of each product in the bundle sale to ensure its profit.

Considering people's general boycott of going out during the epidemic, KFC could consider launching a stockpiling service to sell more than ten meals at a

Time at a lower price to consumers. This satisfies the consumers' psychology of not going out and ensures that KFC can make profits in the long run. KFC once organized a "buy one get one free" activity for certain products on a certain date. On this basis, KFC only need to increase the minimum purchase share.

2.4.3 The optimization of advertisement

Given the great success of KFC's promotional video in the US during the pandemic, as mentioned above, KFC should consider continuing this practice and putting the video on the media as much as possible. KFC can combine efforts like a no-touch pickup with a display where customers wait to pick up their food or a loop of online waiting pages. During this period, customers remain, so they pay attention to such promotional videos. The combination of the content of the promotional video and consumer's personal experience themselves can convince consumers that KFC's food is safe and thus increase sales.

2.4.4 Raising money for charity

During the epidemic, KFC was very short of funds and could not carry out charitable activities. As a result, KFC can invite customers to voluntarily pay an extra 1 yuan when they pay, and it says it will pool the money to buy epidemic prevention supplies and transport them to remote areas. During the delivery, KFC can film a documentary to document the process and upload it to online platforms such as Bilibili and YouTube. Meanwhile, KFC can also invite children in remote areas to eat KFC burgers. Since these kids don't normally have the money for hamburgers, most of them would be excited about it. KFC can capture the eating moment and make a short film, which will be shown on the delivery platform to attract customers.

3. Conclusion

3.1 Key findings

As the COVID-19 virus has affected the world, how will KFC, a representative restaurant industry, be affected? What efforts have they made?

To avoid conflict with current epidemic prevention idea, KFC had to adjust the classic advertising slogan. In addition, the most urgent is that due to the isolation policy around the country, the sales of KFC, which mainly focuses on offline sales, was impacted and decreased, but at the same time, it also increased the proportion of takeaway sales. In this case, any small mistake can lead to irreversible results.

In order to minimize the negative impact, KFC followed the trend and launched a contact-free sale, while various safety measures were published in the media. Both initiatives helped KFC regain consumer confidence. In addition, the e-Commerce platform is emerging as an emerging sales method, which further enhances security. In the face of the epidemic, KFC made the right response and did its best to recover sales.

In addition to the internal adjustment of KFC, external help to KFC also played a big role. The first is government subsidies, which not only guarantee the operation of the company to a certain extent, but also provide for the basic welfare of every employee. In addition, the help from the society cannot be ignored, spontaneous publicity from the masses, also helped KFC. Therefore, enterprises need to use help from outside as far as possible, so as to ensure the maximum operation.

Looking to the future, except keep the contactless sales policy and online sales policy in place. Better advertising, including a call for consumer donations, also needs to be implemented.

To sum up, KFC's approach is successful. The secret of success lies in the observation of official policies and market trends, as well as efficient and effective coping strategies and the speculation on consumer psychology.

3.2 Research significance

The epidemic has had a major impact on people's work and life, with the catering and service industries hardest hit. KFC as a representative catering company, the research on its sales strategy or concept can provide a good template for other catering enterprises struggling in the loss of profits. Through the publicity of KFC's countermeasures, to help them tide over the difficulties.

One important point is to consider the idea of customers, to analyze the psychology of customers, so as to increase sales.

3.3 Future study

In the future, KFC's development philosophy should focus on ways to reduce profits but increase sales, strengthen online publicity and maintain the practice of Contactless Pickup.

In addition, as an enterprise from abroad, KFC should pay more attention to innovation under different cultural backgrounds, develop localized menus, harmonize local tastes, and attract customers with more resonant advertisements.

3.4 Limitation

KFC is a company with branches all over the world, so in order to get more accurate results, we should study the data or strategies of multiple countries or regions. For example, the data provided by KFC in China may be different from the data provided by KFC in other countries. So China may not be the most representative region, just an example.

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