



### THE MARKET

Since first setting foot in Beijing in 1987, KFC has rooted itself deeply in the China market, with a high quality team and complete management system. It has grown to become China's largest and most profitable brand in the food and beverage industry, playing a significant role in the development of the sector.

KFC has created 84,000 jobs in China, and even established an F&B management university. Each year, it invests considerable financial and human resources to provide comprehensive, multi-level, scientific training for its staff. Many promising young people have become excellent managers in the F&B industry via the KFC training programme.

The rapid growth of KFC has also helped development of hundreds of local suppliers. KFC's international quality management system has helped suppliers improve the quality of their products, as well as their

management skills. Some of these suppliers have gone on to become well-known enterprises in China.

### ACHIEVEMENTS

Riding the wave of China's growing economic prosperity, KFC's image has been on the rise among Chinese consumers. According to a 1999 survey conducted by AC Nielsen and involving

16,677 respondents in 30 cities, KFC, a pioneer of western fast-food chains in China, is the most visited franchise because of its unique and high-quality food products. It led the list of China's Top International Brands.

For four consecutive years between 2000 and 2003, KFC was named a Top 10 Best Chain Store Brands by the Chinese Chain Store and Franchise Association.

### HISTORY

KFC, the largest chain for chicken food products in the world, has its global headquarters in Louisville, Kentucky. It was founded by Colonel Harland Sanders in 1952 and is now owned by PepsiCo, Inc, the world's largest food and beverage group. Today, KFC has more than 11,000 restaurants in 85 countries, and serves about 10 million customers every day.

On November 12, 1987, KFC opened its first restaurant in Qian Men, Beijing, thus beginning its quest to learn about China's market and society. From that point on, it gradually developed a unique management style to suit the Chinese market.

Between 1992 and 1995, the number of KFC restaurants grew from 10 to 71. On June 25, 1996, KFC opened its 100th restaurant in China, a milestone signifying its stable movement towards the next stage of development.

As the company gained more experience, its team grew larger and its management system became more established. KFC's growth accelerated as it entered the 21st century. In

November 2000, KFC became the first fast food chain to open more than 400 restaurants in China. By October 2001, the figure had reached 500 restaurants and by February 2002, 600. It opened its 800th restaurant 11 months later. Today, KFC has more than 1200 restaurants in 280 cities in China, and continues to be the leader of the Chinese F&B industry. Moreover, KFC China has consistently maintained a good record: PepsiCo China, KFC's China flagship, has been the forerunner of China's top 100 F&B companies for four consecutive years. In







2003, sales reached Rmb9.3 billion, with KFC as its anchor contributor.

### THE PRODUCT

The Chinese have long been accustomed to traditional foods – with noodles as a staple in the north and rice as a staple in the south. But the arrival of KFC provided them a new delectable choice – finger-lickin' good Original Recipe Chicken. The Chinese instantly welcomed the golden tender meat. More importantly, China's opening up of the economy has increased people's appetite for something different. Fast food, long regarded as a symbol of the west's modern culinary culture, was embraced by the Chinese during an important time in the country's history.

Over the past 18 years, KFC has continued to change and improve its products to meet the needs of Chinese consumers, paying particular attention to vegetable-based offerings. If you walk into any KFC restaurant today, you will find a menu that offers far more than delicious Original Recipe

Chicken and Colonel nuggets – it also offers hamburgers, chicken rolls, hot and spicy chicken wings, barbeque chicken wings and family meals. Even the snacks menu has grown – aside from the traditional french fries, mashed potato and coleslaw, KFC now also offers ice-cream sundaes and seasonal vegetables to suit the palates of the modern Chinese family. To the delight of many Chinese consumers, KFC has also introduced a breakfast menu that includes a hot congee selection, thus catering better to local taste buds.

### RECENT DEVELOPMENTS

KFC's localisation strategy and innovation have helped cement its position as the leading western-style fast food restaurant in China. KFC is committed to a highly localised approach to product development and the creation of a wide range of food products. It has also assumed the social responsibility of disseminating nutritional information and promoting healthy living, for example, by providing information on food,

hygiene, nutrition and fitness through its paper tray liners and pamphlets. KFC also launched a campaign in 2004 encouraging people to "exercise regularly for a healthy life". The KFC national 3-on-3 Youth Basketball Championships, co-organised by the Chinese Basketball Association, is the largest and longest-running event of its kind in China. In 2004, games were held in 172 cities across 30 provinces, municipal districts and autonomous regions, bringing in a total of 48,000 participants and 9,000 teams.

### PROMOTION

In recent years, people have paid a lot of attention to the development of franchise businesses in the midst of China's economic expansion. KFC was one of the first international companies to operate a franchise in China, and its experiences, particularly over the past ten years, is an important business model in Chinese corporate development.

### BRAND VALUES

Peking University and Fudan University both undertook quantitative and qualitative studies of KFC's effect on China's economy, and both concluded that KFC's investment over the first 16 years created a significant economic impact, especially in terms of its management style, ability to induce competition, stimulate the development of local suppliers and elevate standards for human resources.

As a member of Chinese society, KFC is committed to making significant contributions and helping those in need, especially through youth education. Over the past ten years KFC has donated Rmb6.5 million to charity. In September 2002, KFC and the China Youth Development Foundation jointly set up the China KFC Sunshine Foundation, worth Rmb3.8 million, to provide long-term sponsorship to bright undergraduate students from poor families. The foundation has expanded to 24 universities and has so far sponsored 260 students.

### THINGS YOU DIDN'T KNOW ABOUT KFC

- KFC regularly holds children's events that aim to educate children about nutrition, healthy lifestyle and fitness through fun and games
- In January 2004 KFC China issued a White Paper on health at the inauguration of its 1000th restaurant, stating its stance and strategy for healthy food and promoting healthy living. It launched the second edition of the White Paper at the opening of its 1,200th restaurant in December 2004, providing an update on healthy food and fitness trends, as well as the vast amount of work done by KFC to promote healthy living