

Market Analysis and Competitive Strategy Research of Duopoly Market

—Take McDonald's and KFC as Examples

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Abstract: In a duopoly, the two businesses will typically compete with one another to keep the market from becoming a monopoly, in which a single business controls the whole market. This research paper analyzes the strategies that McDonald's and Kentucky Fried Chicken (KFC) use in the duopoly market to understand the real world better using economic models by introducing the history of the development of these two fast food companies and analyzing their similarities and differences to find out the potential or already existing problems and the solutions to them. After entering China, KFC and McDonald's became the "old enemy" for over 20 years. Still, the continuous evolution and change in the process of brand localization, so that they slowly from the "irreconcilable" relationship slowly became "hand in hand", at least in the competition in the same industry, the smoke between the two is not so strong. Whether it is the grounding of KFC or the persistence of McDonald's personality, they have undoubtedly found their development path in the Chinese market.

Keywords: competitive strategy, duopoly market, McDonald's, Kentucky Fried Chicken

1. Introduction

Duopoly, a sort of oligopoly where a limited number of enterprises control the market, is a crucial market structure in an economy where two companies dominate a market for particular goods or services. In a duopoly, the two businesses will typically compete with one another to keep the market from becoming a monopoly, in which a single business controls the whole market. In order to successfully compete with the rivals, they typically employ a strategy that involves lowering the selling price of the items or the initial cost of production. However, if it turns out that the two businesses employ the same tactic, staying at the original price of the goods would be the best course of action for them to take. In this scenario, the two businesses may occasionally work together to manipulate the market price of the specific products they offer to increase their profits. The businesses have many other options for competing in the duopoly besides the ones already listed.

People frequently use economic models to analyze the duopoly market when dealing with economic issues. However, it is important to put these models to use in the real world in order to understand how things function there rather than relying solely on theoretical principles, which can occasionally lead to incorrect conclusions. The most effective method for better understanding the

duopoly market is to analyze the real-world example. McDonald's and KFC can be good examples of a duopoly market in the real world. McDonald's and KFC are two of the world's most well-known fast-food chains, and people of all ages love them. They provide consumers with cheap and varied meals practically everywhere in the cities of various nations, including China and the USA. It is fascinating to discover how they outlasted so many rivals to become the world's only two renowned fast food chains and their techniques to expand such massive companies and make them sustainable. In order to retain the standing of their respective businesses in the marketplace, McDonald's and KFC will be the focus of this research's analysis of their markets.

2. Description of McDonald's and KFC

2.1. The History Development of McDonald's

The story starts with Richard and Maurice McDonald, two young men from New Hampshire. The brothers' drive-through barbecue joint in San Bernardino, California, inspired the original McDonald's. After World War II, San Bernardino's drive-in industry grew quickly, and the brothers discovered that about 80% of the restaurant's revenue was on hamburgers [1]. When the brothers realized the advantages, they promptly modified the menu to one that only included hamburgers, potato chips, and some soft beverages. The restaurant used a self-service counter rather than hiring servers to serve customers, and the brothers prepared the food ingredients for hamburgers in advance instead of making them after orders, among other innovations that other restaurants had not yet implemented [2].

Ray Kroc, the kitchen appliance salesman who supplied the eateries, was interested in this new restaurant style. He founded his first McDonald's in Des Plaines, Illinois, in 1955 after being impressed with the fast food chain and realizing its profitability [1]. He then purchased the rights to franchise the restaurant chain nationwide. In 1961, Kroc acquired ownership of the restaurants after buying the firm from the brothers. The Golden Arch and Ronald McDonald were the two most well-known and recognized trademarks that McDonald's used two years after being acquired by Kroc in 1963. It expanded quickly, attracting many customers and opening numerous more restaurants inside and outside the country. McDonald's opened more than 11000 locations outside the United States by the end of 1990 [2]. Turning to the present, modern McDonald's has built several new ancillary companies like Dessert Station and McCafe and supplied more meal selections. It has become a well-known and well-liked fast-food restaurant brand worldwide, especially among young people.

2.2. The History Development of KFC

Harland Sanders was the protagonist of the tale at the outset. In Henryville, Indiana, in 1890, Harland Sanders was born. His father passed away when he was just five years old, and he was left in charge of caring for and feeding his two little siblings while his mother was out at work. When he was 12 years old, his mother remarried, and because his stepfather didn't like the stepchildren, he left the house to go to work after one year [3]. He got his start early and attempted a variety of vocations, including streetcar conductor, insurance agent, railroad fireman, and steamboat captain. At 40, he was hired by a gas station in Corbin, KFC, where he served customers cuisine such as the fried chicken he had learned to make as a boy. His fried chicken attracted a lot of customers because it was so good. In the end, he started his restaurant, which was best famous for its fried chicken. Additionally, Ruby Laffoon, the governor of KFC, bestowed upon him the rank of KFC Colonel [4].

Unfortunately, his business was forced to close because a highway bypass limited the number of clients at his eatery. He persisted, though, and finally came up with the brilliant concept of franchising his recipe for KFC fried chicken to others. He started franchising his KFC fried chicken recipe in 1952. Pete Harman, the proprietor of a restaurant in Salt Lake City, received his first transaction from

him. As Sanders toured the towns and continued to license his top-secret formula to restaurants, his company grew steadily. But as he grew older, his business became too large to manage. He sold his KFC fried chicken company to investors headed by John Y. Brown and Jack C. Massey in 1964 after having more than 600 franchised locations [4]. In 1986, the KFC was purchased by PepsiCo. Furthermore, KFC updated its menu and introduced a number of new items to stay current with trends. It established itself as one of the most well-known fast food chains globally, and it is still growing its customer base by introducing new products and making innovations.

3. Comparison of McDonald's and KFC

3.1. Similarities Between McDonald's and KFC

3.1.1. Similar Products

As strong competitors for each other, McDonald's and KFC surprisingly have a lot in common. First, two chain restaurants famous for fast food provide many similar dishes for customers, like hamburgers, chicken nuggets, fried potatoes, and even the same beverages, such as coffee, milk, and juices. There are few differences between what kind of meals they make, and usually, these foods are affordable for most people, from low to high wages.

3.1.2. Similar Brand Cultures

Additionally, not only because the price of the food they sell is low, but their similar brand cultures and stories are the keys to their success. The significance for a company to be successful is to have its unique spirits and riches, and that's what McDonald's and KFC follow through. McDonald's has its special symbols, the big "M" and Ronald McDonald's, which always appears with a smiley face that reminds people of its unique history. For KFC, the animation character of KFC Colonel works as its main brand mark. His amiable face often makes people recall his difficult entrepreneurship history for his fried chicken brand. These two companies both use the history of the development of the brand as the main storyline to promote the spreading image of the brand; whenever people mention these two brands, what first emerges in their minds are the iconic signs that McDonald's and KFC have [5]. Also, their brand stories both describe the lives of the founders with exceptional qualities and personalities, helping to enhance the corporate image of the companies [5].

3.1.3. Similar Location Chosen

Furthermore, McDonald's and KFC are usually located in the same locations with more crowds, like malls, highway stations, airports, and office buildings. Locating in the same area helps them expand their influence, attracting more customers and increasing sales. Suppose people prefer McDonald's hamburgers but gradually get tired of eating the same food daily. At this time, they would go to KFC to try a different flavor of hamburgers, and the two restaurants' customers reached a balance. Likewise, if it is too crowded in KFC, people would go to the nearby McDonald's for consumption [6]. Thus, even though competition is inevitable for McDonald's and KFC which sell similar products in the same area, the same location chosen benefits both from the economic perspective.

3.2. Differences Between McDonald's and KFC

3.2.1. Different Service Concept

As two well-known fast food companies worldwide with many similarities, there are also many differences when analyzing them in depth. Each company would have its service philosophy for

customers when entering the market, and McDonald's and KFC are very distinctive. McDonald's main service concept is about "QSCV". Q represents Quality, which means that McDonald's would try to make sure every food it sells is good in quality. If the food is not sold within a designated period, it will be thrown away because McDonald's insists on not selling products bad in flavors to consumers; S means service, which requires everything to be professional when customers need help and always dedicated to their works; C represents cleanness, which requires every waiter or waitress to have good hygiene. The rules ask employees to clean each table after the consumer leaves to keep the environment clean; V means value, emphasizing that McDonald's would persist in providing high-valued and nutritional products to each customer [7]. These four letters form the business criteria for McDonald's, showing customers their determination to make good products.

KFC highly praises the concept of "CHAMPS" to offer a reliable service for all customers. C means cleanness, which is to create a clean and tidy dining environment for consumers; H represents hospitality, which insists on providing solicitous service for each customer; A means accuracy, which is to satisfy every customer's needs and provide them accurate service; M is maintenance, which is to keep every appliance function normal; P means product quality, which is to produce good and safe products for everyone; S represents speed, which means to provide fast and quick service to save time for every consumer [8]. This service concept prompts KFC to improve its serving attitude and efficiency continually.

3.2.2. Different Marketing Strategy

Moreover, McDonald's and KFC have different positioning for targeted customers in the fast food market. First, start with McDonald's. Before 2004, McDonald's targeted people who were always child-centered families [9]. However, many other new fast food brands challenged the power of McDonald's at that time due to its aging brand image, and the most direct representation of it was the falling stock price [10]. The image of Ronald McDonald's was full of affinity to young children and parents, but it was too old-fashioned for young people because they preferred innovations and adventures [10]. Therefore, McDonald's started a big activity called "I am loving it" to reactivate its brand and took the chance to change its old brand image to a new one. During that activity, McDonald's changed its representational color from red to black to present "cool". This change included the outfit and the background color of its advertisement, and the character of the advertisement changed from children to young people, promoting the slogan of personality and individuality [10]. Besides that, McDonald's began to provide WiFi service in restaurants to make the Internet more easily accessed. The rebranding activity successfully removed the iconic image of McDonald's in people's minds, making it a new and innovative fast food brand from before. It is important that this alteration from its original brand image was global but not for specific regions, emphasizing the unity of the entire brand in any country [8].

KFC's target clients are mainly families. It took a lot of effort to attract children's customers. Every restaurant had a special dining area for children, full of colorful decorations to satisfy children's preferences, hoping to drive the whole family to the restaurant by children [9]. Unlike McDonald's, KFC would make different alterations in different regions to attract more potential clients. For example, people in China are one of the main sources of customers for KFC. To better cater to Chinese people, it started the "foreign fast food action" to change conventional fast food to a new one. It developed various new products related to vegetables that are more nutritional and suitable for Chinese people [10]. This action gained a lot of support from local people and governments, enhancing the image of KFC in people's minds.

4. Problems and Suggestions

4.1. Problems Identified in the Development of McDonald's and KFC

4.1.1. Problems of Food Safety

Two well-known fast food chain restaurants, McDonald's and KFC, have big problems with food safety. They are both famous for their cheap and delicious fast food, such as fried chicken, hamburgers, and French fries. But, in fact, making these fried foods would produce carcinogens that might cause cancer and other diseases [11]. McDonald's and KFC choose to sacrifice nutrition in order to improve the taste of foods, and these foods would create serious threats to the human body if people consume them for a long time. Furthermore, their staff sometimes violate hygiene standards. For example, they do not wash their hands before they pack the food for customers, or they might pick up the fried chicken that accidentally falls on the ground and resell it instead of disposing of it. These actions make the foods weakly safe for customers no matter how they publicize their brands online.

4.1.2. Problems of Organization Structure

For McDonald's, it always follows through the management philosophy of "standardization" globally. The enterprise adheres to the fast food industry as its only business core, and the core recipe remains unchanged under the guidance of these concepts, making employees more obedient and lacking the initiative of innovations [11]. It makes it difficult for McDonald's to localize in different areas and countries since some of the foods they sell are not aligned with the tastes of local people.

KFC has successfully localized in many countries but is not as popular as McDonald's in its birthplace, the U.S. For instance, the company creates many new recipes to better cater to Chinese people's tastes. They develop exclusive breakfast combos, including different types of porridge and side dishes only for Chinese customers, which helps it solidify its basis and status in China. Too focused on localization in other countries makes KFC ignore the development in its cradle to give rise to its poor sales in the U.S. compared to McDonald's.

4.2. Suggestions for the Problems

4.2.1. Enhancing Food Safety

To enhance food safety, McDonald's and KFC need to specify sanitary standards and ask employees to follow through strictly, and they should also roll out corresponding punishments to the staff who violate the standards. Companies need to pay more attention to training employees to make them high in professional qualities and skills [11]. Moreover, they are required to make food both nutritional and palatable to provide customers peace of mind. To solve this problem, they could hire professional nutritionists to analyze and develop a healthier way to make fast food to reduce carcinogenicity from eating it. They could also create some short videos to present the whole process of making a chicken into fried chicken and how they manage the employees to show customers their determination to continually improve the restaurants in every aspect to earn customers' trust and make the brands more reliable.

4.2.2. Diversified Development

McDonald's and KFC's business models are complementary, so they could learn from each other to solve the problems. McDonald's might need to change its philosophy on following through with "standardization" in any country with stores. Instead, it can update its menu based on different people

in different countries to cater to local residents' tastes and better implement localization. KFC could pay more attention to finding out how McDonald's becomes more successful in U.S. It can try to add beef and fish into its menu to enrich the varieties of raw materials it uses for cooking, not just chicken. Learning from each other could make them better off, and it further helps the diversification of the two enterprises in every branch.

5. Conclusion

All in all, this paper focuses on the analysis of a specific duopoly market, which takes McDonald's and KFC as examples. The paper first introduces the definition of a duopoly market to bring in the examples. Next, the paper discusses the history of their development and how these two companies are doing nowadays. This paper analyzes their similarities and differences to find out how McDonald's and KFC became the world's two most famous fast food chain restaurants. Two fast food companies that focus on fried foods simultaneously have similar products like hamburgers, fried chicken, and french fries. In addition, their similar brand cultures help people remember them from thousands of fast food chains. Whenever people mention them, they are reminded of the two iconic trademarks, the smiley face of Colonel KFC and gold arch "M". The similar location chosen also helps them increase the revenue and customers from an economic perspective. Of course, they certainly have something different from each other. The first difference is their service concepts. McDonald's focuses on "QSCV" while KFC follows through with "CHAMPS". These two concepts show their determination to make good products and provide good service for customers. Secondly, the two companies have different target people in the market. McDonald's focuses on attracting young people while KFC pays more attention to children and families; McDonald's follows through the philosophy of "globalization" and "standardization" while KFC works on "localization". Having a clear market positioning is good, but also brings certain obstacles to their future development.

As two enterprises with explicit service concepts, they sometimes do not follow through due to a lack of management and training of employees, which can cause significant credibility crises for the brands. The food safety problem has been presented to people through the Internet. Hence, the companies need certain measures to rescue their reputations by formulating strict hygiene standards and developing healthier cooking methods. Furthermore, McDonald's should learn to produce foods that cater to local people's tastes, like what KFC does, and KFC can study and stimulate the way McDonald's does to publicize the foods in their birthplace country. As two competitors, they might try to cooperate to enlarge the brand effect and let more people become their loyal customers.

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