

The Competitiveness of Shake Shack in Chengdu under SWOT Analysis

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Abstract: Recently, Shake Shack, a leading brand in the high-end overseas Western fast-food industry in China, opened its first store in southwest China in Chengdu, intending to enter and expand the market in southwest China. This paper mainly studies the first store of Shake Shack in Southwest China, which was established in Sino-Ocean Taikoo Li, Chengdu City, Sichuan Province, and explores the brand competitiveness of Shake Shack in Southwest China and the possibility of its future expansion. Based on SWOT theory, this paper analyzes the strengths, weaknesses, opportunities and threats of Shake Shack and its competitors in the same industry through literature analysis, case analysis, comparative analysis and data analysis. This paper finds that Shake Shack can quickly open up the channel with consumers, occupy the local high-end American simple meal market, and show other enterprises a new idea of "combining Chinese and Western" by relying on various resources provided by Chengdu, which shows its strong competitiveness. However, there are still some major obstacles to its expansion in the whole southwest market.

Keywords: SWOT Analysis, Shake Shack, Chengdu City, Business Competitiveness

1. Introduction

At present, the expansion of high-end well-known overseas Western fast-food enterprises in the Chinese market is still in its infancy and mainly concentrated in the economically developed eastern coastal areas, while this industry is almost blank in the vast western region of China. Shake Shack is an American fast-food restaurant chain based in New York City. It started out as a food cart at Madison Square Park in 2000, and its popularity grew steadily. Shake Shack is currently one of the best fast-food restaurants in the world[1]. Up to now, Shake Shack has more than 20 stores in China, including many stores in Beijing, Shanghai and Hong Kong. On July 3, 2022, the first store of Shake Shack in Southwest China opened in Chengdu Ocean Taikoo Li, marking the official entry of Shake Shack into the Southwest China market. The opening of the first store of Shake Shack in Chengdu, to a certain extent, makes up for the vacancy of high-end well-known overseas Western fast-food enterprises in the vast western region of China, and also provides an important reference for the operation of the whole industry in the southwestern region of China. It can also attract other similar enterprises to enter the western region of China and promote the development of "Chengdu-Chongqing Economic Circle". This paper mainly discusses the competitiveness of Shake Shack in Southwest China. This paper introduces the background of Shake Shack and its completion in Chengdu by literature analysis. By using the method of case analysis, data analysis and comparative

analysis, this paper studies the advantages of location, brand, product characteristics and marketing concept of Shake Shack's location in Chengdu, the disadvantages of geographical location, social prejudice and cultural exclusion, the opportunities of emerging cities and high-end positioning, and the threats from competing products in the same industry and local brands. This paper studies the first completion of Shake Shack in Chengdu, which is beneficial to its subsequent development in Chengdu, the southwest region and even the whole western region. It also provides experience for the operation of Western-style catering, makes reference for the location of stores, and finds a route for other brands to enter Chengdu. It also provides a new perspective for the integration of Western food into the local culture, breaking the conventional thinking of focusing only on product integration.

2. SWOT Analysis of the Competitiveness of Shake Shack's First Store in Southwest China Established in Taikoo Li

SWOT Analysis (short for strengths, weaknesses, opportunities, threats) is a business strategy tool to assess how an organization compares to its competition. The strategy is historically credited to Albert Humphrey in the 1960s, but this attribution remains debatable. There is no universally-accepted creator. Also known as the SWOT Matrix, it has achieved recognition as useful in differentiating and establishing a niche within the broader market[2].

2.1. Shake Shack's Brand Advantage Analysis

2.1.1. Location Advantages of Establishing the First Store in Southwest China in Taikoo Li, Chengdu

First of all, Taikoo Li has become one of the most popular "Internet Celebrity business districts" in Chengdu and even in China, attracting numerous tourists to take the WeChat Moments snap at, and drawing various global brands to enter one after another, providing customers for these brands there and forming a virtuous cycle. This also means that Shake Shack will get an influx of clients and a lot of revenue from Taikoo Li.

Secondly, as a sub-provincial city in China and the capital of Sichuan Province, Chengdu has a strong attraction in Sichuan Province with a population of more than 80 million. Chengdu can attract a large number of people from Sichuan Province and even the southwest region, and absorb a large number of resources to build a better business platform. At the same time, as a relatively developed city in southwest China, Chengdu also has more high-consumption population than other cities to support the high-end fast-food market. Therefore, Shake Shack can quickly occupy part of the market by relying on Chengdu's ability to gather resources.

Thirdly, the southwest of China is different from the eastern coastal areas. The coastal areas of China developed earlier, while the southwest of China developed later because it was in the rear area of China. Hence, it has a deeper development potential than the eastern areas. At present, the southwest region has a population of more than 200 million and is rich in natural resources. Shake Shack entered the southwest region earlier and occupied the local market ahead of time, laying the foundation for more benefits when the economy develops to a higher level in the future.

2.1.2. Shake Shack's Brand Positioning Advantage

Shake Shack is different from other well-known Western fast food in China, such as Kentucky Fried Chicken (KFC), McDonald's (MCD), Burger King (BK) and so on. Its brand positioning shows many differences. In order to attract consumers, KFC and MCD often launch promotional activities to expand the consumer class, so that the brand's consumer group span is larger, and with the expansion of audience coverage, KFC and MCD are also more "down-to-earth"; BK, on the other hand, roots in

the first and second-tier cities, does not enter the third and fourth-tier cities, has a smaller chain scale, and its average price is about 1/3 higher than that of KFC and MCD, which limits the consumer groups to a certain extent and results in vague market positioning. Shake Shack insists on high-end positioning, and its average price is about twice that of KFC and MCD, which makes Shake Shack naturally form a more high-end brand positioning in the public's consciousness, thus gaining greater influence, and also makes Shake shack embark on a track with higher unit price.

2.1.3. Shake Shack's Product Positioning Advantage

First and foremost, Shake Shack uses safe Angus beef, organic vegetables, and high-quality milk as raw materials of food; At the same time, it adopts the way of "freshly made as soon as it is asked for", and uses environmentally friendly materials for packaging. Shake Shack's unique product image of salubrity and pro-environment makes it very attractive to consumers who pay more attention to the quality of life.

More importantly, Shake Shack combines local characteristics and culture to launch regional limited products. Its first store in Southwest China has launched several Chengdu limited items. Examples are milk shake BE PANDASTIC, French fries Chengdu Chili Fries, ice creams Feeling So BASHI and Give Me the Tea. This way of linking regional culture with its own products can quickly attract public attention, arouse the interest of potential consumers, harvest a large amount of cellular data on network, thus achieving good publicity effects, and ultimately quickly occupy a place in the local market.

2.1.4. Shake Shack's Marketing Concept Advantage

First, Shake Shack put forward the concept of "fast casual", which pays attention to food quality and highlights the feature of "leisure" besides the core of "fast" and "convenient" of fast food, and this concept has also been enthusiastically sought after.

Second, Shake Shack's marketing is quite focused on "emotional value.". Only when customers attain emotional value in the interaction with enterprises, can they obtain loyal customers and then establish core competitiveness, which is also one of the key factors for the sustainable success of some enterprises [3]. The "Chengdu Bamboo Castle" built by Shake Shack in Chengdu and the chandelier inspired by the cattail leaf fan are typical samples.

Third, Shake Shack highly emphasizes niche Key Opinion Leader (KOL) marketing. Compared with KFC and MCD, which prefer to invite popular stars to endorse advertisements, Shake Shack always interacts with the outstanding representatives of the minority in a certain field. These people have strong appeal in their own realms, which is very conducive to the marketing of Shake Shack [4]. Before the opening of the first store in Southwest China, it cooperated with Melopagani, a local young rapper in Chengdu, to launch the opening theme song for the first store, Playing Bashi, which reproduced the unique marketing strategy of Shake Shack.

2.2. Shake Shack's Brand Weakness Analysis

2.2.1. Location Disadvantages in Southwest China

According to the current economic structure of China, the southwest region is objectively lagging behind the eastern coastal areas, and there is a big gap. In terms of population, as of the seventh census, the eastern region has a population of more than 560 million, while the southwest region has a population of more than 200 million. In terms of total GDP, in 2021, the eastern part of China has 62.88318 trillion yuan, while the entire western region has 22.37264 trillion yuan. From the perspective of per capita disposable income: in 2021, the per capita disposable income of urban and

rural residents in Chengdu is 45755 yuan, while this figure exceeds 75000 yuan in Beijing and Shanghai, exceeds 70000 yuan in Shenzhen, and exceeds 65000 yuan in Hangzhou, Guangzhou and Nanjing, where Shake Shack has also set up stores in the eastern region [5]. Therefore, it is not difficult to predict that the target population covered by Shake Shack's higher-end brand positioning in the southwest region will lag behind the Shake Shack stores in the eastern region in terms of both total number and proportion.

2.2.2. Negative Impact of the Widespread Negative Perception of Western Fast Food in Chinese Society

For a long time, the characteristics of western fast food, such as "fried" and "high calorie", have been accompanied by the label of "unhealthy"; at the beginning of the 21st century, a large number of negative reports about the use of hormone chicken by KFC and MCD and the repeated use of cooking oil swept across the whole country. This has created an unhealthy and unsafe image in the minds of the public; Shake Shack is positioned at a higher end, but it still focuses on hamburgers, fries and other foods. Therefore, this paper argues that Shake Shack will also be affected by this social prejudice, which will hinder its further expansion.

2.2.3. The Mighty Strength of Local Food Culture in Chengdu

First of all, in recent years, the spread of "Sichuan Cuisine" has become more and more widespread, and it is pursued by young people throughout the country. In the birthplace of "Sichuan Cuisine"--Southwest China, and one of the "City of Gastronomy"—Chengdu, Sichuan cuisine occupies a very high position and a very large market. The strong performance of this local diet will bring some obstacles to the market expansion of other cuisines. It is undoubtedly more difficult for American fast food, an overseas "imported product", to expand its market in Chengdu.

Secondly, the hotpot culture of Sichuan-Chongqing and the subculture of bar have assumed a large function of socializing carrier in Chengdu and even in the southwest region, and there are a large number of young people such as students and young white-collar workers among the consumers, which has a high degree of coincidence with the main target groups of Shake Shack.

Finally, teahouses are pervasive in Chengdu, highlighting the "tea drinking" culture of the streets, which also includes casual, slow-paced and other life philosophies, obviously contrary to the traditional Western fast food in public perception [6]. Shake Shack is clearly aware of the charm of "tea drinking" and has integrated this concept into its peripheral stores in Chengdu, such as incorporating the local "Chinese Kung Fu tea show" into T-shirt design and so on. But with contemporary people paying more and more attention to the quality of life, consumers may prefer to experience the original traditional tea art rather than in Shake Shack stores.

2.3. Shake Shack's Brand Opportunity Analysis

2.3.1. Opportunities for Shake Shack in Chengdu

On the one hand, Chengdu is inclusive and does not conflict with foreign cultures and products. This is of great significance to the market development of a pure overseas brand. Good cultural compatibility can reduce the resistance of Shake Shack in the initial stage of entering the southwest market and lay the foundation for future market expansion.

On the other hand, Chengdu is very conducive to commercial development in terms of city positioning. At present, the national government attaches great importance to the development of the western region, and has put forward policies such as "Western Development" and "The Belt and Road Initiative" to develop the western economy. Secondly, Chengdu is the only three cities in China with

two international airports (the other two are Beijing and Shanghai, which are located in the north and south of eastern China respectively). Therefore, this paper speculates that it is very likely that China will choose Chengdu to become the third pole of China's economy in the future, sitting in the rear area of China to build the vast western region. With the deep development potential of Chengdu, Shake Shack can get a lot of development opportunities. When Chengdu develops to a considerable level, Shake Shack, which has expanded its market at this time, will gain extremely high profits.

2.3.2. Opportunities of Shake Shack's Unique Positioning and Track

Chengdu's well-known high-end positioning of Western fast food is less, and the arrival of Shake Shack soon made itself the "leader" of this subdivision track. Choosing this differentiated track not only enables Shake Shack to avoid "involution" in the low-end market but also enables it to gain more development opportunities by virtue of its positioning advantages, such as higher per-customer transaction, more refined brand tonality, stronger user stickiness and more powerful publicity effect.

In addition, most of the Western fast food at the same price in Chengdu are local brands, which makes Shake Shack more advantageous in the competition for opportunities. As an overseas listed catering company, Shake Shack has a mature business model and operating system, as well as a complete supply chain. Shake Shack uses franchising rather than direct sale, so it is more reasonable to select the location of the store, control the quality of the product and other qualifications. Besides, the stronger capital advantage also makes it easier for Shake Shack to gain opportunities in capturing market share.

2.4. Shake Shack's Brand Threat Analysis

2.4.1. The Threat of Competing Products of the Same Kind

In China, Shake Shack's competitors in the same industry are mainly KFC, MCD and BK. KFC and MCD entered the Chinese market much earlier than Shake Shack (the first KFC opened in China in 1987 and the first MCD opened in 1990), and the timing of opening up new markets has a great influence on the future development and expansion of enterprises. KFC entered China only three years earlier than MCD, but the number of KFC stores in China is still far more than that of MCD [7]. At present, in Chinese society, the term "Western fast food" has been tightly bound with KFC and MCD, and has almost become a synonym for "Western fast food", and both of them have mature systems and abundant funds, which will hinder the development of Shake Shack in Chengdu and even in the whole nation, which is also the biggest threat from competitors in the same industry.

2.4.2. Potential Threat of Local Brands Similar to Shake Shack in Chengdu

Unlike KFC and other large chain fast food brands, some local American-style restaurants in Chengdu are more similar to Shake Shack's positioning in terms of track and concept. These brands have been rooted in the local area for many years, entered the market earlier, have a high reputation, and have more potential threats. For example, Burger Austine (BA), Shark Burger and so on in Chengdu. Taking BA as an example, BA occupies the top of the list of Chengdu hamburgers all year round. Its products, average price, in-store environment and dining form show the brand tonality of "exquisite" and "high-end" which are very similar to Shake Shack and are more in line with the concept of "fast casual" than MCD and other brands. This kind of catering with strong local influence has also gained a group of consumers with high stickiness, which poses a potential threat to the development of Shake Shack in Chengdu and its expansion to the whole southwest region.

3. Conclusion

This paper mainly discusses the competitiveness of Shake Shack's first store in the southwest of Taikoo Li, Chengdu. This paper holds that Shake Shack can quickly open up the market in Chengdu by virtue of its unique positioning, high-quality products and avant-garde marketing concept. I also appreciate that Shake Shack is not limited to products, but infiltrates the idea of "combining Chinese and Western" into store style, brand periphery and so on. Therefore, this paper is optimistic about their future competitiveness. However, it also found the possibility that Shake Shack's higher-end positioning would hinder its expansion in China's less economically developed southwest.

In view of the various limitations of reality, there are still many defects and shortcomings in this paper. Firstly, Shake Shack's Chengdu Store just opened on July 3, 2022, which is a short time from the writing of this paper, so the sample size available for the paper is small and the relevant information is less. Secondly, this paper only compares the southwest and eastern regions of China, but not the middle region of China, which needs to be added in the future when Shake Shack's Wuhan Store opens. Finally, the marketing concept of Shake Shack in the paper can be further explored, and the significance of Shake Shack's offline activities to its own development can be studied in the future.

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