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Kentucky Fried Chicken and the Global Fast-Food Industry

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Kentucky Fried Chicken Corporation (KFC) was the world's largest chicken restaurant chain and third largest fast-food chain in 2001. KFC held more than 55 percent of the US market in terms of sales and operated more than 10,800 restaurants in 85 countries. KFC was one of the first fast-food chains to go international in the late 1950s and was one of the world's most recognizable brands. KFC's early international strategy was to grow its company and franchise restaurant base throughout the world. By early 2000, however, KFC had refocused its international strategy on several high growth markets, including Canada, Australia, the United Kingdom, China, Korea, Thailand, Puerto Rico, and Mexico. KFC planned to base much of its growth in these markets on company-owned restaurants, which gave KFC greater control over product quality, service, and restaurant cleanliness. In other international markets, KFC planned to grow primarily through franchises, which were operated by local business people who understood the local market better than KFC. Franchises enabled KFC to more rapidly expand into smaller countries that could only support a small number of restaurants. KFC planned to more aggressively expand its company-owned restaurants into other major international markets in Europe and Latin America in the future. Latin America was an appealing area for investment because of the size of its markets, its common language and culture, and its geographical proximity to the United States. Mexico was of particular interest because of the North American Free Trade Agreement (NAFTA), a free trade zone between Canada, the United States, and Mexico that went into effect in 1994. However, other fast-food chains such as McDonald's, Burger King, and Wendy's were rapidly expanding into other countries in Latin America such as Venezuela, Brazil, Argentina, and Chile. KFC's task in Latin America was to select the proper countries for future investment and to devise an appropriate strategy for penetrating the Latin American market.

Company History

In 1952, fast-food franchising was still in its infancy when Harland Sanders began his travels across the United States to speak with prospective franchisees about his "Colonel Sanders Recipe Kentucky Fried Chicken." By 1960, "Colonel" Sanders had granted KFC franchises to more than 200 take-home retail outlets and restaurants across the United States. He had also established a number of franchises in Canada. By 1963, the number of KFC franchises had risen to more than 300 and revenues topped $500 million. The Colonel celebrated his 74th birthday the following year and was eager to lessen the load of running the day-to-day operations of his business. Thus, he looked for potential buyers and sold his business to two Louisville businessmen—Jack Massey and John Young Brown Jr. —for $2 Million. The Colonel stayed on as a public relations man and goodwill ambassador for the company. During the next five years, Massey and Brown concentrated on growing KFC's franchise system across the United States. In 1966, they took KFC public and the company was listed on the New York Stock Exchange. By the late 1960s, a strong foothold had been established in the United States, and Massey and Brown turned their attention to international markets. In 1969, a joint venture was signed with Mitsuoishi Shoji Kaisha, Ltd. in Japan and the rights to operate franchises in England were acquired. Subsidiaries were later established in Hong Kong, South Africa, Australia, New Zealand, and Mexico. By 1971,