The Possibility of American Fast Food Chain Chick-fil-A to Open up the Japanese Market

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Received: November 28, 2022
Accepted: December 20, 2022
Published: December 30, 2022

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Abstract

This article aims to analyze what the possibility of American fast food chain “Chick-fil-A” to open up the Japanese market, by analyzing Chick-fil-A on the basis of two aspects: strategy and culture. For further internationalize, the article discuss the potential of Chick-fil-A’s transnational expansion through analyze their success in the U.S. The importance and uniqueness of the target market in the global market will be explained through analyzing them according to ten aspects: geographical location, demographics, language, political, economics, technology, infrastructure, legal, accounting and finance issue and cultures. This article aims to explore what factors will affect Chick-fil-A in the target market, and what favorable factors will help Chick-fil-A better adapt to the markets in Japan. By exploring enterprise and target market, large potential customer, fewer competitors and deep cultural influence are three main strengths for Chick-fil-A to open up the Japanese market. Furthermore, this article provides some reference value for restaurants of the same type when facing transnational expansion.

Keywords

Fast Food Chain, Transnational Expansion, Enterprise Strategic Development, Corporate Culture, Target Market

1. Introduction of Chick-fil-A

Chick-fil-A is an American fast food restaurant which is specializing in chicken sandwiches. Chick-fil-A is founded in May 1946 by S. Truett Cathy, and the chain’s predecessor is Dwarf Grill, which is the Dwarf House now. For now, Chick-fil-A operates more than 2,200 restaurants, mainly operating in the United States, only a small portion operating in Canada. As a chain fast food restaurant, Chick-fil-A is deeply loved by the American people. The top 5 most-ordered menu items are Waffle Fries, Soft Drink, Chick-fil-A Chicken Sandwich, Chicken Nuggets, Iced Tea. Especially, their Waffle fries are the best because they are the perfect pair for many meals on the menu, and their recipe has remained unchanged since 1985, which proves their popularity of Waffles fries (Coleman, 2017).

In 1961, their founder Truett Cathy found a pressure fryer that could cook chicken sandwiches at the same time as cooking fast food hamburgers, and after that happened, he registered Chick-fil-A (Michelle & Darren, 2011). In 1964, although there have been countless failures, he has created a recipe for the original chicken sandwich which is loved by the public. After 20 years, Chick-fil-A established its corporate headquarters and recently changed its name to the support center, located outside of downtown Atlanta. Chick-fil-A is the best fried chicken restaurant in the minds of American. According to research, its average revenue per store reached $3.1 million in 2015 (Michelle & Darren, 2011). In fact, Chick-fil-A become one of the US’s largest fast food restaurant with over 2,200 restaurants in the U.S. and around the North America.
2. Culture of Chick-fil-A

Chick-fil-A’s value are deeply influenced by their late founder, S. Truett Cathy. As a devout Southern Baptist, Cathy’s beliefs are responsible for company’s most well-known feature, which is all Chick-fil-A restaurants closed on Sundays, Thanksgiving and Christmas. However, this tradition also has a break time. In 2017, Chick-fil-A opened on a Sunday for passengers left stranded, because of the power outage at Atlanta Hartsfield-Jackson International Airport (Taylor, 2018). This action makes people feel the entrepreneurial spirit of chick-fil-A and loves this company. Good reputation is accumulated in these details and touching actions.

In the fast food industry with high employee resignation rate, the employee loyalty of Chick-fil-A can reach 90%, far higher than the industry average level. The secret of Chick-fil-A's success depend on giving the company a sense of mission rather than a money-driven idea, focusing on employee rather than focusing on performance. Their leader is really care about employees. For example, if the employee's family member is sick, the manager will personally go to the hospital to send gift to the patient and the staff. This is incredible in the general company.

Chick-fil-A receives 20 thousand to 30 thousand open shop applications per year, but only seventy applications will be allowed. This strict shop opening requirements are special in the same industry. When Competitors are expanding their stores, the operators of Chick-fil-A said that in their view, doing business is not just about making money, compare with making money, there are some more important things. They hope that they have a positive impact on others and have unique values. People are more important than the number of business outcomes, and promise is more important than qualified management (Jin, 2016).

Truett Cathy is also a Christian who is passionate about charity. Chick-fil-A and its authorized restaurant operators have donated more than $60 million to more than 700 educational and charitable organizations. Because of homosexuality violate Christianity, Chick-fil-A company has publicly expressed its opposition to the legalization of homosexuality, causing a great uproar in the United States (Jin, 2016).

3. Chick-fil-A’s Strategy

3.1 Make people the Priority

Chick-fil-A’s founder Truett Cathy famously said, "We aren't in the chicken business, we are in the people business.” (Eades, 2017). The management of the company don’t pay their employees more than others competitor. The employees like to stay to work because of the more training and leadership opportunities.

3.2 Do Common Things in an Uncommon Way

In fact, basically every restaurant strategy includes good customer service. But Chick-fil-A offers better customer service in a different way. When the guests express their gratitude to the employees, the employee's answer is not "unwelcome", but "I am very happy" that the employees are happy to serve the customers. When you walk into the restaurant, the staff will care about you, the real concern, not the falsehood. So, they can turn common services into their unique competitive advantage (Eades, 2017).

3.3 Build Brand Awareness

Chick-fil-A's marketing strategy always delivers quality food at reasonable prices. Use this sales strategy to build brand awareness. In addition, they emphasize quality rather than quantity. The Annual Cow Appreciation Day is one of Chick-fil-A's more famous marketing activities, and those who dressed up as cows can dine for free. There are also a series of ancillary activities, such as the cattle "fashion photography contest" and "running cows" and other activities. Chick-fil-A also showed these activities on social media, which helped Chick-fil-A build a good brand awareness (n.d., 2013).

3.4 Readiness to diversity

In 1994, Chick-fil-A opened its first restaurant in Canada, however, this restaurant was not profitable and closed within 3 years. In 2014, the company return to Canada market by opening a restaurant in the Calgary International Airport. In July 2018, Chick-fil-A announced plans to expand their restaurant in Canada, they are plans to open at least 15 locations in the next five years. It seems that after the great success in the U.S market, the company began to develop into the Canada market (Dylan, 2014).

What an interesting thing is they used to opened two locations in South Africa, but none of the South African lo-
cations had revenue, all these locations were closed by 2001 (Dylan, 2014). However, these failures were mainly due to insufficient understanding of local tastes and did not make related strategies.

4. Target Country Information

Japan’s geographical location, demographics, language, political, economics, technology, infrastructure, legal, accounting and finance issue and culture will help Chick-fil-A better analyze the target market.

4.1 Location

Japan lies in the east of Eurasia on the west of the Pacific Ocean and consists of thousands of islands. Japan’s land is surrounded by the sea and not connected to the land of any other country. The west side of the Japan Sea is Russia, North Korea and South Korea. To the east is China. The south faces the Northern Mariana Islands in the Philippine Sea. The total area of Japan's territory is about 377,700 square kilometers. It consists of four major islands, including Hokkaido, Honshu, Shikoku, and Kyushu, and many small islands. Honshu Island are divided into Tohoku, Kanto, Kansai, Chugoku and Chubu (Asian Education, 2018). Geographically, Japan is the fastest-growing Asian market in the world and has great potential for development.

4.2 Demographics and Language

Japan has a total population of more than 120 million. 90% of the country's population lives in the coastal plains, which account for only 10% of the country's land area. The Pacific coast is densely populated (Asian Education, 2018). The Tokyo-centered southern Kanto has a population that exceeds a quarter of the total population, which becomes the largest metropolitan area in the world. Thus, it has large potential markets for Chick-fil-A. Japan’s official language is Japanese, which has a common language status in Japan. Some foreign languages are influence in Japan, such as Chinese. In addition, the Satsug dialect, Hichiku dialect, Hōnichi dialect and Chūkoku dialect also belongs to the Japanese language (Asian Education, 2018).

4.3 Political

Japan carries out a parliamentary cabinet regime based on the separation of legislative, judicial, and administrative powers. The Mikado is the symbol of the country with no powers in the national affairs. Japan’s parliament is the supreme power and the only legislature divided into and the House of Representatives and the House of Councillors. The Cabinet is the supreme organization of the state administration, and reports to the parliament. The prime minister (or addressed as the Prime Minister of the Imperial Cabinet) is elected by the parliament and appointed by the Mikado. In recent years, the economy in Japan has recovered, the Japanese government has reinforced the introduction of foreign capital. Accordingly, Japan has witnessed an obvious investment growth from foreign enterprises. Investment in Japan usually comes in the form of new set ups or mergers and acquisitions. New set ups are divided into new set up as a legal person and new branches. Most companies in Japan are joint-stock corporations (limited liability companies). Those joint-stock corporations enjoy favorable social credit which makes business and fund-raising easier. Therefore, foreign enterprises entered into Japanese market are mostly established as joint-stocks. Mergers and acquisitions in Japan are normally divided into one-on-one negotiation and bidding by several buyers. In Japan, it is called as “incarnation” when a government official works in an enterprise that he or she regulated or an institution with government background after leaving office (Neely, 2016). This tradition is regarded as the breeding ground for corruption. In general, Japan is a relatively incorruptible Asian country. In spite of the quick rotation of Japanese prime minister, Japan has a stable political system. It is very beneficial for chick-fil-a entry into the Japanese market.

4.4 Economics

At the end of the last century, the Japanese economy, which is the third largest economy in the world, seems to have been frozen due to sluggish domestic demand and slower export growth. However, in recent years, the accumulation of Japan's technological innovation capabilities has become an important foundation for Japan's economic recovery. From 2000 to 2016, 17 Japanese won the Nobel Prize in Science, it is the best evidence of Japan's ability to innovate. Therefore, entering the Japanese market during Japan's economic growth period can also be a favorable factor.
4.5 Technology and Infrastructure

Japan attaches great importance to the development of science and technology and the function of education in science and technology, especially the development of cutting-edge technologies. Japan is considerably competitive in consumer electronics, robots and automobile sectors. In addition, Japan is internationally competitive in steel, machinery, chemicals and metal industries.

Japan has established a relatively complete road network, air transportation network and huge power generation system throughout the country. Aviation sector in Japan is considerably advanced. Centered by Narita Airport and Haneda Airport in Tokyo and Kansai International Airport, it has developed an air transportation network extended in all directions. The construction techniques are also advanced in Japan. However, Japan’s social infrastructure such as roads, railways, and water supply and drainage systems are facing aging problems. But in general, their infrastructure makes foreign investment easier.

4.6 Legal and Finance issue

Japanese law has established the separation of three powers in legislative, judicial and administrative based on the legal system of European and American. There are two houses in Japan: The House of Councilors and the House of Representatives. In Japan, there is one supreme court, eight high courts and fifty local and family courts. Foreigners are not allowed to enter into Japan for a period of time when they are forcibly repatriated or deported due to illegal detention and other reasons. Foreigners are not allowed to enter into Japan ever again when they are sentenced to more than one-year imprisonment for violating Japanese laws or laws outside of Japan, or when they are under criminal punishment due to involvement in drug deals (Neely, 2016).

When the United States has demanded Japan to open its finance, a competitive mechanism that is obviously favorable to U.S. was introduced to Japan’s financial system. Hence, Japan is forced to add risk and leverage. However, the local organizations have weaknesses and are forced into vicious competition, resulting in a financial crisis eventually.

4.7 Culture

Japan’s culture strong emphasis on hierarchy and orientation. The Japanese morality was formed under the influence of Confucian culture and then developed into Bushido, Shangdao and so on (Hoskin, 2015). The moral values of Japanese are regarded as doing things unconsciously with traditional ethics. And this morality has shaped a Japanese style of management society, so Japanese are often regarded as the strictest, disciplined and dedicated. Emphasizing the formation of personality is a major feature of Japanese morality. In terms of communication, Japanese people are more euphemistic and have a strong emphasis on seniority, so investor need to pay attention to learn the way they talk. The large enterprise group in Japan carried forward the social responsibility of enterprises, built up CSR organizations and security system and explored a unique developing path for enterprises’ social responsibilities (Hoskin, 2015). The Japanese management style is summarized as three key elements: lifetime employment system, senior system and enterprise trade union. Japanese management style gives priority to “idea”, emphasizing harmony in interpersonal relationships, decision-making system with discussions among both the low and high levels, employees’ loyalty toward organizations and organizations’ responsibility toward society.

5. Conclusions and Recommendations

Chick-fil-A should enter the Japanese market. Large potential customer, fewer competitors and deep cultural influence are three main advantages for Chick-fil-A to open up the Japanese market.

The first one is large potential customers. Japan has almost 120 billion people. It provides a large potential market. Due to the close ties between the United States and Japan, Japanese are more likely to accept American culture, including American foods. More and more western fast food company enter into Japan market, and more and more Japanese are accepting western style.

The second strength is fewer competitors in Japan. Although Tokyo has its own handmade sandwiches, and McDonald's and KFC have been in the Japan market for a long time, they have a lot of business, including burger, lunches, etc. However, Chick-fil-A focus on American chicken sandwiches, which means Chick-fil-A basically has no competitors in terms of American chicken sandwiches.

Deep cultural influence is the most important factor, The United States and Japan have very close relations, which is very favorable for American companies to enter the Japanese market. The United States and Japan are
both capitalist countries, and they have a lot in common in business, cultural identity makes Chick-fil-A could easily enter the Japanese market.

References


