3 Development of China’s Fast Food Industry, 2009-2011

3.1 Development Status of China’s Fast Food Industry

3.1.1 Analysis on Development Characteristics of China’s Fast Food Industry

Chart 3-1 Market Size of China’s Fast Food Industry, 2005-2010

1. Chinese-style fast food conversed from perceptual development to rational development.

Modern Chinese fast food formed its own features in the past 20 years of development.

1. The concept of development becomes more objective, paying more attention of reality. 2. The investments of capital are reasonable. The enterprises focus on the efficiency of production and its developmental basement. 3. The markets are more closely connected, corporate positioning are closer to the market to meet the demand for market diversification. 4. The opening of stores become regional distribution, most of enterprises adopted the strategy of local and regional expansion, following a gradual expansion. 5. the development of the enterprises becomes more stable. Big ups and downs and the phenomenon of over-speculation are reduced; steady development and rising are valued.

2. The industrious and social status of fast food industry is established, and its role is more prominent.

With the socio-economic development and the improved living standards of people, people’s concepts of consumption are changed. Eating out becomes more often and rational. There are also more selections and the requirements of the quality are increased. People are more in pursuit of brand quality, taste characteristics, health...
security, health and nutrition. The social demand of fast-food are expanding, with the fully performance of mass consumer market and the basic needs of market.

3. The scale of industries and enterprises are expanding, and the development quality and level are enhancing.

Form 2005 to 2006, the total assets of the top 100 Chinese catering enterprises reached about 32 billion RMB, total profit value is about 6 billion RMB; there are 800,000 employment in the catering industry, an increase of 40.38%, 28.84% and 33.33% over the same period of last year respectively, higher than the average level of the growth of social catering industry. At the same time, there is an emergence of ultra-large-scale enterprises. The turnovers of those 11 enterprises reach more than 1,000,000,000 RMB.

4. Western fast-food chain industries expand rapidly and there is a trend of integrating of western food style and Chinese food style.

International fast-food brand enterprises delegated by the KFC and McDonald's are expanding rapidly in China. By 2010, there were 2,900 KFC chain stores, and 1100 McDonald's chain stores. Their turnovers reach 3 billion dollars and 2 billion dollars respectively. The average annual turnovers of single store are reaching more than USD 1 million, becoming the leading enterprises of China's fast-food and catering industries. The development of these brand industries follows a trend of extending from the bigger cities into smaller cities and from the eastern cities to western cities. The development of food variety is strengthened, the introducing of Chinese food becomes popular, and there is a trend of integrating of western food style and Chinese food style.

5. The joint of the related industries are deepening, and the connections of industries are forming gradually. With the expansion of the scale of the industry and the increase of enterprises strength, the industrialization of the fast food industry is in the process, which gives promise of the development of the fast food industry.

3.1.2 Analysis on Alliance Situation of China's Fast Food Brands

According to the characteristics, Chinese fast food market can be divided into Chinese style and Western style categories. Major Western-style fast food brands include KFC, McDonald's, Dicos and major Chinese-style fast food brands include Li Hua, Kung fu, Malan noodle, Yonghe King, Da Niang dumplings And so on.

Chart 3-2 Brief Introduction on Part of Major Fast-food Enterprises in China

<table>
<thead>
<tr>
<th>Brand</th>
<th>Enterprise</th>
<th>start time in China</th>
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<tbody>
<tr>
<td>KFC</td>
<td>Yum! Restaurants China</td>
<td>1987</td>
</tr>
<tr>
<td>McDonald's</td>
<td>McDonalds (China) Company Ltd.</td>
<td>1990</td>
</tr>
<tr>
<td>Li Hua</td>
<td>Li Hua Fastfood LTD.</td>
<td>1993</td>
</tr>
<tr>
<td>DICOS</td>
<td>Ting Hsin international group</td>
<td>1994</td>
</tr>
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