



ASIA PACIFIC
FOUNDATION
OF CANADA

FONDATION
ASIE PACIFIQUE
DU CANADA

FINGER LICKIN' GOOD: CHRISTMAS IN JAPAN MEANS KENTUCKY FRIED CHICKEN

E-COMMERCE IN JAPAN:
A CANADIAN PERSPECTIVE







CASE STUDIES

THE FOLLOWING CASE STUDIES illustrate real-life examples of firms considering entry to the Japanese market with an e-commerce platform as the major component of their strategy. The cases are not intended to demonstrate correct or incorrect approaches to participating in the Japanese market. Rather, they serve to provide illustrations of how firms recognize opportunities, embark on an initiative, encounter positive and negative trends, and in so doing attempt to profit from the Japanese market. Ideally, the reader should be able to place themselves in the shoes of the protagonist in the case and question whether they would have embarked on the same strategies or have chosen to do things differently.

CASE STUDY II: FINGER LICKIN' GOOD

CASE STUDY II: FINGER LICKIN' GOOD: CHRISTMAS IN JAPAN MEANS KENTUCKY FRIED CHICKEN¹

"I'll definitely miss the lineups this year," says Ryohei Ando. "I'll make sure to reserve our bucket online at least two weeks before Christmas on the KFC website. We won't get the cake this year, but I may get some bath salts as a novelty gift. And of course, we'll get the big Party Barrel of chicken." Ando is a 40-year old marketing executive in a Tokyo sporting goods company, who celebrated Christmas as a child with his family by tucking into a big bucket of Colonel Sanders' finger lickin' good Kentucky Fried Chicken (with 11 secret herbs and spices). He carries on the tradition with his own family, his wife and two children: "My kids, they think it's natural," he says.

Most Westerners would cringe at the idea of celebrating Christmas with a bucket of fried chicken, although nutritionists might argue that roast turkey with all the trimmings isn't exactly health food either. Yet in Japan, every Christmas season, around 3.6 million Japanese families celebrate with large buckets of KFC with the mashed potatoes or fries, coleslaw, and bread rolls that accompany them. In what has become a national tradition, in the days before Christmas, KFC stores rack up 10 times their average sales volumes. Christmas meal offerings account for almost a third of KFC's annual sales in Japan. Ando views KFC chicken at Christmas as a family tradition. "It's not just a company promotion," he says, "it's been around too long for that. It's not really about chicken; it's about families getting together. Chicken's just a part of it. KFC means family on Christmas Day. It's kind of a symbol of family reunion."

¹ This case was written by Leyland Pitt, Sarah Lord Ferguson, Kristin Matheson, and Tess Eriksson, based on materials from a number of published sources, including the BBC (see <http://www.bbc.com/capital/story/20161216-why-japan-celebrates-christmas-with-kfc>)

It Came to Him in a Dream

KFC opened its first store in Japan in the late 1960s. Not long afterwards, in 1970, Takeshi Okawara, a store manager, woke up at midnight having just had a vivid dream. In his dream he saw a KFC Party Barrel being sold and enjoyed by Japanese customers at Christmas. Okawara, a Harvard Business School graduate, had heard foreign tourists in his store wondering out loud why there was so little turkey served in Japan, and why Japanese consumers didn't celebrate the holiday with a roast turkey. They would miss their turkey this Christmas. "I'll serve chicken," he thought, and promoted it locally for his own store. It wasn't foreign tourists who bought the chicken, however, but Japanese consumers. The innovation proved so popular that KFC took the program nationwide in 1974 under the slogan "Kurisumasu ni wa Kentakkii," loosely translated as "Kentucky for Christmas." A significant investment in advertising paid off, and Japanese consumers began to say, "Christmas is Kentucky." The initiative paid off handsomely for Okawara as well: He eventually became president of KFC Japan and served as such from 1984 to 2002.

Christmas in Japan

What makes the custom so unusual from a business perspective is that only 1% of the Japanese population is Christian, with the majority of the population culturally Shinto/Buddhist. Christmas Day is not an official holiday in Japan. Whether KFC chicken gave Japanese consumers something to celebrate, or they wanted to celebrate and did so with KFC chicken, is an open question. The fact remains that a significant percentage of the Japanese population now celebrates Christmas with KFC. It is estimated that 3.6 million Japanese families purchase a KFC Christmas meal between December 23 and 25, with sales amounting to over ¥6B. According to Fortune magazine,² those sales are the equivalent of approximately 24 million pieces of KFC chicken or the equivalent for every person in Tokyo to have two and a half pieces. Due to the massive success of the KFC Christmas dinner in Japan, annual sales during the Christmas period have risen every year, with 2017 recording a 1.4% gain on the previous year, the highest sales ever for KFC in Japan.

KFC Japan now offers five different Christmas Packs and three different Party Barrels. The company has also made some product modifications and extensions over the years. Cake and wine have since been added to the choice mix that customers face. Because so many Japanese consumers rely on trains for transport, KFC has developed a chicken that doesn't smell too strongly on the train and bother other passengers, so that no one misses out on the tradition. The company even developed bath salts that smell like KFC chicken (assuming that someone wants to take a bath and come out smelling like fried chicken). This has proven popular as a novelty gift at Christmas. A KFC Christmas dinner ranges from a box of chicken for ¥3,780 (around C\$46), to a "premium" whole-roasted chicken and sides that is priced at ¥5,800 (around C\$71).

² <http://fortune.com/2016/12/19/japan-christmas-celebration-kfc/>

Marketing, Logistics, and E-commerce

KFC launched the Christmas program in 1974 with a major nationwide advertising campaign on television. KFC sustained significant levels of advertising expenditure on the Christmas offerings after that, recognizing that while Christmas had little significance for most Japanese, it did fulfil the role of a holiday that people liked to celebrate, rather like Valentine's Day or Mother's Day. More recently the company attributes a lot of its success to its promotional campaigns. A Colonel Sanders character dressed as Santa Claus features in a cheery, Christmassy television ad to the music of a song written exclusively for the campaign by famous Japanese singer Mariya Takeuchi. All television and print ads emphasize the fact that KFC's chickens are raised in Japan, not imported, and feature the "made-in-Japan" logo.

Despite KFC's efforts to entice customers with their television ads, this approach wasn't particularly effective. By the early years of the new millennium, KFC realized that two factors were impeding the success and profitability of the program. First, the costs of mass media advertising were growing prohibitively expensive and beginning to erode profits. Second, the logistics behind the program were becoming an operational nightmare. E-commerce was seen as a solution to both problems.

Rather than rely on broadcast media, especially television, to inform and persuade Japanese consumers to purchase their Party Barrels, KFC partially shifted its promotional spending from conventional television commercials, magazines, and newspapers to advertising on its website. This turned out to be far more cost effective, resulting in lower advertising expenses. Obviously, this was helped by the fact that 101 million Japanese consumers, or 91% of the population, were online by 2015, 77 million (70%) of whom regularly shop online. Over time Japanese consumers had become far more accustomed to seeking information online and to making decisions and choices that lead to purchases.

Over the years, as the KFC Christmas tradition became more and more a part of Japanese culture, the company began to experience significant logistical problems. Extremely long lines formed in the cold winter weather outside of KFC stores on Christmas Day and on the days leading up to it. Many customers went home disappointed as stores ran out of chicken, or they were simply not willing to stand in line for many hours. KFC then allowed customers to place orders long before Christmas Day by visiting stores or calling orders in, but customers still had to visit stores or make calls and hope to get through in order to do so. While back office staff and executives all pitched in to ease the waiting times over the Christmas period, this only helped slightly. Long lines even formed on November 1 each year, as KFC steadily shifted the opening date for Christmas orders further and further ahead of December 25. Lineups sometimes took several hours.

E-commerce was an obvious solution to the logistics problem. Nowadays Japanese consumers can log on to the KFC website, view all the products on offer, make their selections, pay for and place their orders, and nominate the KFC store where they will pick their order up on a particular day at a particular time. This has streamlined the process for customers considerably and waiting times have been significantly reduced. As a result, the company

believes that the average spending per customer has increased as well. Customers now have more time to peruse all the different offerings and can make choices at their leisure. They can pay for them ahead of time knowing that they will be waiting for them when they visit the store to pick up their orders. The company has also benefited enormously as a consequence. Aside from the increased profits as a result of increased sales, production planning has been streamlined. KFC has a very accurate estimate of what sales, and hence production requirements, will be, well ahead of time, and the customer no longer has to wait in long lineups for their Christmas KFC meal.

Key Takeaways

- » Japan is very different from the West and very different from other parts of Asia. KFC's American executives would unlikely have seen the prospects presented by Christmas in Japan. It took a local to see the opportunity – engage them as soon as possible.
- » Start small with a localized campaign (Okawara started in one store), then really emphasize what works. Have people in the country who really understand the culture and give them the freedom to try their ideas.
- » Look for openings that are not filled by other traditions and habits – Christmas didn't really exist and wasn't celebrated until the KFC Party Barrel came along.
- » Adapt the product or service for cultural appeal (KFC has added wines, cakes, and even bath salts). Don't impose your solution or culture; try to blend with local rituals.



