AN ASSESSMENT OF CUSTOMER PERSPECTIVES ON FACTORS THAT HAVE INFLUENCED THE SUCCESS OF A MNC IN THE KENYAN FAST FOOD INDUSTRY: A CASE STUDY OF KFC VIS-À-VIS GALITO’S.

BY

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A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

SPRING 2016
STUDENT DECLARATION

I the undersigned declare that this is my original work and has not been submitted to any other college, institution or university other than United States International University in Nairobi for academic credit.

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This project proposal has been presented for examination with my approval as the appointed supervisor.

Signed ___________________________  Date ___________________________

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Signed ___________________________  Date ___________________________

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ABSTRACT

The general objective of the study was to assess customer perspectives on the success of a MNC in the Kenyan fast food industry; with a comparative analysis between Alito’s and KFC. The study was guided by the following research questions: the ownership advantages KFC has over Galito’s, the firm specific location advantages of Galito’s that could be a potential hindrance to KFC’s success and the customer preferences of KFC products vis-à-vis Galito’s.

The study adapted a descriptive survey research design with a focus on consumers at KFC and Galito’s outlets at Garden city mall. Stratified sampling was utilized in data collection. The study focused on 100 respondents, 50 from each outlet; who were seen purchasing food from the outlets. Descriptive statistics was employed to determine the frequency distribution for the demographic profiles of participants. Data that was demographic was presented in percentages and frequencies; and interpreted and presented in form of tables and graphical charts, through the use of statistical package for Social Sciences (SPSS) software.

Findings indicated that most consumers are in favor of KFC. Galito’s also received favorable ratings which didn’t fall far behind KFC’s ratings. On ownership advantages, respondents were of the opinion that KFC’s international recognition and its’ long duration of operation in the global fast food industry; will greatly influence its success in the Kenyan market. Consumers gave favorable ratings on the convenience of the location of outlets and the uniformity of products sold by the firm. Uniformity refers to the taste, color and presentation of the meals. However, there was uncertainty captured as respondents tried to analyze whether Galito’s took measures to shield its market position; once KFC penetrated the market.

On firm specific location factors, consumers were of the opinion that the long period of operation of Galito’s in Kenya gives it an advantage over KFC. They were also of the opinion that Galito’s has strong relationships with local suppliers and that their staff are skilled in customer service.
However, majority of the respondents were not certain of Galito’s knowledge of the East Africa market. Respondents were divided on the following issues. The impact of Galito’s adjustment to the Kenyan market granting it an advantage over KFC; the quality of former’s service techniques and similarities of products served in various outlets.

On customer perspectives of KFC and Galito’s products, consumers gave KFC high ratings on the following: inviting ambience, warm and friendly staff, tasty and timely meals, sufficient space for family and friends, cleanliness, response to complaints and sufficient information on products. Galito’s came in second in ratings with consumers rating the organization higher than KFC on the following: home delivery services and affordability of meals.

In conclusion, KFC has received much favorable ratings from consumer. However, Galito’s record on performance was not too far from KFC’s. There’s a possibility that KFC is at the peak of its’ performance which can be attributed to the high ratings from consumers. There’s clearly more need for research as the firm opens new outlets and the fast food industry keeps becoming more competitive.

KFC is a new player in the market and should strive to attain customer loyalty through developmental programs. KFC can capture the next elections and offer free meals to the election clerks’ or mothers waiting in queue to vote. Galito’s should work on programs that strengthen its’ relationships with the government and key players in the fast food industry. The firm can support programs on the training of farmers in chicken rearing. While KFC will create beneficial links that promote revenue generation; Galito’s strategies will ensure it secures its’ market share and maintains its’ position as a competitive player in the industry. Further research should include outlets all over Nairobi and East Africa. The data captured will be more diversified and advantageous to the academicians, investors and other stakeholders.

More research on the Kenyan fast food industry needs to be conducted as the dynamics of the Kenyan market are rapidly changing. The fast food industry in Kenya
is experiencing a surge of investments in different types of industries. As the hub of East Africa’s political and economic transactions; there’s so much promise for investors. Research done will influence the view of the world towards the Kenyan market and encourage more investments in not only the fast food industry but other industries.
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LIST OF ABBREVIATIONS AND ACRONYMS

CETSCALE- Consumer Ethnocentric Tendencies Scale

CoO- Country of Origin

EPZs- Export processing zones

ELM- Elaboration Likelihood model

FSA- Firm specific advantages

KFC- Kentucky Fried Chicken

MNC- Multinational Corporations

OA- Ownership Advantages

SERVQUAL- Service and product quality
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of Study

Business can be defined as “all profit seeking activities and enterprises that provide services and goods necessary” for the economy (Boone and Kurtz, 2002, p. 12). It can also be defined as any enterprise that sells goods and services to people. The distinction between local and international business; is that the latter occurs across national borders. International business can therefore be defined as industrial or commercial enterprises that involve crossing borders to other States (Eden, Dai and Li, 2011).

International business was evident in the Roman empire. Merchants would travel to trade through road networks that were built and security troops that ensured protection. A standard coinage system was established to process business transactions (Czinkota, Ronkainen and Moffett, 2005). This led to both the expansion and decline of the empire. When international transactions brought in great profits; other nations decided to join in as allies. These same allies abandoned Rome and collaborated with its’ enemies; as soon as the coinage and communication systems became dysfunctional and left the empire in massive losses. Enemies took advantage of this weakness and allies betrayed Rome; perceiving no gains from the empire (Voorpijl, 2011, ).

In the late nineteenth century, there was vast development of multinational corporations; which were later adversely affected by the Great depression in the 1930s. At the time, FDI was considered a colonial and post colonial mechanism of resource extraction and manipulation of underdeveloped states. After the formulation of the Bretton woods framework in the 1960s, US emerged as a hegemony that had significant FDI growth in Latin America and Western Europe (Hugo, 2014).

In the modern world, political stability of a country has great influence on the foreign investors. The early 1980s brought in a change in perception of what multinational enterprises are. This was also the period the term ‘globalization’ was generated. The
need for integration and interdependence arose as it became clear that there were political and social-economic gains (Voorpijl, 2011).

The history of MNCs can be highlighted through events such as 1930 international financial crisis and emergence of EPZs. Industries in India and China were not highly affected by the global financial crises as other industries in other parts of the world. This differential impact according to geographic factors was influenced by where the industries’ operations and financing were located (Toporowski, 2009). EPZs created room for technology transfer, growth and increased standards of living; especially in the 1960s and 1970s. On the other hand, there was neglect of the workers as there was no connection between the global employer and local employees. Players in the EPZ were caught in the following cycle; “The governments are afraid of losing their foreign factories; the factories are afraid of losing their brand-name buyers; and the workers are afraid of losing their unstable jobs” (Cairns, 2005, p. 7).

Marxism has been utilized in analyzing aspects of MNCs as it’s fundamentally based on the importance of capitalism and the interrelation between economics and politics (Hugo, 2014). Neo-Imperialism dominance is still existent in modern day firms in Africa. Western economies are predominantly incharge of the core operation and management of organizations such that coloniser colonised units still exist within organizations. Most MNCs are structured in a division that works on the periphery as the receiver of knowledge and skills; while the others as the exporters of such capabilities. This affects the involvement of different units in the management of the firm and it’s international business activities (Boussebaa and Morgan, 2014).

In 1964, the United Nations Economic and Social Council, created the provision of promoting trade in developing economies through employment and tax incentives which saw the boistering of economies through the 1980s and 1990s (Cairns, 2005). Multinationals invest in developing countries to make profits by acquiring a big market share of their boistering economy. Multinationals make decisions to invest based on two major factors; “the internal rate of return expected from the project is higher than the rate from all other alternatives and the expected rate of return exceeds the minimum rate required by the firm for investment projects belonging to a similar risk class.” (Agmon and Hirsch, 1979, P. 32) The host country receives benefits such
as high growth rates in industries, promotion of skills, declination in unemployment and boosted innovation (Abala, 2014).

The true intentions of MNCs were challenged as developing economies viewed the governing powers of MNC states as imperialists who explored and exploited resources. Their theories were conceived to civilize the inferior and legitimize their conquests. Colonial powers brought their legal, educational and administrative systems which were eventually inculcated into the local systems (Boussebaa and Morgan, 2014). Imperialists were the sole beneficiaries of the outputs from those systems. Consequently, they expanded their production facilities and generated many ideas including population control and war. Inevitably, the modern world was influenced through the established international linkages of exploitation.

The nature of global business cannot exist without most if not all imperialist ideologies; which translated to modern international business. On closer examination, the coloniser and colonized units still exist in the world economy (Boussebaa and Morgan, 2014) Subsidiaries established in developing countries have their headquaters in nations that were colonialists such as; Germany, Netherlands, France and the US. These imperial masters continue to acquire benefits such as labor, materials and markets from the developing countries.

Despite the assumed advantage that local firms have over foreign ones; MNCs have invaded foreign markets to generate more revenue than local firms. The success of MNCs in foreign markets; in comparison to their domestic counterparts can be explained by several factors (Pinho, 2007).

Ownership advantage theory refers to a firm’s ability to exploit competitive advantage it owns. This may be connected to resources the firm has including intangible assets. It should be noted that not all assets are internationally transferrable. Firm specific advantages refer to characteristics such as the ability to manufacture differentiated products and accumulated international experience (Pinho, 2007).

Absolute advantage theory argues that a country should produce goods in which it has an absolute advantage over (Morrison, 2009). A country should focus on goods that are cheap to produce and export those; while importing goods that would be expensive to produce. A MNC that participates in this kind of trade would succeed in a
foreign market. The theory of comparative advantage argues that if a country or in this case, a MNC has absolute advantage over multiple products; it would have to analyze the superiority of its capacity in comparison to local industries in the foreign market it has penetrated (Morrison, 2009).

The factor endowment theory argues that MNCs should engage in production and export of products that utilize production factors they have in their disposal; while they import products whose factors of production they lack. This theory further explains comparative advantage by emphasizing cost of production factors. China, a nation with a large labor force will concentrate on labor intensive goods while Netherlands, a country with great capital will concentrate on capital intensive goods (Rugman and Collinson, 2006).

Product life cycle theory focuses on technological innovation and market expansion. Trade patterns are often determined by the market structure and size; while technology influences the creation and development of new products which influence MNCs (Rugman and Collinson, 2006). Network theory argues that MNCs succeed by understanding how relationships and economic variables influence MNC activities. The network theory is generated from the fusion of internationalization, FDI and product life cycle theories. These theories argue that for a MNC to venture into a new market; there must be careful consideration of how social relationships and economic activities jointly affect MNC successful market penetration (Parker, 2005).

Dunning’s eclectic theory argues that FDI is determined by three factors. The accessibility to vital resources that rivals lack, the extent to which the best interest of a firm would be to internalize resources rather than lease or sell them and the complementary attributes that exists between the resources of a firm and those of the host country. These factors can be exemplified through country specific, firm specific and internalization advantages (Madhavaram and Arnett, 2012).

Internationalization theory argues that as MNCs internationalize as they acquire knowledge and experience of foreign markets. Internationalization is a process that occurs in four stages. The first stage firms avoid international markets and exports are not transacted. In the second stage, independent experts are hired to assist the firm in exports and information gathering on foreign markets. Once sufficient knowledge has
been acquired, an overseas subsidiary is set up which leads to the final stage that involves the establishment of a production facility abroad (Parker, 2005).

Resource based theory views the organization as having a competitive advantage based on its’ resources. The theory explains why organizations do not pursue strategies that can draw large profits; but those that suit their resources. A firm will perform excellently where there’s a match between it’s resources and external opportunities (Ekeledo and Sivakumar, 2004).

1.2 Statement of the Problem

Foreign firms have been known to diversify their operations globally and perform better than local firms. The local firms have great advantages over foreign ones such as market knowledge and consumer loyalty; but fail to attain substantial competitive advantage over foreign firms. There’s need to investigate the ownership advantages that foreign firms have over local ones, the firm specific factors that grant local firms an advantage over foreign firms and the factors that influence customer preference as it’s a great determinant of which brand will have more purchases than the other by the consumers.

There are several Fastfoods MNCs that have successful in foreign countries. McDonalds commenced international expansion in 1967 by penetrating Canada. By 2001, there were 20,000 restaurants in about 100 countries; 80 per cent of these were franchises (Vignali, 2001). McDonalds has been known to increase open hours and adapt to the change in tastes of diverse customers. Late night meals were well received by insomniac retirees, clubbing enthusiasts who needed a quick snack before heading home to sleep and workers with late night shifts. To deal with a competitor such as Starbucks, some McDonald outlets introduced stronger and richer types of coffee (Emerald, 2007). The expansion to foreign markets saw McDonalds adapt to legal or custom expectations of different countries. In Malaysia and Singapore, McDonalds was subjected to intense inspection for the Halal certification. In Israel, there were protests to have cheese removed from Big Macs and in India; Big Macs were served with mutton instead of the usual beef (Vignali, 2001). When McDonalds penetrated India, they set prices by adapting to what Nirula, a local fast food chain was charging customers. In Hong Kong, McDonalds was
charging better rates in comparison to local outlets. It was observed that the normal package was less than half the price of a simple noodles meal (Vignali, 2001).

Subway began franchising in 1974. It was originally established by Fred DeLuca in 1965 after loaning $1000 from a friend to start a sandwich shop that would pay for his college tuition. As of 2011, Subway was in 92 countries with 32,893 restaurants (Perrigot, Basset and Cliquet, 2011). Subway penetrated the Kenyan market in 2013 by opening the first outlet at Junction Mall, then it expanded with more branches to Limuru road near Shell, Thika road mall and Kenyatta Avenue in the Central business district (Ombaka, 2014).

These fastfood MNCs have succeeded in comparison to local outlets that have been dominant in the local market. There are several strategies utilized by these firms while penetrating markets. Exporting is the best way to gain experiential knowledge of the foreign market and its cost effective when expanding sales to achieve economies of scale. Licensing is also a low cost strategy and doesn’t require commitment of resources in the targeted country (Melahi, Frynas and Finlay, 2005). International franchising is a quick entry mode into a new market which requires moderated costs in resource commitments. Wholly owned ventures or Greenfield strategy have the advantage of maintaining control abroad as foreign subsidiaries have a strong link with the main firm. Mergers and acquisitions option enables control of operations abroad due to the high experiential knowledge of foreign markets; which is greatly supported by strong relationships established with suppliers and government officials in that country. KFC Kenya established its presence in Kenya through Franchising.

The modern world has a surge of multinationals penetrating domestic markets. In Kenya, Galito’s and KFC established their operations as part of their strategy for global expansion. Kenya has been the gateway of the East Africa market, making it a great source of revenue generation for investors. KFC was established by colonel Sanders at the age of 66, as he travelled across the US selling chicken and negotiating franchising deals. In 1964, Sanders sold his business to a group of investors for $200 million. At the time, the business had expanded to 600 outlets. In 1969, KFC was first listed in the New York Stock exchange and Sanders bought the first 100 shares. He died in 1980. In 1986, PepsiCo bought KFC for $840 million. KFC expanded to 82 countries, serving over a million customers annually. It revised it’s advertising strategy
and launched home delivery services. While expanding abroad, KFC faced challenges; which included the rejection of Kraft macaroni and cheese in China; which were products of high consumption in the US. Other challenges faced in China included the translation of Kentucky Fried Chicken into Chinese; which was eat your fingers off. This issue was later solved and in 1994 KFC opened its’ 9000th restaurant in Shanghai (Dana, 1999).

On December 1st 2014, it was reported that KFC opened its first drive thru at Mombasa road; in Nairobi Kenya. This came after other foreign fast food chains such as Domino’s and Naked Pizza expanded to the Kenyan market. The disposal income of the middle-income earners was on the rise, making it a viable market for mass purchase of products from international firms. KFC has 10 outlets in Kenya which are at; Garden City, Woodvale Grove Westalands, Kimathi street, Junction Mall Ngong road and CBD (Wainaina, 2014).

Galito’s was opened in 1996 in the Mpumalanga city of Nelspruit. By Mid 2002, 8 more restaurants were opened. In 2003, Galito’s expanded throughout South Africa opening in Limpopo, Gauteng and Kwa-Zulu Natal. The restaurant expanded operations to Kenya, Ghana, Zambia and Swaziland to mention a few. In 2006, Galito’s successfully spread to Kenya and Ghana; and Zambia in 2009. The restaurant was quite successful in Zambia, that 3 more outlets were opened immediately after; which also resulted in the opening of a branch in the neighbouring country of Malawi. In 2010, Galito’s expanded globally by opening in Toronto Canada. Canadians responded well and in the same year, two more restaurants were opened. In 2012, Galito’s finally got access to the markets of Lesotho, Swaziland and DRC. A Mozambique outlet was opened in 2013; and in 2014 there was the signing of a multi billion dollar franchising agreement with Tablez Food Company to develop Galito’s brand across Sri Lanka, India and the Middle East (Galito's, 2015).

The Kenyan market is diverse with multicultural characteristics exhibited by both the younger and older generation. Older consumers focus on healthy options often presented by traditional foods; while the younger consumers prefer non-traditional foods that are junk. The fastfood outlets promote their brands aggressively through mass media. The younger consumers are highly impressionable and their association to a high ranking brand as its consumer; makes them popular and highly respected in
their social circles. Global products are associated with progress, modernity and consumerism (Tanzil & Chan, 2010). Peer influence plays a distinct role as young people are eager to try out what their age mates are consuming from many sectors including the fast food industry. This factor contributes to the vast loyalty local fast foods receive from younger Kenyan consumers. International brands strategize in acquiring advantage over local firms by tailoring their products to suit local preference. In Kenya, KFC introduced Ugali in its menu; while in Nigeria, Domino’s pizza adapted Jollof rice, which is a West African staple food; and Suya a local spicy meat delicacy (Veselinovic, 2015).

1.3 General Objective

The general objective of the study was to assess customer perspectives of factors that have influenced the success of a MNC in the Kenyan Fast Food Industry. A comparative study of KFC vis-à-vis Galito’s.

1.4 Specific Objective

The study addresses the following research specific objectives:

1.4.1 To assess the ownership advantage of KFC over Galito’s.

1.4.2 To identify firm specific factors of Galito’s that are a potential hindrance to KFC’s success.

1.4.3 To analyze customer preference of KFC products vis-à-vis Galito’s.

1.5 Importance of the Study

1.5.1 KFC

As a new venture in Kenya, KFC will benefit by learning more about the consumers; their eating habits or preferences. The organization will also benefit from information gathered about its main competitor.

1.5.2 Galito’s

Galito’s has been existent in the market for more than 10 years. There’s need for the organization to formulate new strategies as fierce competition has penetrated the
market. The organization can utilize the information gathered to benchmark it’s service and maintain an edge in the market.

1.5.3 Multinationals

International organizations will utilize the study as a point of reference; for those that are planning to tap the Kenyan market. They will want to monitor the impact of the internal and external environments on the foreign firm; and measures undertaken by the firm for market acquisition and growth.

1.5.4 Government

As multinationals are setting their sights on Kenya; it’s critical that the government is aware of the indicators that either attract or dispel foreign investments. The study was key in revealing to the government how foreign firms enter the market and engage the environment to generate profits. This information will assist in creating investment friendly policies that will lead to great economic performance.

1.5.5 Consumers

People are not only interested in consuming products; but identifying the characteristics of the companies involved in the production of the products. Consumers are interested in learning about the firm; from the time of market entry, growth and possibly dominance, if that organization attains such a high performance.

1.5.6 Academicians and researchers

The study will benefit future stakeholders in these two fields; those who are interested in the field of international business especially in Kenya. Companies that wasted no time in investing in the booming economy; will offer good case studies for these stakeholders. This study aims to offer information on the revival of international business in Kenya.

1.6 Scope of the Study
The scope of the study captured the population at KFC and Galito’s outlets at Garden City mall. This presented a limitation on the rich or diverse findings that could have been captured; if the study considered more outlets within Nairobi. It took the researcher 1 week to collect data due to time constraints. Majority of the respondents were only available at lunch time and in the evening hours. The researcher selected Galito’s as a representative of local fast food outlets as it had operated in the Kenyan market for more than 10 years. KFC was selected as a representative of a successful MNC in the market; although it has operated in the market for only 1 year. The selection of the outlets at Garden City mall proved to be cost and time effective as they were situated at a convenient location.

1.7 Definition Of Terms

1.7.1 MNC

The MNC is “a business organization whose activities are located in more than two countries and is the organizational form that defines foreign Direct investment.” (Baltes, 2001, p.1)

1.7.2 Fast Food Outlets

Fast food outlets are also known as quick service restaurants specializing in serving meals such as chicken, chips, softdrinks and hamburgers (Wainaina, 2014).

1.7.3 Ownership Advantages

Ownership advantages refer to the advantages a firm possess to investing abroad (Pinho, 2007).

1.7.4 Firm Specific Advantages

Firm specific advantages are assets that create competitive advantage for a firm as it penetrates international markets (Hawawini, et al., 2005).

1.7.5 Customer Preferences

Customer preferences are the “positive motivation, expressed by the affective compatibility towards a product, service or trading form” (Voicu, 2013, p. 2).
1.8 Chapter Summary

The chapter briefly highlights business and the history of international business. The aspect of international business and the criteria that these MNCs assess when selecting a host nation. The firm of study selected is KFC and the assessment goes into reviewing the different entry modes firms select when penetrating markets in the developing world. Chapter two looks into literature that analyzes the ownership advantage that KFC has over Galito’s, the firm specific characteristics of Galito’s that would be a hindrance to KFC and the customer analysis of KFC products in comparison to Galito’s. Chapter three constitutes research methodologies that were utilized in acquiring data from Kenyan consumers; concerning their evaluation of both Galito’s and KFC. Chapter four features analysis of data collected while chapter five includes discussions, conclusions and recommendations concerning Galito’s and KFC.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The chapter begins by briefly introducing the Kenyan fast food consumers and proceeds to a detailed analysis of theories of internationalization. A detailed analysis of literature of the three specific objectives follows which leads to the chapter summary. The literature extensively reviews ownership advantages that make foreign firms successful, the firm specific locational advantages of local firms that could be detrimental to the success of foreign firms and the factors that influence customer preferences.

2.2. The Ownership Advantages MNCs have over Local Firms

2.2.1 OLI Paradigm

The OLI paradigm has its foundation in economic theory. John Dunning mentioned economists like Vernon, Hymer and Caves as he was creating the Eclectic paradigm. They specialized in international corporations; and influenced his study (Vahlne & Johanson, 2013). The eclectic paradigm was developed by Dunning in publications released in 1980, 1981, 1988 and 1992. The paradigm explains Foreign Direct Investment. MNEs develop competitive advantages at home before taking them to foreign countries based on location advantages. The transfer of advantages abroad grants an opportunity for the MNEs to internalize the Ownership advantages (Alan, 2010).

The Dunning eclectic theory is said to explain “the extent, form and pattern of international production and is founded on the juxtaposition of the ownership advantages of firms contemplating foreign production..” (Whitelock, 2002, p.4). The
paradigm emphasizes that firms look at a combination of transactional costs, location and monopolistic competition before selecting a foreign production destination. The term ‘eclectic’ is a combination of industrial organization theory, transaction cost theory and internalization theory (Letto-Gillies, 2007).

Dunning’s eclectic theory argues that FDI is determined by three factors. The accessibility to vital resources that rivals lack, the extent to which the best interest of a firm would be to internalize resources rather than lease or sell them and the complementary attributes that exists between the resources of a firm and those of the host country. These factors can be exemplified through country specific, firm specific and internalization advantages (Arnett & Madhavara, 2012). The paradigm focuses on ownership, location and internalization advantages hence the term OLI framework.

2.2.2 Ownership Advantages

Ownership specific advantages refer to attributes such as capital or manpower. It’s important to note that intangible assets such as marketing or managerial skills are also considered. Location specific advantages refer to attributes drawn from the social-political economic and culture environment in which MNCs invest (Shenkar, 2007). The theory has been criticized for not comprehensively capturing the needs of the firm and its environment. There’s great need to reorganize the ‘ownership advantages’ and give a detailed analysis of firm specific advantages and the critical role of an entrepreneur (Lopes, 2010).

Some theorists have set out to expound on the eclectic paradigm, making additions that to them would expound on characteristics of the modern multinational firm. Economic and organizational theories are adapted into the paradigm (Guisinger, 2001). Economic theory explains how firms have adjusted to international environments; while organisational theory justifies the diverse organisational forms necessary to deal with environmental variations. The paradigm expanded from OLI to OLMA. Ownership, Location, Mode of entry and geovalent adjustment. The ‘A’ added to the paradigm is meant to reflect the principal areas that determine multinational achievements. The principal areas are intellectual property ownership, mode of entry, location of firm activities and adaptability of firm processes to the international
environment. These factors comprise the environmental factors that affect a firm; for example exchange rates and culture. Geovalent factors are not always mobile; and they have two main characteristics. They can be measured on how they vary over space or time and have a great influence of firm performance (Guisinger, 2001).

Ownership specific advantages can further be classified as resource endowments that generate income streaming. They are the exclusive resources of a firm. They include Ricardian-type factor endowments such as capital and manpower; also known as tangible assets. Intangible assets include factors such as knowledge, entrepreneurial skills and access to final goods market. Intangible assets may also include factors such as cultural and legal environments which are suitable for the implementation of endowments. Some ownership advantages are transferrable across borders. They are three types of ownership advantages (Tolentino, 2001).

First, there those advantages a firm may have over other firms that are engaging in production within the same geographical environment. This demonstrates the capabilities a firm possess over foreign firms; and they could be sold to other firms. Second, those that an extension of a national firm may have over an existing firm creating a new product; which brings the concept of advantages of multiple plant firms and co-ownership (Dunning, 2000). The third type of ownership advantage stems from different environments which enable MNCs to focus on different market and factor endowment situations and changes in different environments. The second and third types of ownership advantages can only be realized through horizontal or vertical integration or common ownership of variables along a value-added chain (Tolentino, 2001).

Criticism of the paradigm arises when theorists try to assess whether ownership advantages are exogenous or endogenous factors. The big question lies in whether the ownership advantages are endogenous to MNCs or theories of international production or exogenous to the firm or MNC in internalisation theory (Tolentino, 2001). In addition, the paradigm doesn’t give analysis on the internationalization of firms from emerging economies (Gulsoy, Ozkan, & Lynch, 2012).
The changing characteristics of Ownership advantages have been exhibited in the last two decades as markets have become more liberal and as wealth creation activities have become knowledge intensive. In the 1970s, competitive advantage was drawn from firms that are able to produce and match assets with existing consumer needs. At the end of the 1990s, that changed to the firm’s abilities to access and organize knowledge intensive assets and to merge these with not only their competitive advantages but those of other firms engaging in complementary activities. The importance of “O” advantages vary between MNCs and are country and industry specific (Kaya & Erden, 2008).

2.2.2.1 Brand Image

Whenever brands are recognized globally, they nurture a consumer base exuding loyalty. The firm is forced to maintain consistent brand images that will develop brand equity in the long run. The strength of the brand greatly determines the success of market expansion or growth. It has been noted that consumers globally make purchases for different reasons; one of which being cultural. Marketers are tasked with connecting strategies of brand image to the cultural characteristics of consumers. Due to years of experience, MNCs have managed to influence brand image perception by considering key factors such as economic development, consumption values and differences in a country (Park and Rabolt, 2009).

2.2.2.2 Technological capabilities

In a research done on US fast foods that have franchised in Korea, there was an indication that foreign outlets though facing challenges; succeeded in the market in comparison to local outlets as consumers attach ‘superiority’ to foreign brands. To maintain quality service and food preparation, both Indonesian and Korean based US fast food franchises have been known to utilize interactive computer training programs from their franchisors. While indonesians rated KFC as one of the leading foreign franchises; Koreans had a high preference for Baskin Robbins and Starbucks. KFC was successful in Korea as it adapted to local tastes by serving chicken with rice; a staple food in Asia (Tanzil & Chan, 2010).

2.2.2.3 Bargaining power
The bargaining power of MNCs is often determined by size of the firm, product diversification, technological and managerial complexities which make it difficult for host governments to decipher and exploit. “MNCs with high advertising intensity are viewed to be less vulnerable to host government interventions also because brand loyalty and unique marketing techniques, due to their intangible nature, cannot be easily be digested or subjected to host government intervention.” (Moon & Lado, 2000, p.11)

MNCs contribute to the development of emerging economies by transferring skills, technology, providing access to export markets and offering services and goods better than those of local producers. On the other hand, the presence of foreign firms may inhibit economic advancement by locking the host countries in low value added activities and stifling the growth of local investments and jobs. The competitive strategies utilized by MNCs may create consumption patterns unsuitable for host countries and reduce consumer welfare; as the firms possess strong bargaining power. MNCs have been known to acquire privileges from the government that local firms can’t easily acquire by exercising that power (Rugraff & Hansen, 2011).

2.2.2.4 Operational expertise

Multinationals have an advantage of global operation before venturing to any new markets. MNCs have been known to hire local personnel who assist in the production processes of a firm and expatriates who gather market information before foreign expansion. KFC introduced a high standard of customer service once it opened in Beijing. This was a new concept in China after years of communism. KFC focused on expansion in smaller cities in comparison to McDonalds which focused on bigger cities. To maintain the opening rate, KFC required at least 1,000 managers and 30,000 crew members. The employees were trained on team work and people skills; and most products were bought locally to maintain the great relationship with the Chinese government (Bell & Shelman, 2011). In the second quarter of 2005, KFC China had a 30% drop in profit which resulted from the revelation that a cancer causing colorant in one of their sauces. The latest incidences of contaminated livestock feed contributed to the public’s distrust towards food substances (Bell & Shelman, 2011).

2.2.2.5 Unlimited financial resources
Firms with international operations have acquired financial power throughout the years which assist them in acquiring Intellectual property rights, creating advertisements, hiring strategic distribution channels, exercising bargaining power while negotiating with local governments and streamlining operations that lead to revenue generation. In 1997, a complex logistics network was created to facilitate the rapid introduction of new and complex menus; which saw the company building its own warehouses and hiring trucks. The above strategies allowed KFC to become the largest restaurant operating in China, acquiring a 40% market share; with McDonalds share at 16%. The restaurant has adapted to consumer needs throughout China. Congee, a popular rice porridge was offered by KFC and became the most popular meal at breakfast. When Shanghai customers complained that meals were too hot and those from Hunan and Sichuan said the meals were bland; KFC made the necessary adjustments to meet regional tastes. After there was a great public concern about the health risks associated with junk foods, the company introduced “new fast foods.” Hostesses, who welcome customers to the restaurants, teach children on nutrition at their play areas, the nutrition information is printed on each package and children meals come with vegetables and Fruits. These efforts paid off as sales in most KFC outlets rose to 16% in the first half of 2011; while the US outlets experienced a decline of 2%. For those six months; the margins of the restaurant was 22%; which was 10% higher than US margins which were at 11% (Bell & Shelman, 2011).

2.2.2.6 Advertisement strategies

MNCs have been known to generate marketing strategies that promote the brand on sale. Diverse markets are subjected to different strategies. Marketing knowledge is defined as the skills and intelligence that exist within companies concerning the distribution channels and brand management. MNCs have accumulated knowledge and intellectual property over the years that can be traded. Distribution networks that are owned by the firm are contribute to the competitive advantage that MNCs have over local companies (Lopes, 2010). MNCs have to select between the standardized and non-standardized approaches to advertising. The standardized approach focuses on a single advertisement that is disseminated to consumers all over the globe; while a non standardized approach focuses on different advertisements for different
consumers. The advantages of the standardized approach is that it reduces confusion on consumers who travel frequently, maintain a consistent international image among consumers and reduce production costs that are attached to the frequent generation of new materials. The non-standardized approach considers that consumers don’t necessarily have similar purchase intentions, preferences or purchase power; and that legal and cultural regulations of a market highly influence an advert. All these attributes vary from one region to another (Papavassiliou & Stathakopoulos, 1999).

2.2.2.7 Product diversification

MNCs have utilized product diversification to maximize on profit generation. The diversification targets new consumer trends or preference in diverse markets. These global firms have an advantage over local firms in diversification, because of the labour and capital intensity required; is affordable to them (Sambharya, 1995). “Another firm level characteristic studied was the product diversity of an MNC subsidiary. Fagre and Wells (1982) found a relationship that the number of product lines of a subsidiary was positively associated with the level of the subsidiary. Further, they observed that MNCs tend to make a deliberate corporate level strategic choice along the continuum of creating one subsidiary producing many products on the one end, and establishing several subsidiaries, and each of which produces only a few products within a host country, on the other end. Importantly, this difference in product-subsidiary combination strategies was systematically associated with different levels of ownership in each subsidiary. Specifically, MNCs tended to have higher ownership positions in multi-product subsidiaries than in single-product subsidiaries.” (Moon & Lado, 2000 p. 13). This creates a greater advantage for MNCs in comparison to local firms.

2.3 Firm Specific and Locational advantages of Local firms competing with MNCs

While MNCs might have some advantage in trading and expanding in international markets; local firms seem to have an even greater advantage as they possess experience and other advantages that might grant them a competitive advantage over foreign firms.
2.3.1 Firm Specific Factors

Firm specific advantages have also been termed as competitive advantages or monopolistic advantages. The influence of these advantages is dependent on whether the subsidiary is located in a more developed or less developed country; in comparison to the country of origin. Firm specific advantages have a direct control over competitive advantages that are a result of the resource based view. These advantages are said to be unique, valuable and non-tradeable (Hawawini, et al., 2005). They also cannot be easily imitated or substituted and can be divided into tangible and intangible assets. Tangible assets can be factors such as labour, land, capital, market share, patents and license; while intangible assets can be buyer-supplier relationships, market experience, technological capabilities, prestige and reputation (Phua, 2006).

2.3.1.1 Products and Services

Differentiation of products can occur in multiple ways, but MNCs sometimes apply advertising to create positive marketing promotions. MNCs that have higher advertising capabilities tend to utilize higher equity modes. Brand image is difficult to protect whenever the MNC doesn’t own the subsidiary. In the past, developing countries MNCs have had marketing and financial limitations that have made it difficult for these firms to compete fairly in industries whose dominance are developed country MNCs (Erramilli, et al., 1997). Capital Intensity refers to a firm’s ability to utilize labor intensive technology and low capital to create competitive advantage. This is especially the case for third world MNCs. However, countries that have recently industrialized; for example Korea, don’t always exhibit characteristics of labor intensive production that’s small scale. These countries achieve production that’s low cost by mass manufacture of standardized products. Large capital investments are required for such a strategy; as it requires modern facilities in large scale (Erramilli, et al., 1997).

2.3.1.2 Knowledge

Different FSAs have different results on other types of firms. In another study conducted on Swedish local firms, market experience and knowledge were important
in dealing with international competition. The role of the entrepreneur and the company strategy adopted by them was found to be indirect. The role of the entrepreneur in production development was to establish competitive advantage among competitors which may lead to foreign market demand of the product. Networks were also found to have a direct or indirect impact on the performance of firms. A firm can utilize its’ partners networks to access and maintain markets; and materials from suppliers making it possible to manufacture quality products creating a competitive edge (Wang & Wu, 2009).

2.3.1.3 First mover advantage

Network externalities, scale effects and buyer-switching costs are some of the theories that explain first mover advantage. The scale effects states that early market entrants will trigger effects that will promote cost advantages for the consumer and profits for the organization. This is because larger units are produced at a cheaper cost; which in turn generate revenue. Network externalities are created in the context of a “firstmover product which creates a large network with positive network externalities for a product” (Green, Karan, & Rasmussen, 2004 p. 16) the demand becomes very high for other entrants’ products. A case in point is the telecommunication industry. Vodafone started giving away free cellular phones once customers subscribed. This generated more revenue for the company. Buyer switching costs refer to the costs a customer incurs while switching from one brand to another. This happens as the consumer is adapting to changes of the new product; for example, a consumer has to adjust to the software changes that come with the purchase of a new product eg a new printer or iphone (Green, Karan, & Rasmussen, 2004).

2.3.1.4 Experience

The competitive advantage of a firm can be attributed to the experience it has from a market. Firms that have been in the market have an advantage over new entrant. The experienced firms have sufficient knowledge that grants them an edge in strategies such as product differentiation. Experience assist in securing strategic relationships which assists in multiple success elements including cost reduction (Cabral, 1993). In a study conducted on US internet firms, the firm specific advantages that promoted
the performance of these firms were intangible in nature. They included web traffic, firm size and reputation; which were attached to the experience of the firms in their markets (Kotha, Rindova, & Rothaermel, 2001). The other main specific advantage especially for born global firms; is the entrepreneur. An employee possessing entrepreneurial skills can identify expansion opportunities and strategies for the firm (Wang & Wu, 2009).

2.3.1.5 Supply Chain

The optimization of the supply chain is important in creating efficiency for any business. Logistics, manufacturing and distribution offer critical support that must be well managed for profit optimization. The losses that emanate from poor management forces MNCs to participate in upstream and downstream levels of the supply chain. They have acquired the knowledge and capital of dealing with the chain over time; in comparison to the local competitors. This grants them an advantage especially when penetrating new markets that have established local traders. Chinese E-commerce firms have been known to be very effective in managing supply chain which has granted them comparative advantage. Some firms do delivery on the same day and there’s record of an online Beijing bookseller delivers books within the hour of order. This kind of effectiveness would generate advantages for any business (CKGSB, 2011).

2.3.2 Locational factors

Locational advantages deal with natural resources, labor force, market size and environmental forces that influence the performance of firms. Transaction ownership advantages have been known to assist firms in maximizing on benefits while minimizing on costs. These advantages include the ability to coordinate valuables that are geographically dispersed and exclusivity in the access of inputs and information concerning products (Lopes, 2010).

Locational advantages are concerned with “where” production will take place. “The advantages or disadvantages of particular locations are treated separately from the ownership advantages of particular enterprises, and while the market for these advantages are internalized; the decision on where to site a mine, factory or office, is
not independent of the ownership of these assets nor of the route by which they or their rights are transacted.” (Dunning, 1988, p.4). Different kinds of market imperfections have been known to influence locational advantages of firms. Government regulations may affect revenues associated with production in different locations of country; which influences the geographical expansion of different firms (Dunning, 1988).

Table 2.1 Locational Advantages

<table>
<thead>
<tr>
<th>Element</th>
<th>Examples of attributes defining each element.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Econography</td>
<td>Climate, infrastructure, physical size</td>
</tr>
<tr>
<td>Culture</td>
<td>Values, attitudes, beliefs</td>
</tr>
<tr>
<td>Legal systems</td>
<td>Common, civil, religious law</td>
</tr>
<tr>
<td>Income profile</td>
<td>GNP per capita, Growth of GNP, income inequality</td>
</tr>
<tr>
<td>Political risk</td>
<td>Corruption, government instability, bureaucratic instability</td>
</tr>
<tr>
<td>Tax systems</td>
<td>Effective tax rate for multinational firms</td>
</tr>
<tr>
<td>Exchange rates</td>
<td>Exchange rate variability; exchange rate over or under valuation</td>
</tr>
<tr>
<td>Government restrictions</td>
<td>Tariffs, Quotas</td>
</tr>
</tbody>
</table>

Source: Guisinger (2001)

Foreign firms are used to market researchers who can provide reliable information on customer needs. Local firms are at an advantage because as these new players utilize their time and finances in this; local firms have sufficient knowledge through years of experience (Khanna & Palepu, 2006). In 2008, the Harvard business review released findings on a research that focused on how local firms were winning over multinationals in developing economies such as; Brazil, India, Malaysia, China, Mexico, Russia, Malaysia and Slovakia. Most local companies know consumer preference by age, income level, gender, and region and city (Bhattacharya & Michael, 2008).

2.3.2.2 Suppliers and Culture

International firms are used to structured supply chain models and this disadvantages them when they settle in new markets, particularly those that are underdeveloped. Local firms have built strong strategic relationships that are impregnable from competitors. Local firms have an early adaptation to cultural attributes of a market.
than foreign firms do. The process of that adaptation costs money and time for MNCs; as they adapt to the variation of culture from different regions. This grants local firms an advantage over foreign firms. Some of the cultural attributes firms deal with include: management style, language, religion, taste preferences, gender discrimination, education, personalities and skills (Filippouli, 2014).

2.3.2.3 Technological

Companies complain of the expensive rates to make calls and the unreliable coverage through internet connections. To deal with poor infrastructure, most foreign firms have not only been forced to repair the roads close to their operating base but also dig wells. This is a costly engagement for most firms; an example being that of a South African firm in the fastfood industry filtering its own water at costs ranging from $4,000 to $5,000 monthly (Hudson, 2007).

2.3.2.4 Political and Legal.

In the new Kenyan constitution, authority and funding had been granted to the 47 counties. This is meant to create stable grounds for business investments and monitor corruption issues as each local government is held accountable for the resources delegated to them. Kenya’s regulations have encouraged FDI through the “2010 Constitution of Kenya, the Companies Ordinance, the 2013 Private Public Partnership Act and the Foreign Investment Protection Act. GOK membership of the World bank’s Multilateral Investment Guarantee Agency (MIGA) provides an opportunity to insure against non-commercial risk” (State, 2015, p.7). Foreign ownership in several industries is allowed by only certain percentages. Insurance 66.7%, Stock market 75%, shipping 49%, mining 65% and fisheries 49% (Mehdin, 2015).

Taxes for foreign firms are higher than those of local firms. Non-resident companies pay 37.5%, while local companies; without consideration of ownership or sector, pay 30% VAT. Exports are not taxed. In a study that was conducted in 2007 by the World Bank and International Finance Corporation (IFC), ranking was done on countries and the ease of doing business in them. In Kenya, foreign firms are subjected to the standards as illustrated by appendix 2.

In 2015, KFC and Pizza Hut were forced to close down business in Nepal due to issues with labor unions. Nepal is a landlocked country lacking a railway system. The
dependence on air and land makes transportation costs expensive. Local firms form their own transportation networks making it difficult for foreign firms to transport their goods. Other factors that make Nepal an unfavorable destination for investment is the absence of a monetary policy and the nationalization of private firms due to the belief that capitalism is meant to only favor international investments only. This erroneous belief was propagated through the communist system (Rijal, 2015).

2.4 Factors that Influence Customer Preferences

It is argued that customer satisfaction leads to customer loyalty. Customer satisfaction is the level of contentment consumers have towards a product. Contentment is often brought about by two major factors; product and service quality. Service quality and product quality have been analyzed through the SERVQUAL formula. It was developed in 1988 to measure the difference between customer expectations and perceptions based on five dimensions. Responsiveness, reliability, empathy, assurance and tangibles (Andaleeb and Conway, 2006).

Responsiveness refers to the willingness of staff to be helpful and respond to arising-needs promptly. Reliability is defined as the ability to perform promised services accurately. Empathy is described by attributes such as convenient locations for the restaurant, convenient hours, well packaged food and utensils availability (Andaleeb and Conway, 2006).

Assurance is covered through factors such as knowledgeable and friendly employees. Tangibles refer to the use of disposal gloves and hair net; seating and parking availability (Prybutok and Qin, 2009).

Regional variation in customer satisfaction is an important factor multinationals in the fast food industry need to consider; when evaluating satisfaction in various global branches. Fast foods restaurants have to improve service excellence by localizing services to the needs of local customers in the specific target market. During a study that was conducted in the US and Korea; it was discovered that the most important attributes of a fast food were service response time, employee courtesy and taste of food. Respondents from the US were asked to analyze fast foods from Wendy’s, Subway and McDonalds. Respondents from Korea were asked to analyze Lotteria, Burger King and McDonalds (Min & Min, 2013).
McDonalds got the highest rating in both Korea and the US. High quality service was a great determinant of customer retention. Half of the US customers’ surveyed (43.7%) and 65.5% of surveyed Korean customers would not return to the same restaurant once the service was disappointing. Korean customers are more concerned with the cleanliness of the restaurant than the US customers. On the other hand, the US customers were more concerned with taste of food than the Koreans (Min & Min, 2013). Other findings indicate that Korean customers value employee courtesy and they are less sensitive to price changes; compared to US customers who are highly sensitive to price changes but don’t value employee courtesy as much.

2.4.3 Brand Image

Fast food brand is defined as restaurants that provide “expedited food service, which offered western pattern diet, established standard operating procedures, and had franchises in multiple states or nationwide” (Tan, Devinaga and Hishamuddin, 2012, p.21). For customers to have a perception towards a brand; brand attitude must have been formed. In a study focusing on peanut butter, over 70% of consumers chose a popular brand. This was despite the fact that the chosen brand was not the one of highest quality in the market. Some of the consumers who chose the popular brand had not even bought or used it before.

Consumers will most likely choose to consume food from a fast food restaurant ‘they have heard of.’ Therefore, brand awareness enhances perceived quality; which cannot be achieved unless there’s lots of advertising by the firm. Another major benefit is competitive advantage that’s sustainable; which leads to long term value. In addition, brand awareness creates the brand image which captures a customer’s mind; acting as a barrier to market entry by other unestablished brands. Consumers are assured of the quality of products and loyalty from intermediaries secured (McDonald and Sharp, 2013).

McDonalds has been known to utilize online branding to reinforce consumer relationships and brand awareness. In the UK for example, the McDonalds website offers information on the community service engagements the company is involved in. The website contains information on RMCC (Ronald McDonald Children’s Charities) which provides fundraising and accommodation for children with special needs. There’s a special offer of “recovery cards” targeting students. There also the
message that focuses on welfare of animals; stating that “the welfare of our chickens is always a priority”. This is due to the fact that the organization received the Good Egg Award. The award is from the British Free Range Egg Producer’s Association; which recognized McDonalds for using free range eggs in their breakfast menu (Rowley, 2004).

2.4.4 Corporate Social Responsibility

CSR evolves on the idea that any businesses are always held socially and ethically responsible by various stakeholders such as the media, customers, Government and others. The US food industry for example is constantly under massive scrutiny because it plays a vital role in daily human sustenance and millions of dollars are accumulated as a result (Brown and Maloni, 2006). CSR however, has not been successful as it should be because it indirectly sets businesses against society and makes businesses not focus on CSR strategically. Instead, CSR is handled generically (Porter and Kramer, 2006).

Companies were forced to embrace CSR when the public got concerned on issues the companies didn’t rate as important. In the 1990s, NIKE faced consumer backlash after media outlets revealed that there were issues of labor abuse by some Indonesian suppliers. There were great debates on CSR in the early 2000s on issues such as global warming and labor rights. In the UK, at that time, there was a legislation formulated to force companies to disclose any social, ethical or environmental risks (Porter and Kramer, 2006).

According to Schroder and McEachern 2005, KFC focuses CSR in the United States and concentrates on animal welfare. A study was done in an English and Scottish university, in 2005, targeting fast food consumers in the UK; whose ages range between 17 to 25 years. The study revealed that most consumers bought food from McDonalds, followed by KFC. 57% of buyers bought on impulse; while the rest, 26%, bought routinely. More consumers were aware of McDonalds CSR activities than KFC’s. When the two companies came up with a healthy option, 44 percent believed the option was ‘fake’. In order of priority, according to percentage, consumers expect fastfood restaurants to focus on healthy eating initiatives (82%), animal welfare (73%) and Community activities (69%).
Consumers are also skeptical on how truthful fastfood restaurants are on information concerning their products (Schroder and McEachern, 2005). In a study conducted among university students in the UK; who were fast food consumers; only 18 % believed that burgers by McDonalds were made of 100 % beef and 15 % believed that KFC used premium chicken pieces only (Choi and La, 2013).

2.4.5 Ethnocentricism

This is the belief among consumers that buying foreign products is unpatriotic or unethical towards one’s country. This is due to the economic implications that this would cause; including unemployment (Klein, Ettenson and Krishnan, 2006). Other factors such as brand name, price and country of origin influence a consumers’ perception towards a product (Morris, Ettenson and Klein, 1998). Consumer ethnocentric tendencies reflect the beliefs of consumers on how appropriate it is to purchase foreign products. There are times, the ethnocentrism levels are high following a negative political or social economic event. After the 2001 terrorist attacks in the United States; some consumers may have avoided Halal certified products or those associated with islamic states (Knight, 1999).

The CETSCALE (Consumer Ethnocentric Tendencies Scale) which was developed in 1987 by Sharma and Shimp is used to measure consumer ethnocentrism. It originally consisted of 17 measuring variables; which were utilized in identifying consumer attitudes towards foreign and domestic products (Watson and Wright, 2000). The scale was found to be reliable and valid after utilization in the United States. Studies proved that there was purchase of goods that had similar characteristics to the country. The scale was then tested in other countries. Researchers in those countries were asked to be accurate in the translation and application of the scale’s psychometric properties (Kara and Kaynak, 2002). However, the scale was prone to the following weaknesses; personal characteristics of foreign consumers and the influence cultural or national factors have on consumers.

The solution is obtained by having the CETSCALE tailored to each country’s cultural characteristics. Intense ethnic and cultural identity; which are unique from one country to another; have a great influence on the CETSCALE. In a study conducted in Russia and China, there were modification made to the scale based on “substantive and statistical criteria.” In this case, the study was reduced to six variables. Any deleted
variables were carefully selected to ensure their omission doesn’t disrupt any constructive meaning (Klein, Ettenson and Krishnan, 2006).

In the study of Russia and China, it was proven that China consumers had characteristics of other consumers in developed economies. The Chinese viewed domestic goods as inferior to imported goods. The results of study from the two countries prove that the CETSCALE is applicable where consumers are not nationalistic in the judgements of their products. The study also demonstrated that the six-item version has more international applicability than the ten-item version (Klein, Ettenson and Krishnan, 2006).

2.4.6 Country of Origin

This concept was first used by Nagashima. He defined the image associated with country-of-origin as “the picture, the reputation, the stereotype that businessmen and consumers attach to products of a specific country. This image is created by such variables as representative products, national characteristics, economic and political background, history and traditions.” (Knight, 1999, P. 9). Whenever consumers are making a purchase, they use such information to make decisions. The “made in” labels found on products acts as a significant indicator in product evaluation by consumers (Yasin, Noor and Mohamad, 2007).

The ELM (Elaboration Likelihood model) utilizes concepts such as motivation, time interval, confidence value, predictive value and prior knowledge to analyze consumer behavior through different approaches. The approach is part of the ELM model that was constructed to explain the approaches that influence Country of origin consumer perception (Bloemer, Brijs and Kasper, 2009). The other three approaches described by the ELM model are; the summary construct effect, the product-attribute effect, the halo-effect and the default heuristic effect. The halo effect is described as a weak or indirect when analyzing consumer behavior towards CoO. It was first developed by Fishben and Ajzen in 1975 under the Expectancy Value theory. Consumers under halo effect make their final judgements based on salient beliefs.

The product attribute effect refers to the extrinsic and intrinsic attributes mentioned above. The default heuristic effect is explained as product judgements made by consumers are based on CoO and additional product information. In the summary
construct effect, consumers don’t consider additional information concerning the product as they have already made their product judgements based on CoO (Bloemer, Brijs and Kasper, 2009).

In studies conducted in the 1980s and 1990s; it was concluded that consumers tend to favor goods from their own country; but will favor a foreign product of a lower price. Attitudes towards certain products vary from one country to another; for example, consumers would favorably rate Italian shoes in comparison to Italian electronics. The underlying factor is that there’s a global assumption that Japan is the best producer of electronics. Therefore, consumers would rate Japan highly in consumer electronic; but low in designer shoes, opting for Italian manufactured shoes (Knight, 1999).

2.5 Chapter Summary

Chapter two briefly introduced the Kenyan fastfood consumers and proceeded to discuss internationalization theories. There was extensive analysis on ownership advantages of foreign firms, firm specific advantages of local firms that are a potential hindrance to the success of foreign firms and factors that influence customer preference. The next chapter discusses research methodology utilized in data collection. Chapter four provides details on data analysis done through Statistical Programming for Social Science (SPSS) and chapter five features the discussions, conclusions and recommendations.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the procedures and methodology that were used for the collection and analysis of surveyed data. It describes the research design, sample, sample size and sampling procedures. The chapter also describes the data collection methods, research procedures and the instrument techniques that were used. Once data was collected from the sample population, it was analyzed through SPSS Software (Statistical Programming for Social Science).

3.2 Research Design

The research design adopted for the study was a survey. A survey design seeks to determine the current state of a group of people; using certain variables utilized in creation of a certain instrument (Mugenda and Mugenda, 2003). The study intended to draw a comparison between foreign owned fast foods outlets and locally owned fast foods outlets. It was intended that the design would collect the relevant data that could
be taken to be representative of the basic characteristics of the target population; which were the foreign and locally owned fast foods. The study focused on the ownership advantages of foreign-owned fast foods outlets, firm specific factors of locally owned fast food outlets and the factors that influence customer preference.

3.3 Population and Sampling Design

3.3.1 Population

Population is the collection of units on which inferences are made (Saunders, Lewis & Thornbill, 2007). According to Mugenda and Mugenda 2003, a population is the collection of objects, events or individuals with common characteristics that can be observed. The study focused on the customers that were streaming in KFC’s and Galito’s outlet at Garden city mall. The population exhibited diverse traits on the demographics, preference and opinions on the fastfood outlets.

However, while the population diversity was rich, it was difficult to capture a large group of respondents at a time. The respondent took a lot of time to have the 100 questionnaires disseminated and collected.

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

A sampling frame refers to the units from which a frame is derived. The frame was derived from the fast food outlets that are at Garden City Mall. The frame captured respondents who had an interest in Galito’s and KFC’s outlets. The frame was selected under the following considerations; time and money constraints, the nature of analysis, number of variables and samples selected. The selection of the sample size was thoroughly done to ensure efficient data collection and analysis.

3.3.2.2 Sampling Technique

This is the method of selecting the elements that will represent the population under study. The sample will be a group from the population representing the population (Cooper and Schindler, 2008). Stratified random sampling technique is the technique that was adopted for this study. It’s a cheap technique and advantageous as it increases the statistical efficiency of samples as well as enabling different research methods and
procedures in various clusters. The study worked with a sample population of customers streaming into KFC’s and Galito’s outlet at Garden City Mall.

3.3.2.3 Sample Size

A sample size is described as the set of elements from which data is collected. Through the sample size, the researcher was able to have enough resources and time in designing the methods of data collection (Saunders, 2007). 100 questionnaires were distributed to respondents at Garden City Mall. 50 questionnaires were distributed at the KFC outlet; while the other 50 were distributed at the Galito’s outlet.

Table 2.2 Sample size

<table>
<thead>
<tr>
<th>Questionnaires Issued (KFC)</th>
<th>50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaires Issued (Galito’s)</td>
<td>50</td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods

The study utilized primary data which was collected through questionnaires administered to KFC and Galito’s customers going to the Garden City outlets. Questionnaires are an important tool of data collection in research (Oppenheim, 1992). Questionnaires are an inexpensive way to collect data and have been known as an instrument in data research that ensure responses from different respondents are uniform. The first part of the questionnaire captured information on the background of respondents. The subsequent sections presented information on the ownership advantages KFC has over Galito’s; the firm specific factors possessed by Galito’ that could stifle KFC’s success and the factors that influence customer preferences in fastfood outlets. The questionnaires utilized close-ended questions. According to Creswell (2009), close ended questions often retrieved specific information from respondents; which was important in this case where there were three specific objectives under examination. The question were rated on a scale of 1 to 5. 1 was strongly disagree, 2 disagree, 3 uncertain, 4 agree and 5 strongly agree.

3.5 Research Procedures
The questionnaires were pretested to detect any weakness in the research design. According to Cooper and Schindler (2001) the instrument should be administered to 5 percent of the population. The respondents were requested to raise issues of duplication or ambiguity in the questions. The final version of the questionnaire was distributed to respondents in the sample size, omitting those who participated in the trail phase.

The questionnaires were distributed to the respondents. The researcher gave them time and space for privacy purposes and they were later collected. Each respondent was given as much time as they needed to fill the questionnaire. A letter introducing the purpose of the study and copies of the questionnaire was distributed to respondents; coming into the KFC and Galito’s outlets to purchase food and drinks. The researcher approached potential respondents and with their cooperation had the questionnaires filled. The respondents were assured of anonymity and confidentiality. Data collection took 1 week with the researcher targeting lunch (12:30 pm -2:30 pm) and evening hours (5:00 pm to 7:30 pm) that had high rates of customer flow. There were approximately 10 to 15 respondents in a day that visited both outlets.

3.6 Data Analysis Methods

From the analysis of data, coding was undertaken with sensitivity as it would influence the acquired results. Data was analyzed through descriptive statistics to assess the frequency distribution of the demographic characteristics of participants and their responses in the questionnaires. Data was presented in tables, figures and frequencies tabulated through SPSS (Statistical Programming for Social science) version 20. The level of significance was α 0.5 which was appropriate for a scientific research (Teddlie, 2009).

3.7 Chapter Summary

The chapter describes the methodology that was utilized in carrying out the study. The research design was descriptive in nature and it focused on customers visiting KFC and Galito’s branch at Garden city. The sampling techniques, questionnaires and primary data were discussed. The chapter also indicated that data was analyzed
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents findings derived from the three specific objectives as stated in chapter one. The first objective was to assess the ownership advantages of KFC over Galito’s in the Kenyan market. The second objective explores the firm specific factors that Galito’s possesses that are a potential hindrance to KFC’s success in the Kenyan market. The third objective examines customer preferences of KFC products vis-à-vis Galito’s. A total of 100 questionnaires were distributed and 99 analyzed.

4.2 Response Rate

A total of 100 questionnaires were distributed.99 of those were returned as the table below illustrates. The researcher was able to acquire a high response as the respondents were easily approachable at the serving areas of Galito’s and KFC at
Garden City Mall. The researcher also visited the outlets during lunch hours and weekends to maximize on data collection from respondents.

Table 4.1 Response Rate

<table>
<thead>
<tr>
<th>Response Rate</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Questionnaire Issued</td>
<td>100</td>
</tr>
<tr>
<td>Questionnaire Returned</td>
<td>99</td>
</tr>
</tbody>
</table>

4.3 Background Information

The study used demographic factors such as age and education levels. The Researcher found this information useful in gauging the various responses from respondents of different age groups and educational levels.

4.3.1 Age of Respondents

Table 4.2 presents the age of respondents at Garden City Mall who participated in the study. Majority of the respondents were between the ages of 18 and 30; while 9.4 percent of respondents were above the age of 30. The customers who frequent the outlets at Garden City are of the younger generation.

Table 4.2 Age of Respondents

<table>
<thead>
<tr>
<th>AGE</th>
<th>No of Respondents</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25</td>
<td>66</td>
<td>66.7</td>
</tr>
<tr>
<td>26-30</td>
<td>24</td>
<td>24.2</td>
</tr>
<tr>
<td>31-40</td>
<td>5</td>
<td>5.05</td>
</tr>
<tr>
<td>41-45</td>
<td>3</td>
<td>3.03</td>
</tr>
<tr>
<td>46 and above</td>
<td>1</td>
<td>1.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>99</td>
<td>99%</td>
</tr>
</tbody>
</table>
4.3.2 Level of education of Respondents

The educational level of respondents is covered in table 4.2. The level of education of majority of the respondents was University represented by 88.1 percent; while the lowest percentage representation was 1.2 for respondents who only studied up to primary level. Respondents with a secondary certificate and diploma were represented by 4.8 percent and 6.0 percent respectively.

Table 4.3 Educational level of respondents

<table>
<thead>
<tr>
<th>Education level</th>
<th>Number of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>1</td>
<td>1.01</td>
</tr>
<tr>
<td>Secondary</td>
<td>5</td>
<td>5.06</td>
</tr>
<tr>
<td>Diploma</td>
<td>6</td>
<td>6.07</td>
</tr>
<tr>
<td>University</td>
<td>87</td>
<td>87.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>99</strong></td>
<td><strong>99%</strong></td>
</tr>
</tbody>
</table>

4.4 Visitations to KFC

Figure 4.1 below illustrates that 45.4% of respondents rarely visit KFC; while 37% often visit the outlet at Garden City. These findings are likely to be as a result of KFC’s recent penetration in the Kenyan market. Some respondents are probably still adjusting to the newly launched outlet as they maintain their visitations to outlets they are familiar with.

Figure 4.1 Frequency of Visitors to KFC

The percentage of respondents who have visited Galito’s often is 39.2 %, while 42.3% rarely visit Galito’s. 14.4% indicated that their visits are very rare while 4.1% stated
that they never visit Galito’s. The difference between those who often visit Galito’s and those who rarely do so may be as a result of consumer habits. Customers of fast food outlets probably visit during the weekends or evenings after work; which is represented in this study by 42.3%.

![Figure 4.2 Frequency of Visitors to Galito’s](image)

### Figure 4.2 Frequency of Visitors to Galito’s

#### 4.1 Assessment of Ownership Advantages of KFC over Galito’s in the Kenyan market.

The first objective focuses on the assessment of ownership advantages that KFC has over Galito’s in the Kenyan market.

#### 4.1.1 KFC’s International Recognition

Figure 4.3 below show that 68% of respondents agree that KFC has an international recognition which will play a major role in its success in the Kenyan market over Galito’s. 22.3% of respondents are uncertain while 9.6% disagree. The global reputation of a company gives the impression that it will be successful in future ventures as it possesses resources of growth and expansion.
4.1.2 KFC’s Existence In The Fast Food Industry

In figure 4.4 below, 74.2 percent of respondents are of the opinion that KFC’s long participation in the fast food industry gives it an advantage. 5.4 percent disagree while 4.3 percent of respondents strongly disagree; while 16.1 percent are uncertain. There’s a perception among people that the longer a firm has existed in an industry; the more likely it is for it to succeed.

4.1.3 KFC’s advertisement strategies

52.2 percent of respondents are of the opinion that KFC has great advertisement strategies while 18.1 percent disagree as illustrated in Figure 4.5 below. 29.8 percent of respondents are uncertain of KFC’s advertisement strategies.
4.1.4: KFC’s skilled staff

According to figure 4.6, only 4.4 percent of respondents disagree that KFC’s staff are highly skilled in customer service. 17.4 percent are uncertain of the skills of KFC’s staff; while 78.3 percent agree that the staff are highly skilled. Customer service is an essential part of a firm’s success and the more customers are satisfied; the higher the success levels of an organization.

4.1.5: KFC’s Outlets

Figure 4.7 illustrates that respondents find KFC outlets to have a convenient geographical location. 52.2 percent agree while 16.3 percent are uncertain. 22.8 percent of respondents disagree, while 8.7 percent strongly disagree.
4.1.6: KFC’s Future Dominance

Figure 4.8 below indicates that majority of respondents, 51.7 percent, believe that due to the rapid expansion of KFC outlets in Nairobi; there’s a likelihood that the chain will soon dominate the Kenyan market. 34.1 percent of respondents are uncertain of this while 14.3 percent disagree.

4.1.7: Galito’s Competitor

According to findings illustrated in the figure below, 40.4 percent of respondents are uncertain of whether Galito’s took measures to shield itself from the competition KFC’s presence would create in the Kenyan market. 29.8 percent are of the opinion that Galito’s shielded itself; while 29.7 percent didn’t shielded itself. Measures undertaken by firms to deter competition determines its’ success of failure in the market.
4.1.8: KFC’s Products

Figure 4.10 below illustrates that majority of the respondents, 27.2 percent, are of the opinion that KFC products have uniformity in all outlets they’ve visited. 8.7 percent strongly disagree, 15.2 percent disagree, 22.8 percent are uncertain while 26.1 percent agree. Uniformity in products in this study refers to the shape, color, taste and presentation of the products; and whether all outlets serve with the same standards.

Figure: 4.10  KFC’s products

4.2 Galito’s Firm Specific Factors

4.2.1 Galito’s Existence In The Kenyan Market

Figure 4.11 below illustrates that most respondents are of the opinion that Galito’s prior experience in the Kenyan market will give it an advantage over KFC. 32.3 percent strongly agree while 38.7 percent agree. 16.2 percent of respondents disagree as 12.9 percent remain uncertain. The existence of a firm in a market gives it knowledge of the market that a new firm cannot easily acquire. In this case, Galito’s has market information that KFC doesn’t have due to years of operation in the Kenyan market.
4.2.2 Galito’s Consumer Knowledge

Figure 4.12 below illustrates that an overwhelming 40.9 percent of respondents are uncertain as to whether Galito’s has knowledge of customers in East Africa. 19.4 percent of respondents strongly agree on Galito’s knowledge of customers while 26.9 percent agree. 12.9 percent of respondents disagree.

4.2.3 Galito’s Supplier Connections

According to findings illustrated in figure 4.13 below, 55.5 percent of respondents agree that Galito’s has strong connections with local suppliers while 31.5 percent of respondents are uncertain. 13 percent of respondents disagree with the opinion that Galito’s has strong connections with suppliers. Connections with local suppliers give firms an advantage in bargaining for prices on important firm inputs such as the raw materials. In addition, Strong connections enable the firm to acquire more effective distribution networks than the competitors.
4.2.4 Galito’s Customer Service

According to figure 4.14 below, 41.6 percent of customers agree that Galito’s staff are highly skilled in customer service. 23.6 percent strongly agree while 15.7 percent disagree. 19.1 percent are uncertain of the customer service skills of Galito’s staff.

4.2.5 Galito’s Local Competitors

In Figure 4.15 below, 57.2 percent of respondents agree that Galito’s adjustment in the Kenyan market will make it more successful than other firms in the next few years. 35.2 percent are uncertain; while 7.7 percent disagree. The level and rate of adjustments of firms to the environment determine how successful or unsuccessful they will be.
4.2.6 Galito’s Service Techniques

In figure 4.16 below, 58.3 percent of respondents agree that Galito’s service techniques are of high quality. 19.8 percent are uncertain while 15.4 percent and 5.5 percent disagree. The findings illustrate that the perception of customers towards service quality of a firm determines its’ success levels.

![Galito's service techniques are of high quality](chart1)

Figure 4.16 Galito’s Service Techniques

4.2.7 Galito’s and Foreign Competitors

In figure 4.17 below, 33 percent of respondents are uncertain as to whether Galito’s business will not be affected by entry of foreign competitors. 35.2 percent disagree that Galito’s will be affected while 31.9 percent agree. In any industry, the entry of a competitor presents challenges that other firms that pre-existed in that market will have to deal with.

![Galito’s business will not be affected by the entry of foreign competitors](chart2)

Figure 4.17 Galito’s And Foreign Competitor
4.2.8 Galito’s Products And Services

In figure 4.18 below, 46.7 percent of respondents are of the opinion that Galito’s product are similar in all other outlets they’ve visited all over Nairobi. 25 percent of respondents are uncertain; as 17.4 percent disagree and 10.9 percent strongly disagree. The similarity of products and services in fast food chains is important as customer loyalty is generated through consistency. Customers are more likely to stick to products they are familiar with than those they are not familiar with.

![Galito's products and services are similar to its' other outlets I've visited before.](image)

Figure 4.18 Galito’s Products And Services

4.3 Customer preference of KFC products vis-à-vis Galito’s

4.3.1 Galito’s Ambiance

In figure 4.19 below, 41.4 percent of customers agree that Galito’s has an inviting ambiance while 27.6 percent strongly agree. 17.2 percent are uncertain as 13.7 percent disagree. The ambiance of a place will either attract or repel customers.

![Does Galito's have an inviting ambiance?](image)

Figure 4.19 Galito’s Ambiance

4.3.2 KFC’s Ambiance

In figure 4.20 below, 2.4 percent of respondents strongly disagree that KFC has an inviting ambiance. 83.2 percent agree that KFC has the ambiance while 9.6 percent...
are uncertain. 4.8 percent of respondents’ disagree. 83.2 percent of respondents find the ambiance of KFC to be attractive; in comparison to Galito’s 69 percent. It can therefore be concluded that KFC has more attractive ambiance than Galito’s.

Figure 4.20 inviting ambiance KFC

4.3.3 Does Galito’s Staff?

The figure below illustrates that 29.1 percent of respondents strongly agree that Galito’s has warm and friendly staff. 39.5 percent agree, 16.3 percent are uncertain; while 9.3 percent and 5.8 percent disagree and strongly disagree respectively.

Figure 4.21: Galito’s Staff
4.3.4 Does KFC have warm and friendly staff?

In figure 4.22 below, 83.5 percent of respondents are of the opinion that KFC’s staff are warm and friendly; which compares to Galito’s 68.6 percent as illustrated in figure 6.1 above. Warm and friendly staffs satisfy the needs of customers which creates a good reputation for the food outlets.

![Figure 4.22: Warm and Friendly staff KFC](image)

4.3.5 Galito’s Meals?

In figure 4.23 below, 48.2 percent agree that Galito’s has tasty and timely meals while 29.4 percent strongly agree. 8.2 percent are uncertain and 14.2 percent are of the opinion that Galito’s doesn’t have tasty and timely meals. Tasty meals are the biggest contributor to customer loyalty towards fast food chains.

![Figure 4.23 Galito’s Meals](image)
4.3.5 KFC Meals

In figure 4.24 below, 61 percent of respondents strongly agree that KFC has tasty and timely meals. 24.4 percent agree, 8.5 percent are uncertain while 3.7 percent disagree and 2.4 percent strongly disagree. 77.6 percent of respondents are of the opinion that Galito’s has tasty and timely meals in comparison to KFC’s 85.4 percent.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>61.0%</td>
<td>24.4%</td>
<td>8.5%</td>
<td>3.7%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Figure 4.24 KFC Meals

4.3.6 Does Galito’s have affordable meals?

Figure 4.25 below illustrates that 63.2 percent of respondents are of the opinion that Galito’s meals are affordable. 11.5 percent are uncertain, 19.5 percent disagree while 5.7 percent strongly disagree. Affordability of products is key in customer retention. Customers will keep coming back if they perceive products to be worth what they are charged for.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>41.4%</td>
<td>21.8%</td>
<td>11.5%</td>
<td>19.5%</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

Figure 4.25 Galito’s Affordable meals
4.3.7 Does KFC have affordable meals?

Figure 4.26 below illustrates that 12.2 percent of respondents strongly agree that KFC has affordable meals. 25.6 percent agree, 13.4 percent are uncertain while 30.5 percent and 18.3 percent disagree and strongly disagree respectively. 37.8 percent of respondents believe that KFC meals are affordable while 63.2 percent stated that Galito’s meals are affordable. KFC meals are more expensive than Galito’s; which leads to the conclusion that Galito’s is more affordable.

![Figure 4.26 Affordable meals KFC](image)

4.3.8 Does Galito’s Home Delivery Services

Figure 4.27 below indicates that 21.2 percent of the respondents strongly agree that Galito’s has quick home delivery services. 22.4 percent agree, 31.8 percent are uncertain, 15.3 disagree while 9.4 percent strongly disagree. In the fast food industry, home delivery generates great revenues for the high profit margins.

![Figure 4.27 Galito’s Home Delivery Services](image)
4.3.8 KFC Home Delivery Services

Figure 4.28 below illustrates that 44.4% of respondents strongly agree that KFC has quick home delivery services. 17.3% percent agree, 28.4 percent are uncertain while 9.9 percent disagree. Galito’s home delivery services received a favorable 43.6 percent, while KFC received 61.7 percent. KFC performs better than Galito’s when it comes to these services.

![Figure 4.28 KFC Home Delivery Services](image)

4.3.9 Galito’s Space

The figure below indicates that 20.9 percent of respondents strongly agree that Galito’s outlet at Garden City has sufficient space for friends and family. 15.1 percent are uncertain, 20.9 percent disagree and 15.1 strongly disagree. Customers who frequent fast food outlets do so as a form of leisure with friends and families. This explains why the outlets are packed either in the evenings or weekends; making outlets plan for bigger floor space for customers.

![Figure 4.29 Galito’s Space](image)
4.40 KFC Space

Figure 4.30 illustrates that 50 percent of respondents strongly agree that KFC has sufficient space for friends and families. 34.5 percent agree, 7.1 percent are uncertain while 8.3 percent disagree. 84.5 percent of respondents are of the opinion that KFC has sufficient space for friends and families compared to Galito’s 48.8 percent.

![Figure 4.30 KFC’s Space](image)

4.41 Galito’s Complaints

The figure below, 4.31, demonstrates that 17.9 percent strongly agreed that Galito’s responds to complaints immediately. 26.2 percent agreed, 34.5 percent were uncertain, 11.9 percent disagreed and 9.5 percent strongly disagreed. Customer dissatisfaction has been known to cause underperformance in companies. Customer loyalty can only be maintained if complaints are addressed promptly; which eventually translate to profits.

![Figure 4.31 Galito’s Complaints](image)
4.42 KFC’s Complaints

According to the figure below, 37.5 percent of respondents strongly agree that KFC responds to complaints immediately. 7.5 percent disagreed and 31.3 percent are uncertain. 61.3 percent of respondents are of the opinion that KFC respond to complaints immediately; compared to Galito’s 44.1 percent.

![Figure 4.32 KFC’s Complaints](image)

4.43 Galito’s Environment

In figure 4.33 below, 25.3 percent of respondents strongly agree that Galito’s has a clean and spotless environment. 34.3 percent agree, 15.2 percent are uncertain while 8.1 percent and 6.1 disagree and strongly disagree respectively. In the fast food industry, hygiene and sanitation are important in customer satisfaction. A clean environment is conducive for people to trust that the food they purchase is hygienically handled.

![Figure 4.33 Galito’s Environment](image)
4.44 KFC’s Environment

According to figure 4.34 below, 61 percent of respondents are of the opinion that KFC has a clean and spotless environment. 25.6 percent agree, 8.5 percent are uncertain while 4.9 percent disagree. 59.6 percent of respondents believe that Galito’s has a clean and spotless environment compared to KFC’s 86.6. Galito’s has been rated lower than KFC in relation to an environment that’s spotless and clean.

![Figure 4.34 KFC’s Environment](image)

4.6.6 Galito’s Information

In figure 4.35 below, 29.1 percent of respondents strongly agree that Galito’s has sufficient information on its products and services on its websites or information desks. 31.4 percent agree, 15.1 percent were uncertain, 12.8 percent disagreed and 11.6 strongly disagreed. Customers will always visit websites, notice boards or other sources of information to get an understanding of the products or service on offer. In the globalization era, it has been proven important for businesses to have all their details posted on their website where customers can gain access to information they are looking for.

![Figure 4.35 Galito’s Information](image)
4.6.7 KFC Sufficient Information

In the figure below, 81.4 percent of respondents are of the opinion that KFC have sufficient information on their website; while 9.3 percent are uncertain. 81.4 percent disagree and 1.2 strongly disagree. 60.5 percent of respondents are of the opinion that Galito’s had adequate information on its products and services. It can be concluded that respondents believe that KFC has more sufficient information on its products and services than Galito’s does.

Table 4.4 Correlations

<table>
<thead>
<tr>
<th></th>
<th>How often do you visit KFC?</th>
<th>How often do you visit Galito’s?</th>
<th>Ownership</th>
<th>locational preference</th>
</tr>
</thead>
<tbody>
<tr>
<td>How often do you visit KFC?</td>
<td>Pearson Correlation</td>
<td>Sig. (2-tailed)</td>
<td>N</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>1.295**</td>
<td>.003</td>
<td>97</td>
<td>-.171</td>
</tr>
<tr>
<td>How often do you visit Galito’s?</td>
<td>Pearson Correlation</td>
<td>Sig. (2-tailed)</td>
<td>94</td>
<td>.099</td>
</tr>
<tr>
<td>Ownership</td>
<td>Pearson Correlation</td>
<td>Sig. (2-tailed)</td>
<td>94</td>
<td>.310**</td>
</tr>
<tr>
<td>locational preference</td>
<td>Pearson Correlation</td>
<td>Sig. (2-tailed)</td>
<td>129</td>
<td>.304**</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

Figure 4.36 KFC Sufficient information
4.4. Correlation and Regression

The analysis above was done through statistical programming for social science (SPSS) to determine the correlation and regression relationships between the variables of customer visitation, ownership advantage, locational advantage and customer preference.

KFC has a positive correlation with Galito’s. The numbers of customers visiting KFC also have a liking for Galito’s represented by 29%; which is statistically significant. KFC has a weak correlation of \((r=0.30 \ p<0.01)\) with customer preference. Preference has a statistical significance over the number of times KFC receives customers. In the case above, the percentage is 30%.

Galito’s has a positive correlation with the number of customers who visit KFC. It has no significant correlation with customer preference, ownership and locational advantages. Ownership advantages of KFC have a statistically significant positive correlation with locational advantages of Galito’s and customer preference. The correlation between ownership advantage and locational advantage is \((r=0.3 \ p<0.01)\); while with that of customer preference is \((r=0.4 \ p<0.01)\). The ownership advantages of KFC have an influence over customer preferences and the locational advantages of Galito’s.

Locational advantages of Galito’s have a positive correlation \((r=0.31 \ p<0.01)\) with the ownership advantages of KFC and customer preference \((r=0.33 \ p<0.01)\). Locational advantages seem to have a weaker influence over ownership advantages than the high influence in percentage those advantages have over them. Preference has a positive correlation \((r=0.3 \ p<0.01)\) with the number of customers that visit KFC; while a positive correlation \((r=0.4 \ p<0.01)\) is seen between preference and ownership advantages. The positive correlation \((r=0.3 \ p<0.01)\) also exists between preference and locational advantages.

The data was further regressed to obtain the formula that creates the relationship between customer preference, locational and ownership advantages. Locational and ownership advantages are the independent variables; while the dependent is customer preference.
Table 4.5 Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.522a</td>
<td>.273</td>
<td>.255</td>
<td>.40873</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), locational, Ownership

According to the R Square in the table above, 27 % of the independent variable predicts the dependent variable.

Table 4.6 Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.182</td>
<td>.289</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Ownership</td>
<td>.309</td>
<td>.075</td>
<td>.399</td>
<td>7.541</td>
</tr>
<tr>
<td>locational</td>
<td>.134</td>
<td>.056</td>
<td>.233</td>
<td>2.393</td>
</tr>
</tbody>
</table>

a. Dependent Variable: preference

The formula on preference is coded as illustrated below:

Preference=2.182 + 0.309ownership advantage +0.134 locational advantage

Ownership advantage has a greater percentage influence over customer preference compared to locational advantages. This means KFC’s advantages make it more consumer attractive than Galito’s. The locational advantages of Galito’s have a 13 % influence over customer preference; compared to KFC’s 30%.

Table 4.7 Advantages and Customer Preference

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership advantages</td>
<td>189</td>
<td>157</td>
<td>185</td>
<td>238</td>
<td>182</td>
</tr>
<tr>
<td>Locational advantages</td>
<td>157</td>
<td>93</td>
<td>199</td>
<td>237</td>
<td>189</td>
</tr>
<tr>
<td>Customer Preference</td>
<td>516</td>
<td>160</td>
<td>245</td>
<td>469</td>
<td>550</td>
</tr>
</tbody>
</table>
Figure 4.37 Advantages and Customer Preference

The chart above further illustrates the correlation that exists between ownership and locational advantages. Preference is a high determinant of customer behavior towards products in the fast food industry. It is constituted of factors such as taste, ambiance of service room, home delivery, affordability and timely service. The ownership and locational advantages tend to have almost similar impacts on customer perceptions towards various attributes of both Galito’s and KFC.

4.5 Chapter Summary

The three research objectives were analyzed using descriptive statistics by the SPSS software. The first objective to be analyzed was the ownership advantages KFC has over Galito’s; the second was the firm specific factors Galito’s has over KFC and the comparison of customer preferences between Galito’s and KFC. The next chapter discusses in detail the findings of this chapter and makes the necessary recommendations.
CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter focuses on summary, discussions, conclusions and recommendations. The summary is meant to discuss important aspects of the study constituted by objectives, methodology as well as findings. The discussions are meant to give detailed analysis of data collected on the objectives; while the conclusions segment is based on the findings on the specific objectives and provide recommendations for improvements and further scholarly work.

5.2 Summary

The objective of the study was to assess customer perspectives on factors that have influenced the success of a MNC in the Kenyan fast food industry. The scope of the study covered two fast food outlets operating in Kenya which are KFC and Galito’s. The review of literature in chapter two focused on literature that extensively discusses ownership advantages that make foreign firms successful, firm specific factors of local firms that can be a detriment to the success of foreign firms and factors that influence customer preferences. The outlets selected for the study were those at Garden City Mall in Nairobi. A pilot study was first conducted to test the research instrument. The researcher opted for stratified sampling technique and 100 questionnaires were distributed between the two outlets.

The first part of the questionnaire collected demographic information on the respondents such as age, gender and educational level. The remaining part of the questionnaire featured questions covering the specific objectives. Results from the questionnaires were derived through the use of Statistical Package for Social Science Software (SPSS). The data derived was presented in frequencies and percentages.

On ownership advantages, respondents were of the the opinion that the following factors contributed to the great advantage KFC has over Galito’s. Its’ international reputation, long duration of operation, advertisement strategies, convenient locations and skilled staff. The second objective was to analyze the firm specific factors Galito’s has over KFC. Respondents were of the opinion that factors such as; information knowledge on customers, strong local connections, highly skilled
customer service, service techniques and barriers of entry; gave local firms a competitive advantage over foreign firms. The third objective featured the analysis of attributes that influence customer preferences. KFC received higher ratings in the following areas; inviting ambiance, staff, meals, responses to complaints, accessibility of product information and cleanliness. Galito’s received higher ratings than Galito’s in the affordability of meals and home delivery services.

5.3 Discussions

5.3.1 Ownership Advantages That Make Foreign Firms Successful

Data analysis revealed customers believe that the following ownership advantages influence the success of foreign firms. The international recognition: duration of existence in the food industry and unpreparedness of rival firm. Other advantages include; advertisement strategies, skilled staff, uniformity of products, and convenient location. According to Tanzil & Chan, (2010) the international recognition of a brand makes customers perceive it as ‘superior’. Consequently, locals will buy foreign products more than those produced by local industries. The long existence of the foreign firms in the international domain creates experience which leads to profit. According to Rijal (2015), these firms have a high bargaining power that has been used on several occasions to gain favors from local governments which grants them an advantage over local firms. The local governments meet those requests as these firms introduce technology, skill and employment in return. Respondents were of the opinion that KFC will succeed in the Kenyan market which will be influenced by its’ international recognition.

While international recognition of KFC’s brand might grant it success in the Kenyan market; respondents were of the opinion that its’ long existence in the fast food industry will play a key role as well. KFC began in the 1930s; while Galito’s began in 1996. Galito’s has not operated in the fast food industry as long as KFC has; which gives the latter a great advantage (Rijal, 2015).

Advertisement has been known to promote the performance of foreign organizations. These organizations either create their own advertisements or contract marketing firms. When CocaCola was expanding globally in the 1950s, it hired McCann-Erickson to produce an advertisement that served customers across national borders.
In the case of Kenya, KFC adverts have been on the newspapers and social media pages; but there’s no conclusive literature as to whether the firm’s advertisements are similar across various customers bases globally (Jung, 2004).

When KFC launched in China, most raw materials were bought locally to maintain good relations with the government. The introduction of networks to rapidly introduce new and complex menus lead to the company hiring trucks and opening its own warehouses. This saw KFC acquire a significantly large market share in comparison to McDonalds (Bell & Shelman, 2011).

Respondents agreed that KFC being internationally recognized will succeed in the Kenyan market and that its’ long existence in the fast food industry gives it an advantage. They also agreed that the advertisement strategies of KFC were great and that the staff is skilled in customer service. The respondents agreed that KFC outlets were conveniently located for customer access. However, they were uncertain as to whether its’ rapid expansion in Nairobi could possibly lead to its’ future dominance of the Kenyan market. In addition, a response of uncertainty was also captured regarding Galito’s efforts to shield itself adequately from the impact of KFC’s entry into the market (Bell & Shelman, 2011).

The accessibility of a fast food chain has a direct influence on the revenues it generates. McDonalds had a great number of transactions dependent on the number of outlets it had in a city; in the US (Jung, 2004). The rapid expansion of outlets should be intandem with accessibility of those outlets. The respondents were of the opinion that KFC outlets are conveniently located.

The uniformity of products or services throughout chains in the fastfood industry influences the positive or negative reception by consumers. “Customers judge the quality of their experience with this kind of brand by the extent it continues to be consistent and predictable. Quality measurement is based on monitoring consistency and uniformity…” (Lincoln & Lashley, 2003, p. 15). Customers were of the opinion that KFC has more uniformity in their products which is presented in taste, color and presentation.
5.3.2 Firm Specific Locational Advantages Are A Potential Hindrance To The Success Of Foreign Firms

Respondents agreed that there are certain factors possessed by local firms that could be a potential hindrance to the success of a foreign firm. These factors are; information knowledge of customers, strong local connections, highly skilled customer service, service techniques, barriers of entry and similarity of products and services offered.

Most customers agree that Galito’s long duration of existence in the Kenyan market grants it an advantage over KFC. However, majority were uncertain as to whether Galito’s possesses vast knowledge of its customers in East Africa. Respondents agreed that Galito’s has strong local connections with suppliers and that their staff is highly skilled in customer service.

While half of the respondents were uncertain as to whether Galito’s adjustment in the Kenyan market gave it an advantage over foreign competitors; the other half were certain. Half of the respondents agreed that Galito’s adjustment to the Kenyan market gives it an advantage over foreign firms while the other half was not sure. Respondents agreed that Galito’s service techniques are of high quality while majority were uncertain as to whether its’ business will not be affected by the entry of a foreign competitor. While half of the respondents were uncertain as to whether there were similarities in the products and services offered by Galito’s; the other half agreed.

The connections with local suppliers create the level of loyalty that cannot be easily dissolved or diluted by foreign parties. To deter the expansion of foreign firms in a region; local firms have been known to form ‘cartels’ and develop deals with local suppliers. In the Kenyan fast food industry; it’s not quite clear whether this is the case but the relationships between local suppliers and local food chains have been in existent for years. Consequently, it would be challenging for any foreign firms to quickly create and develop relationships with same suppliers; and compete with the accomplishments of local firms that come as a result (Hwang & Zhao, 2010).

The staff is highly skilled in customer service. The greatest determinant of customer satisfaction is customer service. The demeanor of personnel towards consumers determines whether they’ll be repeat buyers or will shift their loyalty to a competitor.
This factor is also greatly determined by the quality of service techniques that are blended with food presentation in the fast food industry (Muller, 2015).

Firms often face challenges when penetrating and adapting to new markets. Complexities of the regulations, business culture and other factors challenge foreign firms as they penetrate foreign markets. The fact that local firms are already settled and well versed with the market grants them an advantage over foreign firms. Galito’s presence in the Kenyan market has been for more than 7 years; while that of KFC has been less than three. This has granted Galito’s an advantage over KFC in the Kenyan market (Hwang & Zhao, 2010).

The entry of foreign competitors is another factor that was examined. The presence of foreign firms has a direct impact on competition. Firms that already exist in the market face perilous forces as they try to protect their market share. The entry of KFC into the Kenyan market has created more competition in the fast food industry. According to the research done, consumers drew no direct conclusion as to whether Galito’s took measures to shield its market share from this rival. However, this doesn’t underscore the competition a rival brand presents, once it penetrates any market (Muller, 2015).

Respondents were also asked to give feedback on similarity of products in all outlets. The taste and presentation of products is very important in the fast food industry. The other factor that’s of importance is ‘uniformity.’ Customers are loyal to the consistency presented by brands and the lack of that attribute brings ‘quality’ into question. Whenever consumers’ question ‘quality’; their loyalty declines and the firm start losing significant revenue. Consumers were of the opinion that Galito’s meals were similar in all outlets they visited; while only a smaller number of consumers were of the same opinion concerning KFC (Ekeledo & Sivakumar, 2004).

5.3.3 Customer Preferences Of KFC Products Vis-À-Vis Galito’s

Respondents agree that an inviting ambiance is key to visiting a fast food outlet regularly. The appearance and scent of a place is a great determinant of purchases made by consumers. The environment within a restaurant determines the overall quality perception by customers and their possible return for service (Yong, Siang,
Lok, & Kuan, 2013). Customers were of the opinion that KFC has a more inviting ambiance in comparison to Galito’s.

Customers look forward to visiting an environment that relieves them of stress. This can be facilitated through their interaction with the staff. The courtesy of the employees, their knowledge of the products and ability to accurately deliver requests determine customer satisfaction. Respondents were of the opinion that Galito’s employees were not as ‘warm’ and ‘friendly’ as KFC employees.

The dining and post dining experiences of employees determine their overall perception of a restaurant. Customers will attach their satisfaction to the period between “time-of-order” and “time-of-delivery” (Hwang & Zhao, 2010). Therefore, it’s not only important that the meals are ‘tasty’ and but also timely. Customers should not be kept waiting as this will lead to them rating the services as ‘poor.’ Consumers gave feedback rating KFC meals to be more ‘tasty’ and ‘timely’ compared to Galito’s.

The fairness in pricing a product or service greatly determines customer satisfaction. If customers perceive the value of a product to be worth the ‘price rating’; then they will continually purchase. Over rating a product can lead to the loss of customer loyalty as its’ interpreted as ‘corruption’ or integrity failure. Consumers rated KFC meals to be more expensive than those of Galito’s. While consumers seem to favor KFC in terms of the presentation of their meals; they are the opinion that Galito’s is more affordable (Yong, Siang, Lok, & Kuan, 2013).

Between the 1950s and early 2000s, the American public spent more on home delivery services. This service was initiated by the founder of Domino’s Pizza, Tom Monahan. Since then, home delivery has been accepted by consumers as safe, convenient and affordable (Muller, 2015). Galito’s is intensely engaged in home delivery services and KFC is in the process of launching the same in Nairobi. This has given Galito’s a great advantage over KFC because while the latter offers “take-away”; Galito’s offers the same and home delivery.

Fast food restaurants have had to deal with this aspect of customer expectation depending on the geographical location of their business. In collectivistic societies, families and friends have the habit of dining together. Fast food chains have to provide space to accommodate them. The opposite is applicable for individualistic
societies where people dine alone and socialization activities aren’t frequent. However, restaurants in individualistic societies restaurants have instead opted to provide play areas for children instead of wide dining areas that accommodate friends and families. Findings of the research indicated that customers were of the opinion that KFC has sufficient room for family and friends in comparison to Galito’s. With Galito’s having settled in the market for years; it could have been expected that they captured the need for socialization space in their restaurants. Findings indicate that KFC has satisfied that need more effectively which could be attributed to the fact that most firms conduct market research before expanding operations to new regions. (Harris & Morgan, 2000)

The ability of a firm to promptly address customer concerns leads to either customer loss or retention (Bell & Shelman, 2011). When KFC customers from Hunan and Sichuan complained of meals being “bland” and Shanghai customers complained that they were “too hot”; adjustments were quickly made to meet regional dietary expectations. It also paid off that KFC took steps to include nutritional information after the dangers of junk foods became a public concern. In Kenya, respondents rated KFC to respond to complaints more effectively than Galito’s.

Customers expect restaurants to be clean as they want to consume food they perceive as ‘safe.’ This perception can be attained through the general hygiene of a location. A dirty environment could bring food borne diseases and discourage future customer visitation of the location (Yong, Siang, Lok, & Kuan, 2013). Galito’s received a lower rating in hygiene compared to KFC; which penetrated the Kenyan market recently. KFC might be at their top performance at they work to secure more market share and their chains are not too many making operational control easier.

5.4 Conclusion

5.4.1 Ownership Advantages KFC Has Over Galito’s

According to the data from the respondents, KFC has considerable ownership advantages over Galito’s such as; its’ international reputation, long duration of operation, advertisement strategies, convenient locations and skilled staff. The organization is expanding rapidly in Nairobi but has not yet challenged the status of Galito’s in the Kenyan market. The population still visits Galito’s regularly; which
can be attributed to the long duration Galito’s has existed in the Kenyan market and the time it might take KFC to attain customer loyalty. There’s need for more research on the Kenyan fast food industry as the dynamics are quickly shifting because of the fast-paced market growth. KFC has generally received more favorable ratings from customers in comparison to Galito’s. It has got fewer chains than Galito’s; which gives it an advantage because it’s easier for any firm to control quality over a small number of outlets. The future holds more competition in the global and local market for Galito’s and KFC. The fast food outlets are located in major cities of the country. There’s more potential to generate revenue in the rural secluded areas where the purchasing power of the population can be determined and served. These areas should be targeted with more indigenous traditional meals that will identify with the culture and expectations of people.

5.4.2 Galito’s Firm Specific Advantages That Are A Potential Hindrance To KFC’s Success

Galito’s has been operating in the Kenyan market for close to a decade. It has considerable advantages which make it a fierce competitor against any operator in the fast food industry. Respondents were of the opinion that the firm’s service techniques, market knowledge, skilled staff, connection with suppliers, similarity of products and other factors contribute to its’ advantages over competitors.

Respondents were uncertain as to whether Galito’s has sufficient knowledge of its’ consumers. This could probably be due to the promotional package and how consumers perceive it. There was also uncertainty as to whether the long existence of Galito’s as a market player in Kenya, would be disadvantageous to KFC. The latter has considerable performance prowess in the fast food industry and it was probably difficult for consumers to gauge the ‘market’ power accumulated over time by Galito’s in the Kenyan fast food industry.

5.4.3 Customer Preference Of KFC Products Vis-À-Vis Galito’s

Respondents were asked to rate KFC and Galito’s on the following: inviting ambiance, staff, meals, home delivery services, responses to complaints and cleanliness among other factors. Most consumers rated KFC higher than Galito’s. The latter only received better ratings than its’ competitors on the affordability of meals.
and home delivery services. This could be attributed that KFC is at the peak of its’ performance as a new player and that consumers are welcoming of a new international brand; as they have developed familiarity to Galito’s brand based on its’ many years of operation in Kenya.

5.5 Recommendation

5.5.1 Recommendation for Improvement

5.5.1.1 Ownership advantages KFC has over Galito’s

KFC needs to strategize on offering small packages at relatively lower prices; while maintaining the expensive products. This serves the needs of customers with different purchasing power. While the organization is rapidly expanding in Nairobi, there’s great need for the outlets to be consumer accessible. KFC is a power player and would benefit if it lobbied strongly with the government on matters of social importance. In the past, this has been known to grant foreign firms more consumer loyalty. For example, in the next elections, the company can offer to give free lunch to mothers with babies waiting in queue to vote. Sponsorship programs for campaigns by the ministry of health (or any other) against measles. As a new organization with great financial resources, KFC can focus on these causes to promote its’ image in the market.

5.5.1.2 Galito’s Firm Specific Location Advantages That Are A Hindrance To KFC’s Success In The Market.

Galito’s needs to work on the promotional packages it releases in the market. The advertisement strategies need to change and their staff benchmarked against KFC. Strategies to build stronger relationships with the government and local suppliers should be quickly employed as KFC is also strategizing on these relationships to acquire more market share and generate revenue. With close to 10 years of operation; the relationships Galito’s has formed could be strong and working to the firm’s advantage; which warrants that those advantages are preserved now that a fierce competitor has penetrated the market. For example, Galito’s can form collaborations with the Ministry of Agriculture to train farmers on rearing chicken and offer scholarships to students undertaking courses in Tourism, hotel or restaurant management.
Currently, food is served on general international standards of chicken, chips, soft drinks and a variety of spices. There’s room to capture the ethnic backgrounds of majority of customers and try to serve delicacies from those cultures; for example, a day in the week can be set aside for Indian delicacies (or any other) served in tandem with other meals; while another day is dedicated to customer requests for customized meals.

5.5.1.3 Customer Preference Of KFC Products Vis-À-Vis Galito’s

Galito’s needs to strategize on nurturing customer loyalty. This could be the most important as consumers are the determinant of the company’s market share and revenue. The customer loyalty towards Galito’s can be rated as ‘still strong’; although this is under threat as consumers are rating KFC more favorably. One of the strategies Galito’s can employ is to work on the quality of their customer experience. Introduce more affordable packages, have frequent promotions and focus on programs that include small children and teenagers.

5.5.2 Recommendation for further Research

The research of this project was limited to Galito’s and KFC’s outlet at Garden City mall. There’s need to research on other outlets found throughout East Africa. As the research coverage widens, the outcomes will be diversified and findings richer with useful information for academicians, the government and investors.

Research should be conducted on the sufficiency of Galito’s market knowledge and its industrial prowess in fast foods as consumers were uncertain whether this grants it’s a competitive advantage over KFC. There’s a gap in the identification of strategies Galito’s should have utilized to shield itself from KFC and the unique differences that exist between Galito’s and KFC’s service and product generation techniques.

There’s need for more research to be conducted in the Kenyan fast food industry as foreign firms are quickly penetrating the market as local firms fight to protect their market share. The urgency for more research is evident as events in the Kenyan market are rapidly developing unveiling new dynamics. At the time of this research, KFC had just penetrated the market. More research should be conducted to feature fast food outlets all over Nairobi; not just Garden City; which was the case.
REFERENCES


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Zafar Ahmed, Rosdin Anang, Nor Othman, Murali Sambasivan, (2013),"To purchase or not to purchase US products: role of religiosity, animosity, and ethnocentrism among Malaysian consumers", Journal of Services Marketing, Vol. 27 Iss 7 pp. 551 – 563
APPENDICES

Appendix 1: COVER LETTER

Dear Respondent,

RE: REQUEST FOR RESEARCH DATA

Introduction

The interviewer is a student at the United States International University. She is carrying out a comparative survey study between foreign owned fast food outlets and locally owned outlets. The information and data obtained will be confidential and is intended for academic purposes only. You were randomly selected among many customers who have visited the KFC and Galito’s outlet at Garden City Mall; as key informants that can provide useful and reliable information. Please note that all the information you provide will be treated confidentially. The researcher is grateful for your cooperation.

Yours Sincerely

Ruth N. Waweru.

MBA: International Business
Section I: Background Information

Circle the appropriate response from the alternatives provided.

(I) Age of the respondent in years
A. 18-25
B. 26 - 30
C. 31 - 40
D. 41 - 45
E. 46 and above

(II) Level of Education: (1). Primary (2). Secondary (3) Diploma (4) University

(III) How often do you visit KFC?
A. Never
B. Very Rare
C. Rarely
D. Often

(IV) How often do you visit Galito’s?
A. Never
B. Very Rare
C. Rarely
D. Often
**SECTION II: Assessment of Ownership Advantages of KFC over Galito’s in the Kenyan market.**

Using a scale 1-5 tick the appropriate answer from the alternatives provided for each of the questions. 1. Strong Disagree 2. Disagree 3. Uncertain 4. Agree 5. Strongly Agree

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>KFC is internationally recognized and will succeed in the Kenyan market</td>
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<tr>
<td>KFC’s long existence in the fast food industry gives it an advantage</td>
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<tr>
<td>KFC has great advertisement strategies</td>
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<tr>
<td>KFC’s staff are highly skilled in customer service</td>
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<td>KFC’s outlets are conveniently located for customers</td>
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<td>KFC is likely to dominate the Kenyan market in the next few years as it’s expanding in Nairobi rapidly</td>
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<td>Galito’s did not adequately prepare and shield itself once KFC expressed interest in the Kenyan market</td>
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<td>KFC products are similar to its’ other outlets I’ve visited before</td>
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</tbody>
</table>
SECTION III: Galito’s Firm specific factors that are a hindrance to KFC’s success in the Kenyan market.

Using a scale 1-5 tick the appropriate answer from the alternatives provided for each of the questions. 1. Strong Disagree 2. Disagree 3. Uncertain 4. Agree 5. Strongly Agree

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
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<tbody>
<tr>
<td>Galito’s long existence in the Kenyan market gives it an advantage.</td>
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<tr>
<td>Galito’s has vast knowledge of customers located in East Africa</td>
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<tr>
<td>Galito’s has strong local connections with suppliers</td>
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<td>Galito’s staff are highly skilled in customer service</td>
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<td>Galito’s will have an advantage over local competitors in the next few years as it has already adjusted to the Kenyan market</td>
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<td>Galito’s service techniques are of high quality</td>
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<tr>
<td>Galito’s business will not be affected by the entry of foreign competitors</td>
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<tr>
<td>Galito’s products and services are similar to its’ other outlets I’ve ever visited before.</td>
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</tbody>
</table>
SECTION IV: Customer preference of KFC products vis-à-vis Galito's.

Using a scale 1-5 tick the appropriate answer from the alternatives provided for each of the questions. 1. Strong Disagree 2. Disagree 3. Uncertain 4. Agree 5. Strongly Agree

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
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<td></td>
<td>KFC</td>
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<tr>
<td>Warm and Friendly staff</td>
<td>GALITO'S</td>
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<td></td>
<td>KFC</td>
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<tr>
<td>Tasty and timely meals</td>
<td>GALITO'S</td>
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<td>Time(days)</td>
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<td>Cost(% of property value)</td>
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<td>5. Protecting Investors</td>
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6. Paying Taxes

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<td>Payments (number)</td>
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<td>48</td>
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<td>Time (Hours per year)</td>
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<td>248</td>
<td>237</td>
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<td>Total tax payable (% of gross profit)</td>
<td>68.2</td>
<td>51.3</td>
<td>42.9</td>
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<td>Cost (% of estate)</td>
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<td>22.0</td>
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<td>Recovery rate (cents on the $)</td>
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<td>22.3</td>
<td>39.8</td>
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Source: Hudson (2007)