

Jardine Restaurant Group – Stimulating Tastes in Asia



FEATURE

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For over 45 years, Jardine Restaurant Group (JRG), a part of Jardine Pacific, has been driving the growth of international brands Pizza Hut and KFC in markets across Asia, stimulating the changing tastes of consumers and their increasing desire for casual dining restaurants, quick service menus and takeaway and delivery services. Today, as one of the leading restaurant groups in Asia, JRG operates over 680 outlets in Hong Kong, Taiwan, Vietnam and Macau with more than 21,200 employees.

As one of Pizza Hut's largest international franchisees with operations in Hong Kong, Taiwan, Macau and Vietnam, JRG has a long-standing and successful relationship with Yum!, which is also JRG's franchisor for KFC in Taiwan and Hong Kong, and one of the world's largest restaurant companies. Over the years, JRG and Yum! have worked together to build powerful brands through superior marketing, breakthrough innovation and compelling value, all based on a foundation of winning food and world-class operations. The expertise acquired in growing and operating franchises in different markets has enabled JRG to understand and seize new market opportunities, while implementing well-established regional



Pizzas are for sharing and enjoying with friends in Jardine Restaurant Group's Pizza Hut outlets across Asia.

processes to set up operations. Most recently, this has been reflected in JRG's success in introducing Pizza Hut to Vietnam where, in just eight years, it has become the fastest-growing pizza brand there with 53 stores.

"In addition to innovative menu diversification, Pizza Hut and KFC brands continue to grow in their highly competitive market segments aided by their unrivalled reputations for quality and by implementing creative ideas for business development through digital penetration and customer loyalty programmes," explained JRG Chief Executive Hong Kong & New Markets Henry Yip.

With the vision of becoming the number one provider for casual dining, delivery and takeaway in Asia, JRG aims to have grown to 1,000 outlets by 2019 and to have diversified into more new markets, such as Myanmar.

"While emerging markets can be volatile with ever changing political, cultural, social and economic factors to consider, we are confident that with our strong brands and business models, we will achieve our objectives," said Mr Yip.

Photo opposite: Pizza Hut Hong Kong Area Coaches and Restaurant General Managers show off their 'Running Great Shift' manuals during a training session with, centre left, JRG Chief Executive Hong Kong & New Markets Henry Yip and, right, David Sturdee of Yum!

'Pizza and More' from Pizza Hut Hong Kong

Since its first store opened in 1981 in Tsimshatsui East, Pizza Hut Hong Kong (PHHK) has become a favourite of local consumers as reflected in the now 109 stores and four million pizzas eaten in Hong Kong each year. As market and consumer trends have evolved, PHHK has responded with new

menus, restaurants and concepts based on rigorous research to analyze brand performance and ensure service standards.

"Consumers want excitement, premium goods, a special experience and value for money," said PHHK Chief Executive Richard Leong.

"In response, PHHK has gone beyond its core competency of pizza and adopted a model of 'Pizza & More', with 'More' varieties, 'More' excitement, and 'More' value. This has included introducing dishes other than pizza, and different restaurant models and styles."

For this and its overall performance in the dine-in segment, PHHK was awarded the Yum! 'Best Brand Building' award for 2014.

In 2003, market research revealed a significant price gap between local fast food and upscale restaurants in Hong Kong, which suggested an opportunity for an affordable casual dining model (ACDR). Quick to respond, PHHK launched its 'Enhanced Casual Dining Experience' and within one year achieved double-digit sales growth in the dine-in segment. In 2008, with rising rents, aggressive competitors and a saturated market creating the opening for a value brand, PHHK transformed pizza delivery services with the introduction of PHD.

"Although Pizza Hut was already Hong Kong's market leader in pizza delivery, we could not ignore the risk of a competitor capturing this emerging value conscious segment," explained Mr Leong. "It required bold vision, but with PHD we succeeded in not only creating a winning value delivery brand in Hong Kong, but also a profitable and sustainable business model."

Over the last three years, PHD has generated record sales growth and significant profits bolstered by a successful store opening strategy, which has achieved 94% delivery coverage of total Hong Kong households with just 25 stores.

"Today Hong Kong is the only Yum! market in the world to have successfully employed a dual brand strategy and we have become a case study for Yum! in the region for successful delivery services," said Mr Leong.

In such a competitive marketplace, however, there can be no room for complacency and PHHK continues to develop innovative offerings to satisfy ever-changing trends and tastes. Last year, it introduced 'Super Delco' to complement its existing ACDRs and meet consumer demand for lighter menus in a more casual café setting. In addition, the menus and other



PHHK actively engages customers through social media platforms such as Facebook where its fan base has almost trebled since 2013.

collateral material of 35 ACDRs were completely redesigned to feature 'More' varieties and a 'More' contemporary style.

Digital technology plays a key role in promoting Pizza Hut's market presence. An enhanced online ordering site enables customers to track their orders, while lessening the load on PHHK's Call Centre and saving costs. Following the launch of a mobile application in 2010, there has been double-digit sales growth in this channel with a download count of 440,000, and since 2013, PHHK's fan base on Facebook has almost trebled. In addition, JRG is working to build a customer-centric platform with data analytic intelligence for customer profiling, which is due to be launched this year. The objective is to engage customers and increase sales performance by using digital and social media, as well as traditional communication channels.

Loyalty programmes are also important tools in capturing and retaining customers. In 2013, PHHK



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enhanced its existing programme with the introduction of 'Gold' membership, which offered incentives including 10% discount. Along with an improved registration process, this has achieved a dramatic increase in membership from 110,000 customers to the current 300,000.

Developing Future Leaders

Recognizing that its people are its greatest asset, JRG invests heavily in the development of its employees. At PHHK, everyone from entry level to experienced professional is offered a structured learning and career development programme.

"Through our systemic training process, a shop management trainee can aspire to become a restaurant manager," explained PHHK

Quick Service Success from KFC

In 2013, JRG acquired the KFC franchise from YUM! for Hong Kong and Macau with the aim of building on its established platform in both locations, where there are currently 65 outlets with some 2,500 employees serving 150,000 customers daily.

"We have a simple yet central focus on making it easier than ever for more people to enjoy KFC's great tasting meals by investing in the brand, focusing on customers and delivering great value and tasty chicken," said KFC Hong Kong and Macau Chief Executive Officer Alan Chan.

KFC's reputation for such meals relies on the stringent food preparation methods applied to ensure maximum



PHHK's innovative Super Delco outlets pride themselves on their excellent customer service.

Operations Director Kelvin Ip. "Indeed, most Pizza Hut restaurant managers began their careers as school leavers in a Pizza Hut outlet, and many without a strong academic background have excelled to become leaders."

Pizza Hut Hong Kong has also implemented a three-year, part-time Higher Diploma of Business Administration run by the Institute of Vocational Education, which can act as a stepping-stone to a full degree.

quality and safety. This is achieved by leveraging the best global procurement networks alongside a team of professional quality assurance inspectors. Every KFC restaurant has a Hygiene Manager who conducts daily inspections and trains all staff to follow comprehensive food safety procedures.

"KFC strives to maintain the highest standards in providing safe and delicious food, as well as the best customer service," said Mr Chan, "and this will continue to be our goal as we expand."



KFC's signature dishes showcase its focus on great tasting meals and high standards of food quality and safety.

Strong Market Presence in Taiwan

Both Pizza Hut and KFC have had a strong presence in Taiwan since the mid-1980s. JRG took over the franchise for Pizza Hut in 1990, while KFC became part of JRG in 2010. Since then, both operations have worked closely with franchisor Yum! to ensure the implementation of best practices from around the world and the sharing of JRG initiatives that have been applied successfully in the local market.

Pizza Hut Leads the Way

Unlike other markets where Pizza Hut focuses primarily on the dine-in business, the bulk of Pizza Hut Taiwan's (PHT) revenue comes from its highly successful Delco (Delivery & Carry-Out) stores of which there are currently 179 in 19 cities and 16 townships.

PHT's strategy has been to focus on market share and store growth, drive e-commerce sales, and increase customer loyalty. Most recently, record-high sales have culminated in the launch of a new brand campaign designed to strengthen emotional bonds with consumers and further enhance the brand under the tag of 'making small happiness great'.

PHT also continues to introduce innovative new toppings and crusts

with the ongoing objective of enlarging its customer base and increasing visit frequency. Recent premium toppings include Royal Seafood Banquet and Korean Kim Chi BBQ, while the strong sales momentum behind its highly successful 'Value Q' crusts resulted in 100,000 new customers last year alone.

KFC Taiwan Aims for the Top

In a highly competitive marketplace, KFC Taiwan is constantly challenging rival competitors, as it focuses on 'Same Store Sales Growth' and efficiency, along with people capability, processes and systems to create a viable business model with the right penetration strategy. KFC has 128 stores in Taiwan and is currently developing a new 'Harmony' store design concept that reflects the latest KFC brand image, 'Always Original'.

As the acknowledged chicken 'expert' amongst food service providers, KFC is leveraging this leadership to develop multiple chicken related offers designed to win over the competition. In 2014, KFC extended its menu

with the introduction of a roasted chicken option and innovative new flavours, as well as additions to its signature egg-tart range. All new products are developed in KFC's test kitchen, where the New Product Development team also simulates in-store processes and optimizes recipes and cooking methods.



PHT deliveries not only arrive at their destination within a guaranteed time, but also freshly made and piping hot thanks to a special device on the delivery bike, which generates electricity to heat the pouches carrying the order.

Service quality is another of KFC Taiwan's strengths and in 2013, for the fourth consecutive year, its commitment to its customers was recognized with first prize in the 'Fast Food Chain' category of 'The Front Line Service Research Report' produced by *Global Views Monthly*.

Boosting Performance with Digital Technology

JRG's operations in Taiwan are making increasing use of digital technology to boost sales and profits and target and attract more customers to their online ordering websites.

With the aid of data analytics and search engine tools, PHT and KFC can track traffic on their online ordering sites as well as improve customers' interface and experience. Both sites now offer desktop and mobile interface with the latter making an increasing contribution to total on-line sales. Indeed, within months of the launch of its mobile interface in July last year, KFC's mobile on-line sales surged to over 30% of total on-line sales. Similarly, PHT is on target to achieve 45% of its total delivery sales this year via its online ordering site.



The General Manager of a KFC Taiwan restaurant emphasizes a point to a staff member during a daily training session.

People Development Aids Business Growth

JRG Taiwan believes that developing the capabilities of its people to meet customer needs is a top priority in driving business growth.

Through YUM! 'CHAMPS' programmes for frontline employees, JRG aims to increase customer satisfaction in

product quality, service and restaurant maintenance. Other development programmes created specifically for store managers focus on operations and financial management and marketing.

As part of a 'step change' mindset, which includes incorporating the spirit of 'Achieve Breakthrough Result' into the daily operations of Pizza

Hut and KFC Taiwan, JRG Taiwan's HR team is working on initiatives to aid talent acquisition, development and retention. Last year, JRG strengthened its collaboration with local schools and is offering internships to meet short-term manpower demand in stores. In the longer term, it is hoped that this will help JRG to establish a pool of potential store managers.

Pizza Hut Wins Over Vietnam Market

In the eight years since JRG introduced Pizza Hut to the Vietnam market, the brand has won over consumers to

its western flavours and attracted a new generation of young, active and mobile customers.



The official opening in Ho Chi Minh City of Pizza Hut Vietnam's 50th store, which is one of its new contemporary Super Delco models.

A significant milestone for Pizza Hut Vietnam was the opening of its 50th store in November last year, reflecting a remarkable period of growth during which the number of stores doubled from 27 at the end of 2012 to 53 at the end of 2014. Located in 11 cities, Pizza Hut Vietnam is now the country's leading pizza restaurant chain with the highest number of stores and widest geographic coverage.

Until recently, Pizza Hut Vietnam's focus was on developing the ACDR model, but with over 37 such restaurants now in operation, it is currently introducing the Super Delco model with the smaller, but more contemporary design of the 50th store at Nguyen Thai Son (Go Vap District) in Ho Chi Minh City, a typical example. So far 16 Super Delco stores in five cities have been rolled out, offering a blend of dine-in, delivery and takeaway options to meet customers' ever-changing eating trends.

Great Recipe for the Future

Over the years, JRG has successfully grown its Pizza Hut and KFC brands to become leaders in the mature markets of Hong Kong and Taiwan while, more recently, also expanding into Vietnam and exploring potential opportunities such as Myanmar.

Challenges differ from market to market. In emerging markets, where consumers may not have been previously exposed to international brands, there are many factors to consider in formulating a winning

strategy. In more mature markets, there is often fierce competition with well-established international brands and numerous local competitors.

"In any market, success cannot be solely achieved by battling competitors," said Henry Yip. "It also requires innovation to meet consumer demands and tastes and to create the opportunities, which can then be used to advantage. With JRG's years of experience and expertise, we believe we have a great recipe for

future success as we continue to bring wonderful dining options to consumers across the region."

