

Multinational Franchised Restaurants in Pakistan: An overview and analysis

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Abstract

Multinational franchise restaurants are common in the developed world. The trend though late has started in Pakistan. Some major chain restaurants were introduced during the nineties while others later. We have taken three major ones for our study. These are: KFC, McDonald and Pizza Hut. We developed hypotheses which have been tested through primary survey. It has been found that multinational franchised restaurants are clustered in localities having high to middle income group. In terms of clientele almost 95% of the total respondents were from middle to upper income group. The respondents consider multinational franchised restaurants more hygienic as compared to local ones. The quality of services was also considered better in comparison to local restaurants. The multinational franchised restaurants were considered as a status symbol the majority of the respondents.

Introduction

The trend of multinational chain restaurants in the developed world is very well established. In Pakistan this is a development of last two decades. Some major chain restaurants have been developed during the nineties while others later and as late as 2012. There are three major chains i. e. KFC, McDonald and Pizza Hut. All of them are operating on franchise basis. Although Subway, Burger King and few others have their outlets in Pakistan but since they are thinly spread in the country and their total outlets are not in double digits they have not been included in this study. For the three big multinational chain restaurants respective websites were consulted for the following basic information:

- **KFC** was founded in 1939 (Website). In Pakistan it opened its first branch in 1997. There are 60 outlets in eighteen major cities of Pakistan including eighteen in Karachi alone. Today KFC has more than 10,000 outlets in the world.
- **McDonald** was founded in 1955 (Website). In Pakistan McDonald was opened in 1998. Today they have 21 restaurants in 7 major cities of Pakistan including 8 in Karachi. Globally they have more than 30,000 restaurants in 121 countries. McDonald is known as the largest and best known multinational restaurant in the world.
- **Pizza Hut** was founded in 1958 (Website). In Pakistan its first branch was opened in 1993. There are 40 outlets all over Pakistan including 21 in Karachi alone. There are almost 12,000 outlets in 94 countries of the world.

It may be interesting to note that KFC is the oldest one among three but it has one third branches (10,000) worldwide as compared to McDonald and almost 20% less as compared to Pizza Hut. Although apparently KFC is less successful on a global account, it is the most successful multinational chain restaurant in Pakistan with 60 branches in major cities of the country. However, although KFC has more branches than McDonald or Pizza Hut in Pakistan, Pizza Hut has the maximum number of outlets in Karachi (21) when compared to the other two. This infers that Karachi is a better place for marketing pizza when compared to other food options followed by fried chicken and burger as the last choice. It is very surprising that the most successful restaurants worldwide McDonald is not successful in Pakistan. Although it is perceived that Karachi is a city of burger lovers but the sales trend and number of outlets available deny the fact. This fact may also infer that the bulk of food lover do not belong to burger category. Another fact that we would like to mention at this point is the services options. KFC and Pizza Hut serve their food hot or warm while McDonald serves their food cold. Pakistanis culturally eat hot food that should remain warm when served.

These multinationals have changed the culinary culture of Pakistan including that of Karachi. Before them the eating behavior was primarily eastern dominated by food items like 'biryani' and 'kababs'. But as soon as the multinationals came in the menu became a multicultural menu having West dominated items like burger, fried chicken and pizza. Thus today's preference of a family is multicultural and multiethnic.

Literature review

Miele and Murdoch (2002) in their paper talked about the aesthetic aspect of food in the eating out situation. They found that in such situation food quality is regarded as of secondary importance. They also found that the quality of food does have a gastronomic aesthetic aspect as well in which seasonality and freshness are seen as the primary considerations. The authors found that in social life of eating out aesthetic dimension may be given importance and higher consideration. According to them the aesthetics holds profound consequences for economic, environmental and social structures in contemporary areas.

Gvion and Trostler (2008) studied menus from 1960s throughout 1990s. During this thirty year study they found that restaurant menus shifted. They shifted from adapting for the potential customers from as far as ethnic dishes. They found that ethnic dishes are the result of extended culinary boundaries. As a result multiethnic cuisine developed. According to authors restaurants became an agent of change. The objective of change is both to facilitate hostility and suspicion toward the food and the immigrants. Additionally they prevent the immigrants from challenging basic culinary assumptions. The habit of 1960s expressed as melting pot became the salad bowls of the 1990s. Restaurant menus redefined dishes to make them as familiar as possible. The culinary amalgamation is the result of the structure and content of the menu. Fleischhacker et al (2011) studied fast food access. They studied respondents from McDonald, Burger King, KFC, Pizza Hut, Wendy's Subway and Taco Bell. They found an association of body mass index (BMI) and increased exposure to fast food.

Spencer Henson et al (2006) found that food safety standard in a restaurant is assessed by consumers. These include consumers

personal observations on hygiene standards, food quality based on prevailing concepts, level of patronage and external sources of information. Restaurant choice is greatly influenced by perception of food safety both in terms of new establishment as well as continued patronage of establishment that had been frequented previously. Bullying creates a negative impact both on employees and restaurants. Apprentices are exposed to highest level of bullying. This may give them an impression that bullying is the way apprentice is treated and they may so likewise later in their career with their apprentices. In this way bullying behavior may be reinforced and institutionalized.

Goodin and Klontz (2007) found that restaurants are motivated to address the shortcomings as a result of customer complaints before an anticipated inspection took place. It was also found that at the same time restaurants become more lax in food preparation behavior if they do not receive customer complaints over a period of time. It was reported by Zaki et al (1977) and Irwin et al (1989) that procedures for food sanitation are reviewed at routine inspections sometimes had been abandoned by the next inspection. Thomas and Juline (2006) found in relation to dining experience what consumers expect is six overriding themes as follows: consistency, accuracy, ingredients, nutritional information, values and competency. Expectations of information from the menu also differ from customer to customer, some expect more while other feel contented with less. Consumers preferred a menu that describes exactly what is to be served at the table. This includes description of product origin, quality, freshness, cooking method, preparation and more details relating to individual items. Substitution was not preferred.

Bell and Valentine (1997) consider consumption of food in general is widely cited as a prime example of a process of globalization, in the sense of creating a global 'third' culture, encompassing all the developed regions of the globe. On the other hand high end restaurants have not submitted to a global culture. According to Lane (2011) the concept of globalization is too broad and course-grained to capture these and has to be further differentiated. In the sphere of culinary culture of high-level restaurants, the notion of globalization as homogenization has little explanatory value. This culture is sustained in countering homogenization with individuality

and distinctiveness and, as such, is in a way representative of trans-national cultural flows in other areas of culture. Nevertheless, the perception and resentment among many consumers of a trend towards homogenization in food consumption more generally – the McDonal-dization phenomenon – have fed a yearning for a more distinctive culinary culture and for a revival of local/regional food traditions.

According to Barbas (2001) Chinese foods are willingly acceptable by Americans in their diets. Americans did not accept the presence of Chinese Americans in food businesses in America. However, they had little trouble in accepting the in subservient roles. The Chinese dish ‘chop suey’ became more popular, in fact it gained its initial popularity in Chinatown restaurants. The real chop suey craze began when the dish entered non-Chinese restaurants and homes. Chang Janet, Khan Mahmood A. and Tsai Chen-Tsang (Simon), 2011 found studied on customer complaints. According to them the top three complaints behavior were as follows: ‘complaints to the service staff’, ‘seek replacement for unsatisfactory products’ and ‘demand immediate and active involvement of a restaurant manager’. The complaints show that alertness in service providence should be a priority under all circumstances.

Methodology

For the purpose of this study a general survey of the chain restaurants was conducted. A predesigned questionnaire was developed based on the hypotheses that we developed earlier. Before the final interviews the questionnaire was tested on ten persons having the same criteria fixed for final interviews. Five outlets were selected from each branded multinational restaurants (5x3= 15 all three). Fifteen interviews were conducted at each outlets making it 75 for each branded outlets totaling 225 (5x3x15= 225) for three. No ‘take outs’ were included in the study. All interviews were conducted during dinner time (9 – 11PM) through the cooperation of restaurant staff. It was assumed that the serious minded visitors dine with their families as compared to roamers or office goers who make the visit at any time of the day. It was also assumed that the real clientele of these restaurants are diners rather than office goers. For this purpose restaurants in the residential vicinity were visited. This has further

made the study homogenous.

To make the study systemic the following hypotheses were developed.

- H1:** Branded restaurants are clustered in locality of high to middle income group.
- H2:** Clientele of branded restaurants belong to high to middle income group.
- H3:** Products in branded restaurants are perceived as more hygienic.
- H4:** Quality of services in a branded restaurants is perceived as more customer centric.
- H5:** Visit of branded restaurant is considered a status symbol.

Limitation of the study

The branded restaurants were selected from the residential vicinity and interviews were conducted during the evening hours (9-11PM) with the 'eat in' diners. Therefore the sample is not the true representative of the cross section of the 'eat in' population. The office goers have been totally neglected since restaurants were all from the residential vicinity and day time eaters were avoided.

Result

- H1:** Branded restaurants are clustered in locality of high to middle income group.

A general survey was conducted to the localities of the restaurants. Density indicates number of fast food restaurants within the specific territory (i. e. high income vicinity, middle income vicinity etc) and count indicated number of fast food restaurants in that locality. Two types of restaurants were found one in the office area and the other in the residential vicinity. All the residential vicinities were either in high income group (like DHA, Clifton, PECHS) or upper to middle income group (like Gulshan e Iqbal, Federal 'B' Area, Nazimabad and North Nazimabad). While assessing the cluster, density and count were studied.

In view of the above analysis, the hypothesis one (H1) is accepted.

- H2:** Clientele of branded restaurants belong to high to middle income group

This was an open ended question and the respondents filled in the blank space with their approximate income. Based on the input it was then divided into three categories as mentioned below. It was found that 56% of all respondents belong to high income group while 39.1% belonged to middle income group. Thus almost 95% of the total respondents from middle to upper income group.

Test value was given as Rs. 100,000. This was based on the income group that we took for the survey. As we see the middle income group range was Rs. 50,000 – 150,000. Mean difference was high in all the three groups. This indicates that the visitors of the branded restaurants belonged to middle to high income group.

Based on the above findings the hypothesis (H2) is accepted. (Please also see ‘Methodology’ for further detail)

		Restaurant			Total
		KFC	McDonald	Pizza Hut	
House Hold Income	Low Income (Less than Rs.50,000)	4 (5.3%)	3 (4%)	4 (5.3%)	11 (4.9%)
	Middle Income (Rs. 50,000 to 149,000)	28 (37.3%)	35 (46.7%)	25 (33.3%)	88 (39.1%)
	High Income (Rs. 150,000 and more)	43 (57.3%)	37 (49.3%)	46 (61.3%)	126 (56%)
	Total	75	75	75	225

	N	Mean (Rs.)	Test Value (Rs.)	Mean Difference (Rs.)	t	p value
KFC	75	154133.333	100000	54133.333	8.509	0.000
McDonald	75	146933.333	100000	46933.333	7.530	0.000
Pizza Hut	75	158133.333	100000	58133.333	9.214	0.000
Overall	225	153066.667	100000	53066.667	14.598	0.000

H3: Foods in branded restaurants are perceived as more hygienic.

The hygiene aspect was compared between multinational branded restaurants and local restaurants. It was found that multinational restaurants were considered 'more hygienic'. On the other hand local restaurants were considered less hygienic. The p value shows that there is a significant difference between multinational and local restaurants.

In view of the above findings H3 is accepted.

	Restaurant	N	Mean	Std. Deviation	Mean difference	t	p value
Hygienic	Multinational Restaurants	225	4.076	0.828	1.933	23.568	0.000
	Local Restaurants	225	2.142	0.910			

H4: Quality of services in branded restaurants is perceived as more customer centric

Quality of services of multinational restaurants were compared with the local ones. It was found that the quality of services at multinational restaurants were better as compared to local restaurants which were labeled as bad in quality services.

In view of the above findings H4 is accepted.

	Restaurant	N	Mean	Std. Deviation	Mean difference	t	p value
Quality of services	Multinational Restaurants	225	4.1467	.79664	1.648	23.208	0.000
	Local Restaurants	225	2.4978	.70789			

H5: Visit of multinational branded restaurant is considered a status symbol

The respondents were given the option to rate the multinational branded restaurants as status symbol. As high as 84% of the

respondents either strongly agreed or agreed to the statement. Only 13% gave a neutral opinion and only 3% said that they disagree with the statement.

The above findings indicate that the respondents do consider the visit of multinational branded restaurants as status symbol.

The H5 (Hypothesis 5) is therefore accepted.

	Frequency	Percent
Disagree	6	3%
Neither Agree Nor Disagree	30	13%
Agree	119	53%
Strongly Agree	70	31%
Total	225	100%

	N	Mean	Test Value	Mean Difference	t	p value
Status Symbol	225.000	4.124	4	0.124	2.545	0.012

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