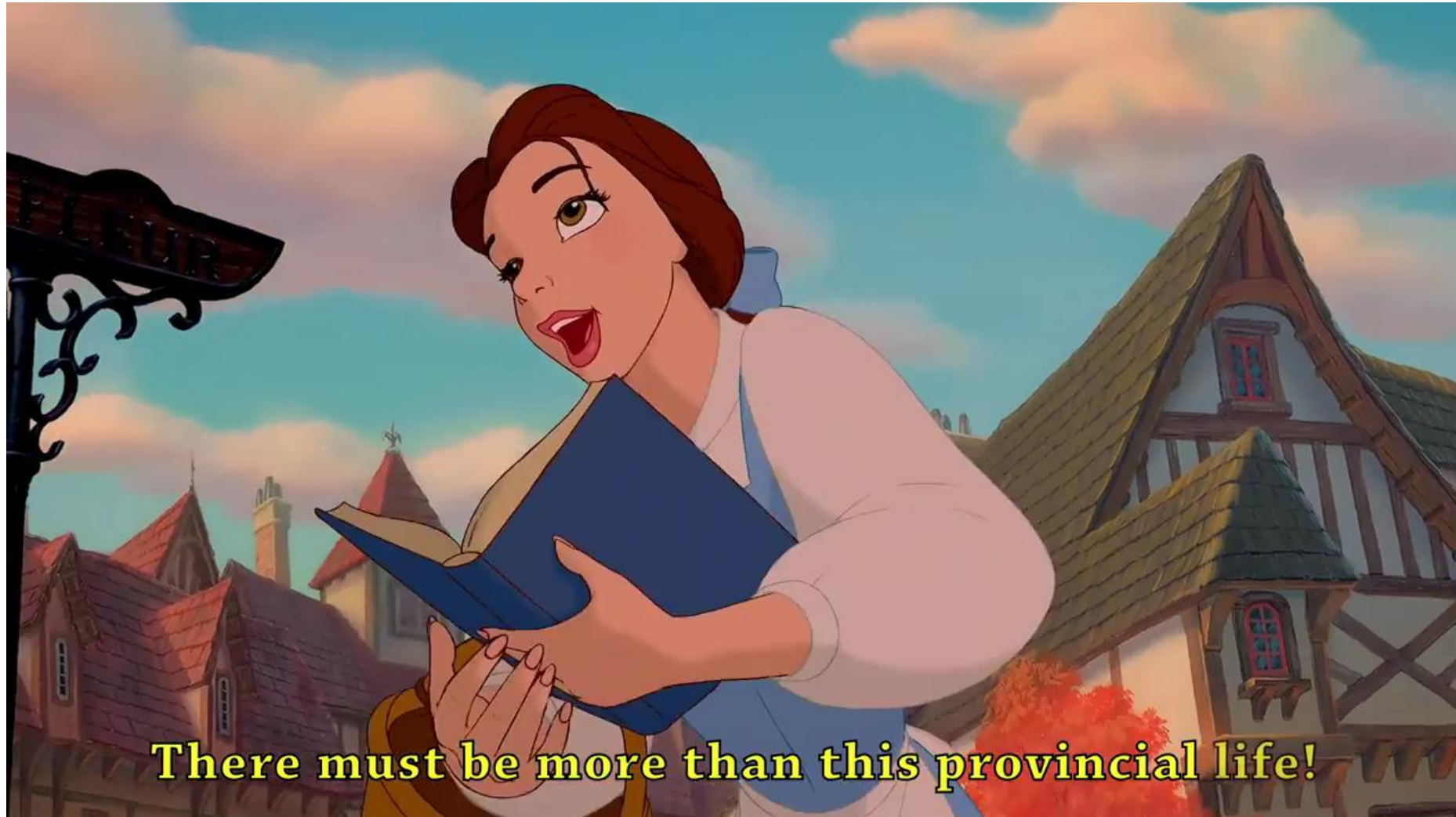


Lecture 12

Globalization & Sustainability

Global vs Local



Outline

1 Globalization and Localization

1.1 A Brief Introduction

1.2 Case Study: KFC China

2 Sustainability

2.1 A Brief Introduction

2.2 Case Study: The 2013 Savar Building Collapse

Reasons for globalization

-
-

What is globalization?

Companies and workers **compete globally**

Examples:

-
-

Note the differences in spelling:

- Globali**z**ation (American English)
- Globali**s**ation (British English)

Localization

全球狂收5.4億美金 打入美國10大至Hit動畫榜
《獎門人》導演 x 《冰河世紀》監製合力發功 消暑3D一擊



壞蛋獎門人2
DESPICABLE ME 2

6月29、30及7月1日 全線搶先推介，敬請留意

NATION despicableme Created by 101 Toys 7月4日 爆笑再SUPER UPI.HK www.facebook.com/UPI.HK

三隻小兵 做巨星？



ILLUMINATION PRESENTS

迷你兵團

7月9日 笑聲襲地球

Localization

Products/services need to be **localized to meet target market's needs**

Examples:

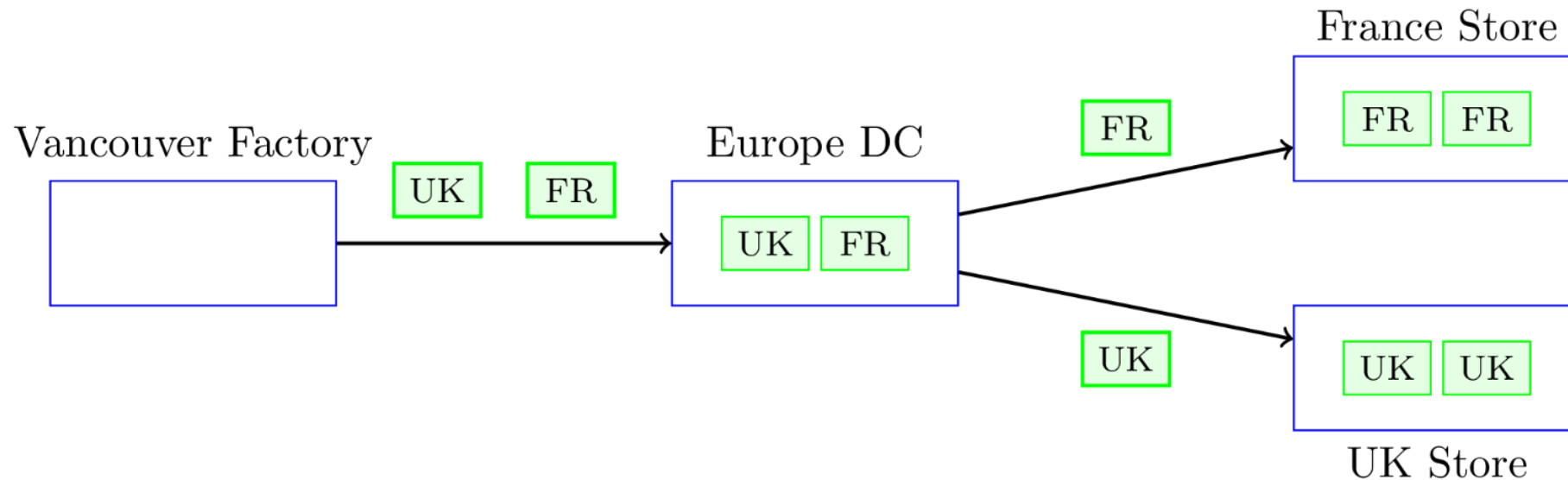
-
-
-
-



Case Study: HP printers supply chain

Old supply chain:

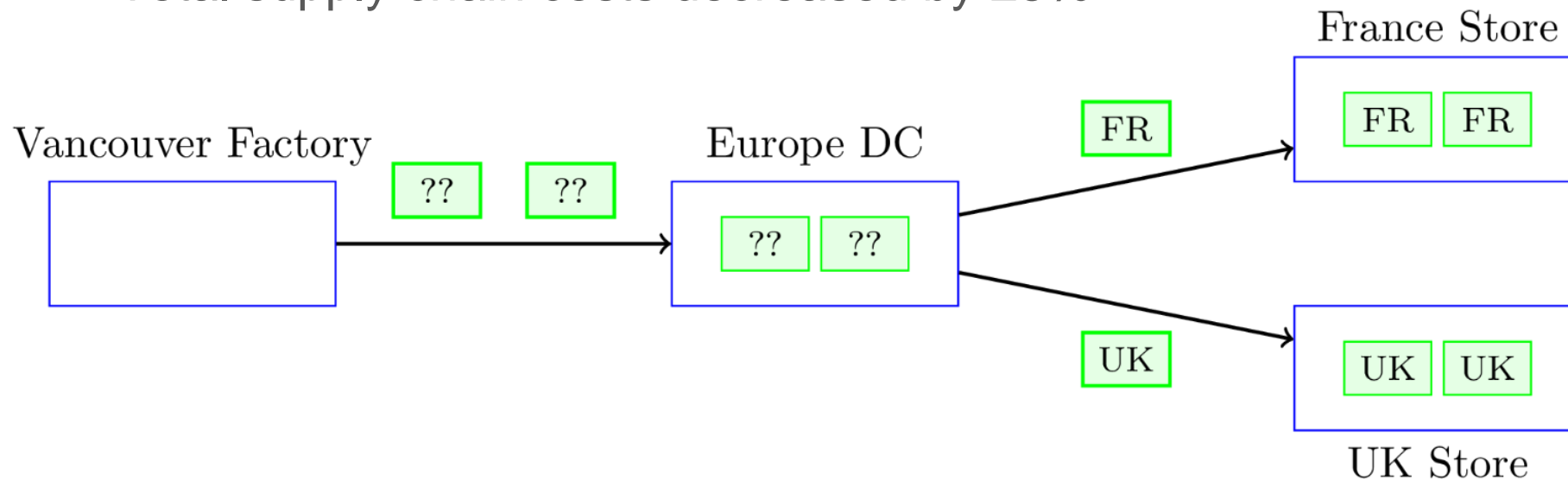
- Vancouver factory builds **country-specific power supply** into the printer
- High inventory levels of country-specific printers



Case Study: HP printers supply chain

New supply chain supporting mass customization

- Vancouver factory builds **universal power supply** into the printer
- Distribution center provides **country-specific electric plug**
- Total supply chain costs decreased by 25%



Outline

1 Globalization and Localization

1.1 A Brief Introduction

1.2 Case Study: KFC China

2 Sustainability

2.1 A Brief Introduction

2.2 Case Study: The 2013 Savar Building Collapse

McDonald's vs KFC in China



KFC vs McDonald's in China

Chinese market share (2012)

McDonald's	16%
Yum	40%
(KFC + Taco Bell + Pizza Hut)	

What was KFC's secret Chinese recipe?

1. Western brand with Chinese characteristics
2. Expanding rapidly
3. Developing a logistics network
4. Training employees in service
5. Focusing on ownership rather than franchising

From David Bell and Mary Shelman "KFC's Radical Approach to China" *Harvard Business Review* November 2011

Western brand with Chinese characteristics

McDonald's China is the same as McDonald's USA

KFC China has some significant differences from KFC USA

Compare:

- [McDonald's China menu](#)
- [KFC China's menu](#)



Western brand with Chinese characteristics

The phrase “Western brand with Chinese characteristics” is a play on the phrase “socialism with Chinese characteristics” (中国特色社会主义)

From Wikipedia: Socialism with Chinese characteristics, meaning Marxism–Leninism adapted to Chinese conditions, is the official ideology of the Communist Party of China (CPC), claimed to be based upon scientific socialism.

KFC USA

Business strategy

- Focus on takeout customers
- Low price
- Western palate
- Small food variety
(~30 items,
1-2 new items per year)
- Mostly self-service

Operations strategy

- Small outlets
- Small kitchen
- Small number of staff
- Same menu nationwide

KFC China

Business strategy

- Focus on extended families and groups
- Moderate price
- Large food variety (~50 items, ~50 new items per year)
- Regional Chinese palates

Operations strategy

- Larger, cozier outlets
- Customer service (greeting customers, playing with children)
- Larger kitchens
- Larger number of staff
- Regional flavors (variable spiciness levels)

Expanding rapidly

McDonald's focused on China's largest cities

KFC focused decided to embrace smaller cities

Less competition \Rightarrow

KFC could choose the best restaurant locations

Developing a logistics network

- Most products are sourced in China for low cost
- In the beginning, China lacked established food distributors
- KFC China established a distribution arm in 1997 (ownership of warehouses and trucks)
- Built a supplier rating system
- Monitor supply chain

Training employees in service

- Lack of trained employees is limiting factor in expansion:
 - Rapid expansion (> 500 new stores a year)
 - Requires 1 K new managers and 30 K new staff a year
- **Apprenticeship** model for training new employees
 - New employees **work alongside** old employees in established stores
 - Train “little emperors” in **teamwork** and **customer service**

What is franchising?

Common for fast-food restaurants

Three important payments are made to a franchisor:

1. A royalty for the trademark
2. Reimbursement for the training and advisory services given to the franchisee
3. A percentage of the individual business unit's sales

Reduced investment costs for franchisor (e.g. McDonald's)

Ownership rather than franchising

Franchisee-owned outlets

Lower investment costs

Faster geographical expansion

Works well with entrepreneurs,
simple operations

Company-owned outlets

Company keeps larger share of profits

Close monitoring and control of
operations

Works well in a rapidly changing
environment

Outline

1 Globalization and Localization

1.1 A Brief Introduction

1.2 Case Study: KFC China

2 Sustainability

2.1 A Brief Introduction

2.2 Case Study: The 2013 Savar Building Collapse

What is sustainability?

UN Brundtland commission:

“Sustainable development is development that meets the **needs of the present** without compromising the ability of **future generations to meet their own needs.**”

Picture of children

Why is sustainability important?

From [Wikipedia](#):

From 1932–1968, the Chisso Corporation's released methylmercury in the industrial wastewater from its chemical factory in Minamata city, Japan.

This highly toxic chemical bioaccumulated in shellfish and fish in Minamata Bay and the Shiranui Sea, which, when eaten by the local populace, resulted in mercury poisoning.



The crippled hand of a Minamata disease victim named Tomoko Uemura

What is sustainability?

The triple bottom line (3BL)

- People
- Planet
- Profits

People

- Paying workers livable wages
- Ensuring safe working conditions for workers
- Not using child/slave labor
- Not polluting the environment where people live

Planet

- Reducing air pollution
(e.g., sulfur dioxide and nitrogen oxide)
- Reducing carbon dioxide emissions
- Not polluting the water or the land

Examples

1. [Apple](#)
2. The 2022 World Cup in Qatar
3. Beijing's air quality
4. Starbucks
5. Alta Garcia

Apple's iPhone X assembled by illegal student labour

Interns say they were 'forced' to work at Foxconn plant in China in order to graduate



Assembly line at a Foxconn plant in Shenzhen, China. The company employed students working overtime at its iPhone X factory in Zhengzhou © Bloomberg

NOVEMBER 21, 2017 **Yuan Yang** in Zhengzhou

 190 comments

30



MCDONALD'S PROUDLY SUPPORTING THE HUMAN RIGHTS VIOLATIONS IN QATAR.



PROUDLY SUPPORTING THE HUMAN RIGHTS ABUSES OF WORLD CUP 2022.



qatar
2022

An unprecedented death toll in Qatar

 = 1 worker death

London
2012 Olympics



Vancouver
2010 Olympics



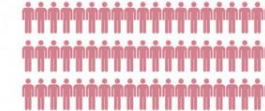
South Africa
2010 World Cup



Brazil
2014 World Cup



Sochi
2014 Olympics



Beijing
2008 Olympics



Qatar

Migrant worker deaths since Dec. 2010



WAP0.ST/**WONKBLOG**

Sources: The Guardian, Building and Wood Workers International, WorkSafe British Columbia, Al Jazeera, The New York Times, International Trade Union Confederation



From L to R: Beijing air on June 19, 2009 and on June 22, 2009

Beijing's air quality

Beijing slaps ban on winter construction in bid to improve air quality

All major public projects will be halted from November to March, when smog levels are often at their worst

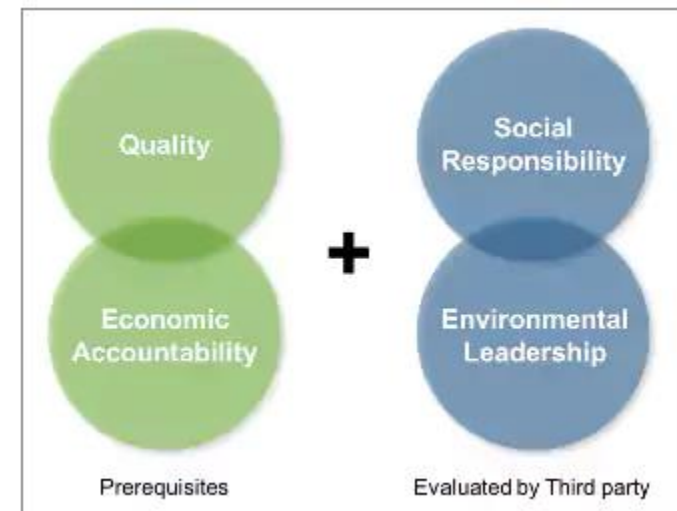
SCMP, 17 September 2017

Example: Sustainability at Starbucks

Starbucks' sourcing of coffee beans is guided by Coffee and Farmer Equity (C.A.F.E.) practices

C.A.F.E. practices includes guidelines in four key areas:

1. Product Quality
2. Economic Accountability and Transparency
 - Suppliers must submit evidence of sufficient payments to farmers
3. Social Responsibility
 - Workers paid at or above minimum wage
 - Safe working and living conditions for workers
 - No child or slave labor
4. Environmental Leadership
 - Environmentally friendly coffee growing practices



Alta Gracia

Alta Gracia is a small clothing startup



Is it too expensive to pay workers living wages?

Consider a \$35 sweatshirt

- Conventional factory workers earn <50¢ per sweatshirt
- Alta Gracia pays \$1.40 per sweatshirt
- Retailer and wholesaler together earn ~\$25 per sweatshirt

Outline

1 Globalization and Localization

1.1 A Brief Introduction

1.2 Case Study: KFC China

2 Sustainability

2.1 A Brief Introduction

2.2 Case Study: The 2013 Savar Building Collapse

Do you have blood on your clothes?

Case Study: 2013 Savar building collapse

Also known as the Rana Plaza collapse

The collapse of an eight-story commercial building in Savar Upazila of Dhaka:

- 1,129 deaths
- 2,515 injured

Garment factory supplied clothing to companies including Mango, Inditex (Zara), Benetton, Primark



How did this happen?

Causes:

- Upper floors were added in violation of building codes, using substandard building materials
- Bangladeshi government was corrupt
- Factory management insisted that workers continue to work in an unsafe building
- Western clothing retailers turned a blind eye to safety violations

Bad publicity for retailers

Murray Worthy, from campaign group War on Want, said:

We're here to send a clear message to Primark that the 300 deaths in the Bangladesh building collapse were not an accident — they were entirely preventable deaths. *If Primark had taken its responsibility to those workers seriously, no one need have died this week.*

Aftermath

- Bangladesh refused the UN's offer of help in search and rescue
- Companies including Benetton, Inditex, Mango and H&M donated money to the *Rana Plaza Donor's Trust Fund*
- Many retailers signed the legally binding *Accord on Factory and Building Safety in Bangladesh*
- Seventeen major North American retailers announced the *Bangladesh Worker Safety Initiative* (less strict, not legally binding)

Accord on Factory and Building Safety in Bangladesh

The agreement consists of six key components:

1. A five-year legally binding agreement between brands and trade unions to ensure a safe working environment in the Bangladeshi RMG industry
2. An independent inspection program supported by brands in which workers and trade unions are involved
3. Public disclosure of all factories, inspection reports and corrective action plans (CAP)
4. A commitment by signatory brands to ensure sufficient funds are available for remediation and to maintain sourcing relationships
5. Democratically elected health and safety committees in all factories to identify and act on health and safety risks
6. Worker empowerment through an extensive training program, complaints mechanism and right to refuse unsafe work