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# Business Plan for U.S. Based Soup and Salad Franchise Restaurant in Beijing, China

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Running head: SOUP AND SALAD

Business Plan for U.S. Based Soup and Salad Franchise Restaurant in Beijing, China

by

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A professional paper submitted in partial fulfillment of the requirements for the

Master of Hospitality Administration Program

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Graduate College

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### Part One

#### Introduction

Healthy green food is a fairly new trend that opened up a huge business opportunity for global food and beverage firms in the twenty-first century (Roger, 2003). As food safety has become a nationwide concern in China, healthy green food is in its upswing in Chinese market. Zhong, an academician of the China National Engineering Research Institute, states that "Violations to food safety is more severe than ever before. If more and more additives are added to the food in China, Chinese people will be unable to produce off-spring within the next fifty years" (Zhong, 2008, p. 12).

Chemical additives such as growth-promoting additives are commonly used in raising poultry and farm animals, and in processing meat (Sofos, 2008). In addition, farm pesticides and chemical fertilizers are used in growing vegetables (Longo & York, 2008; Mayer, 1997). Whenever people consume meat or vegetables treated with chemicals, it will affect on their health. Bowel cancer, cervical cancer, and ovarian cancer are increasing at staggering rates, which may be caused by the consumption of such meats and vegetables. Over consuming meat may cause cancer, heart failure, constipation, arthritis, Alzheimer's disease, and high cholesterol (Schulz, Lahmann, Riboli, & Boeing, 2004; Willett, 2005). Nutritionists suggest that people eat more vegetables than meat (Hwang, Glass, & Molter, 1999). Further, they suggest people eat vegetables that are free from pesticides and chemicals and eat meats that are preservative and additive free. People are demanding more regulations for food safety, which also means that there will be a demand for healthy food, or green food, in the restaurant industry.

Twenty years ago, Chinese were struggling for survival as they brought home minimal salaries. People were thankful if they were even able to include meat in a meal. With the rapid

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economic development of China in the past decades, people became more affluent and interested in the quality of food rather than just having sufficient food on the table. Nowadays, they realize the importance of having healthy a body and are seeking healthy organic food more frequently. This has becomes a popular trend in China (Ye, 2011).

A restaurant style called soup and salad, which specializes in providing green and healthy food, has been well established in the U.S. market. The soup and salad restaurant is a type of American style all-you-can-eat buffet chain, primarily known for its fresh salad bars and classic homemade soups, often along with several pastas, pizza, muffins, and breads. The first American soup and salad restaurant opened in 1978 in Houston, Texas (Souplantation, n.d.). While Americans have incorporated the meal concept of soup and salad into their lifestyles, this type of food is still mostly unknown in the Chinese food and beverage industry. Healthy green food is likely the future trend in China and the American's soup and salad concept would be popular in the Chinese market and play a significant role in the food and beverage industry.

The success of China's hosting of the 29<sup>th</sup> Olympic Games and the 41<sup>st</sup> World Expo has given more confidence to foreign investors to expand their business in China. Some well-established healthy and green food companies have realized that China has a significant market potential. Recently, China has become the most franchised nation in the world, as far as the number of systems (Guo, 2005). U.S. green food brands are not the only group looking for new business opportunities in China; local business investors are also seeking to cooperate with U.S. established green healthy restaurant franchisors. This paper will explore the market potential and present a business plan for a U.S. healthy and green brand, the soup and salad franchise restaurant, in the capital of China: Beijing. For any restaurant company that wants to expand internationally, its consumers, menu, price, location, and competitors are the main factors



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for its success. The business plan will investigate these factors and analyze the local environment for a "Soup and Salad" type of restaurant located in Beijing, China.

### **Purpose Statement**

The purpose of this paper is to build a business plan for American soup and salad buffet style restaurant franchisors who want to expand their business in Beijing, China. It will focus on analyzing the potential consumers, menu, price, location, and local competitors for such a restaurant.

**Statement of problem.** Since there is no American style soup and salad buffet restaurant in Beijing, a business plan is needed prior to any major investment. A marketing study, exploring the market potential for opening an U.S. soup and salad chain restaurant in Beijing, should be included. The following research questions will be investigated in this study:

1. What are the demographics in Beijing of people who prefer to eat in a soup and salad restaurant?
2. What type of menu would be popular in Beijing?
3. What is the price range that consumers in Beijing can afford for the buffet admission?
4. What are the best locations in Beijing for opening a soup and salad buffet restaurant?
5. What are the major competitors to soup and salad buffet restaurant in Beijing?

### **Justification**

The business plan focuses on exploring the market potential for opening a new soup and salad buffet restaurant in Beijing, China, emphasizing the above research questions. Therefore, the results from this study will provide significant knowledge for those U.S. healthy green food franchisors who are interested in expanding their business globally.

Since soup and salad is most likely an unknown product in the Chinese market, to ensure that foreign healthy green food franchisors who want to enter the Chinese market can be

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successful and profitable, a business plan is not only necessary but also significant and meaningful. The information from this business plan will significantly influence franchisors' judgment on the target population, menu items, price range, and store locations. As a business plan gives the investors a clear understanding of the market potential and strengths and weaknesses of their products, they will be able to solve foreseeable development barriers before entering the Chinese market. This study will have served its intention at the time when a soup and salad buffet restaurant operates on a daily basis.

## Constraints

The business plan focuses on exploring the market potential for healthy green food companies; it limits its function and may not be meaningful or useful for other types of food and beverage franchisors. In addition, as all the information used in this business plan centers on the market of Beijing, the result from this study is only applicable to Beijing, it might not be feasible to other locations in China or in other countries.

## Glossary

*Healthy green food* is sustainable, and follows designated production routines. The government could issue tags which label the foods as non-contaminated, clean and nutritious. Green Food have the following characteristics: they are from a natural environment, scientifically quality controlled, and has an unified tagging and management (Yang, 2010).

*Organic food* is grown without synthetic chemicals, insecticides, pesticides, herbicides, and any other artificial additives. It contains higher level of trace minerals, vitamin C, and antioxidant. However, it is not limited only to vegetables, fruits, and other grown food products. Organic food can also refer to livestock such as cows, pigs and chickens. Organic livestock are those that have not been treated with growth hormones or other drugs to increase its size and other areas. Some of the materials people use for daily needs can be considered organic as well.

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According to Gold (2007), the official definition of organic grade products is that "Organic food is produced by farmers who emphasize the use of renewable resources and the conservation of soil and water to enhance environmental quality for future generations" (Section 1, para. 5).

*Soup and salad restaurant* is a joint name for all American buffet chain restaurants of this style. The characteristics of soup and salad buffet style restaurant are being healthy, green, and fresh. It has been in existence for more than twenty years. All the foods are prepared daily at their own store. The restaurants include a widespread salad bar, several American home-style soups, pastas, breads, pizza, and muffins. Fountain drinks, fruit, desserts, and ice cream are also served. They are open at both lunch and dinner time, sometimes with an additional breakfast session, depending on their location. Sweet Tomatoes, Fresh Choice, Souper Salad, and Souper Fresh are some of the famous American soup and salad brands. All these chain restaurants operate on an all-you-can-eat basis.

## Conclusion

This paper consists of three parts. Part one introduces the topic, statement of the problem and the objective, along with the justification and the limitation of the business plan. Part two is the review of the related literature. The literature that was reviewed is in alignment with the research questions proposed in part one and further justifies the significance and the need of the current study. Part three serves as the business plan for U.S. soup and salad buffet restaurant in China, it can also be a guide line for foreign healthy green food franchisors who want to land their business in China.

## Part Two

### Literature Review

#### **Introduction**

A business plan lists the processes of how a company achieves its business objectives and identifies the issues and challenges that a company may encounter in implementing their expansion. It also notifies the investors of the company's market segmentation and what needs to be done to maintain or develop their market position. The following section will review the related business plans, the factors influence international franchising, and the issues and barriers when managing international franchised restaurant.

#### **Factors Influencing International Franchising**

Shane and Spell (1998) found out that almost three-quarters of the new franchise systems stores go out of business within 12 years. For that reason, they gave several recommendations to new franchisees. In their research, 157 companies in 27 industries were studied, and they developed a model to help investors identify successful new franchisors. They suggested that franchisees should look for franchisors that are growing quickly, providing more system support, and focusing on building their brand names. In addition, for new franchisees, becoming members in the IFA (International Franchise Association) is necessary, and they should be careful of new franchisors who offer master-franchising (Shane & Spell, 1998).

After a foreign franchisor is carefully selected, understanding the factors affecting the success of their international franchise is a must. Lee, Khan, and Ko (2010) conducted a research survey in Korea dedicated to find out the factors that influence local restaurant franchisees when choosing U.S. franchisors, the key success for U.S. franchise restaurants to accomplish success in the Korean market, the training areas that U.S. franchisors should offer to their global

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franchisees, and the best locations to build up foreign franchise restaurant.

Eighty questionnaires were sent to local restaurant managers who operate U.S. franchise restaurants, and 57 feedbacks were received from those managers. The results of the study showed that highly efficient franchise system and a fair franchise contract between U.S. franchisors and foreign franchisees are the most significant factors that they consider in choosing an international franchisor. They also found that shopping mall and department stores were the best location for a franchised restaurant. Moreover, cleanliness and high quality food were the critical success factors in managing franchise in Korea (Lee et al., 2010). This finding was supported by a former study which claimed that a restaurant could not be successful without a high cleanliness and high quality of food (Lee & Madanoglu, 2005). Furthermore, this study also found that the top two areas where franchisees need support from franchisors were service training and food preparation training. Since Korea is a neighboring country to China and they share much in common, the result of this study is valuable.

In addition to the research of Lee et al. (2010), Ni and Alon (2010) used longitudinal data from *Bond's Franchise Guide* 2001-2008, which includes 1,058 observations of 158 franchise chains, to further complement the main factors that affect the international expansion of U.S.-based fast-food franchisors. Results from Ni and Alon's study showed that bonding, the percentage of franchised units, the number of states of the system located, and the regulation of area development and sub-franchising can influence the global development of U.S.-based fast-food franchise restaurants.

In short, these prior studies have found that a fair contract, a highly efficient franchise system, and training supports were critical for franchisees selecting a U.S. franchise company, and that store location, cleanliness, and quality of food play important roles in influencing the

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international expansion of U.S.-based fast-food franchise restaurants. Therefore, it is imperative to consider these factors when designing a business plan for a U.S. soup and salad franchise restaurant that seeks to land in Beijing.

### **Issues and Barriers When Managing an International Franchise**

Several researchers have identified the potential issues and barriers for international franchises that would operate in a foreign country like China. Among these researchers, Ordish (2006) comments that "China is an enticing market for foreign franchisors, but its uncertain regulatory environment can make franchising risky" (p. 30). Although Ordish believes that China is "the mother of all franchise markets" (p. 30), she still recognizes the risks in this new market. There were several problems she suggested foreign franchise investors need to be careful of when entering the Chinese market: China's weak legal system, unreliable franchising policy, and IP (Intellectual Property) risks. "McDonald's will begin franchising only after relevant regulations and laws are defined in China," said Peter Tan in 2002, the president of the China branch of the McDonald Development Co. (Ordish, 2006, p. 31). In addition, Mellish (2007) addressed that the bureaucracy, the lack of transparency, imitation, the uniformity in the legal system, the uncertainty of intellectual property rights, and corruption will most likely challenge both domestic and foreign franchisors. Furthermore, the complicated ethnic groups and long history have been barriers for U.S. franchisors entering the Asian market (Binh & Terry, 2011).

Besides governmental issues of franchising internationally, there are also problems in the operating process. Lee's case study (2008) highlighted two crucial factors when managing international franchise restaurants. The first factor is related to the relationship between franchisors and international franchisees. Maintaining a reliable relationship between franchisor and franchisee is important in the success of a franchise business (Das & Teng, 1998). Lee (2008) believes that the franchisees should do their best to meet a franchisor's requirements and

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expectations, and not rush on financial achievement. The second factor is related to customization, adjusting the original franchise system according to local environment, versus standardization, or the franchisor's original system. Every country has distinct traditional food and eating behaviors. The food preferences and eating habits in a certain country are connected to its culture and the environment in which it is, and these are hard to change (Kitter & Sucher, 2008). For that reason, there should be adjustment to menu items when franchising internationally.

Lee also points out that foreign franchisees should develop and cooperate with local suppliers in order to maintain a competitive and consistent quality supplies with a reasonable prices (2008). For example, the key competitive advantage for “YUM!” in China was its own local supply and distribution chain system (Wong, 2006).

To conclude, the U.S. Commercial Service of the U.S. Department of Commerce has suggested to their franchisors that they should register intellectual property rights, implement care in preparing franchising contracts, understand cultural differences and adjust market access plan, adapt to local culture, habits, and tastes, minimize the price of the product and franchise fee to achieve rapid expansion, and work with local U.S. Commercial Service in selecting potential partners (U.S. Commercial Service, 2009).

## **Business Plan**

A business plan helps the companies and investors identify business requirements, understand the market and competition, create company management and structure, and predict business profitability (Schneider, 1998). The structure of a business plan has never change over the past decades. Schneider (1998) and Simoneaux and Stroud (2011) have common agreement on the main components of a business plan. They both stated that a solid business plan should essentially follow the steps below: First, company overview states the objective of the business;

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it must be in detail and practical. Second, products or services that the business can provide are described. Third, the market and competitions must be analyzed, SWOT analysis is needed as necessary. As for soup and salad, it is not only has promising market demand but is also currently blank in the Chinese market. Fourth, create marketing strategies, it should include how to create an excellent brand image, and how to promote the products or services. Fifth, build up management system and human resources for the business. Consider staffing and necessary training when open the business. Finally, provide financial information for initial investment, operating expenses, and forecast profitability for the business. The financial review should offer positive and negative scenarios.

## Summary

The review of the related literature shows that China's weak legal franchise system, intellectual property rights, and bureaucracy or corruption are the critical challenges when U.S. franchisors plunge into Chinese market (Binh & Terry, 2011). On the other hand, for franchisees, building trust with franchisors, developing their own local suppliers and distribution chains, and customizing menus according to local cultures are the main factors that influence their business success (Lee, 2008). Therefore, the business plan in this paper will not only follow the traditional procedures, but also analyze local conditions and provide suggestions based on the proposed issues and challenges.



## Part Three

### The Business Plan

#### **Introduction**

This business plan is comprised of two parts. First, it introduces the project objective and both short-term and long-term business goals. It also analyzes the status of the current franchise industry in Beijing, including the business pattern, current business conditions and future trends. This business plan is based on the local food culture and eating habits, and with the recommendation in the literature review, a suitable menu and service standards for a "Soup and Salad" concept in Beijing were established. This plan defines the restaurant marketing strategy, operational processes, restaurant's management system, and restaurant structures. It also analyzes "Soup and Salad's" major local competitors and offers a SWOT analysis to create a strategic plan. In order to select an appropriate restaurant site, the plan considered the neighboring environment and population distribution. Finally, the financial review describes the estimated investment and expected return with market risks, followed by reasonable business recommendations.

## Company Overview

**Project plan.** The project name is a "Soup and Salad" franchise chain, emphasizing healthy dining management. The restaurant franchise will be established in Beijing, in the People's Republic of China. The estimated capital is approximately one million Yuan (\$ 157,000), and all investors are private enterprises. The restaurant will provide green, fresh, and contemporary style food to Beijing's population based on American healthy principles. This project will result in the opening of a brand-new restaurant chain of healthy Western-style food in Beijing, China.

**Business goals.** In the first year, the restaurant plan is to receive 43,800 customers based on a 60 seats restaurant with a turnover rate of two times. The population that the restaurant serves will mostly be urban white collars workers as well as foreigners in Beijing. In the second year, the restaurant plans to increase the number of customers to 65,700. For the third year, the plan will promote the customer scope to the entire Beijing area, simultaneously increasing the customer quantity to 87,600 by raising restaurant turnover rate to four times daily. In year four, soup and salad chain restaurant management will begin to cooperate with competent individuals or enterprises, expand its business outside of Beijing, and develop its franchise restaurants to the other cities of China.

### **Development strategy.**

***Initial stage (1-3 years).*** The main product will be healthy meals for different market segments in Beijing. To capture the market share of healthy food industry with effective marketing plan at beginning, the company will set up a unique brand image for the soup and salad franchise and promote its popular products and reputation in Beijing. Later on, in order to be able to further develop the product and the market, the company will withdraw from initial investments, consummate its management system in China, and modify the menu items to accommodate Chinese eating habits and preferences. The achievement of the above responsible actions are more meaningful than the short-term financial goal.

***Middle stage (4-6 years).*** Beside the improved management and operation system, the

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company will keep building its distinctive brand image characteristics, which are healthy, fresh, nutritious, environmental friendly, and reasonably priced. In the meantime, it needs to unify the menu, food quality, and management system for every store in Beijing. After that, the company will enlarge its business scope outside of Beijing in an attempt to develop the soup and salad chain restaurants in other major cities in China, such as Shanghai, Shenzhen, and Guangzhou.

***Long-term (5-10 years).*** During this period, the restaurants' operation system should have been well established and have a steady status. With the enhancement of the business influence, soup and salad might no longer be able to satisfy its existing customers; if necessary, the company will create new subsidiary company offering different style of products to capture current market demand. However, the company will also actively innovate in different food products to cater to different types of consumers. By strengthening the food distribution and the accounting system, the company will achieve a rapid and stable expansion, and establish a mature soup and salad chain system and management model with Chinese characteristics as a final goal.

It is feasible to put the above proposal for the development of soup and salad in Beijing into action. For example, Kungfu (Kungfu Catering Management Co., Ltd) is a large chain store in China established in April 1994. As a major competitor to soup and salad, it originated from Dongguan in the Guangdong province and specializes in steamed food products. In December 2005, the hundredth store was opened in the Chinese square, Guangzhou, and the CEO of Kungfu claimed that there would be 800 to 1,000 more Kungfu chain stores to be opened in a three-year period (Deng, 2009).

## **Chinese Franchise Industry**

**Franchise pattern.** China has three kind of structures of pattern alliance for franchise chain systems: franchise chain, regular chain, and voluntary chain. Currently, most franchise companies are using regular chain and franchise chain business models (Shen, 2010). Soup and salad will take the voluntary chain model as its business pattern when entering the Chinese market, because it will reduce the operating risks more effectively than the others.

Although regular chain and franchise chain business models are good for many franchise companies, for a new food concept in China, it would be difficult for U.S. franchisors to send a lot of management personnel to Beijing, because the human resources of soup and salad restaurants from U.S. headquarters are limited. Even if personnel is not limited, sending people to work abroad is costly. To save on personnel pay on the management level in the initial period, the franchisors will delegate applicable management authorities and provide business opportunity to Chinese franchisees.

Domestic and foreign franchisors have also adopted voluntary franchise. For example, global coffee industry giant, Starbucks, granted authorization to BEIDA coffee (Beijing market) and MEIXIN coffee (Guangdong market), allowing them to run business in Beijing and Guangdong respectively in the form of voluntary franchise. The franchise fee is collected from its franchisees (Shen, 2010).

Moreover, a Japanese franchisee Seven-Eleven has adopted the voluntary franchise as well when entering the Chinese market in its initial period. It applied the Chinese society's idle capital and the shop resources, and finally obtained a stable and rapid expansion. Another successful example that also adopted the voluntary franchise for the first three years is a Chinese franchisor called Little Sheep Group. The company reached a record-breaking 700 stores in China (Shen, 2010).

**Current status.**

***Chinese franchise restaurant status.***

Table 1

*Basic Status of Restaurant Franchise in China*

Year	Number of Stores (Unit)	Operating Area (10,000 sq.m)	Engaged Persons (10,000 persons)	Number of Seats (10,000 units)	Revenue (100 million Yuan)
2005	9748	478.10	50.10	245.80	454.36
2006	11360	588.20	55.70	274.80	563.75
2007	12743	629.25	62.55	280.05	640.00
2008	12561	651.86	66.07	253.07	806.91
2009	13739	691.55	65.18	248.94	879.32

*Note.* This source is the National Bureau of Statistics of P.R.C., 2010.

According to Table 1, at the end of 2005, there were 9,748 franchise restaurant chain stores in China. By the end of 2009, this number rose to 13,739, with an increase of 40.9% in five years. Business areas increased by 44.6%, engaged employees increased by 30.1%, seating capacity increased by 21%, and business revenue increased amazingly by 93.5% from 45.436 billion Yuan (7 billion dollars) in 2005 to 87.93 billion Yuan (13.5 billion dollars) in 2009.

***Beijing franchise restaurant status.*** Table 2 shows that at the end of 2005, there were 1,066 franchise restaurant chain stores in Beijing. By the end of 2009, this number rose to 2,054, which increased by 18.5% in five years. Business areas increased by 24.3%, engaged employees increased by 14.5%, seating capacity increased by 21.6%, and business revenue increased by 30.2% from 5.46 billion Yuan (0.84 billion dollar) in 2005 to 13.72 billion Yuan (2.11 billion dollars) in 2009.

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Table 2

*Basic Status of Restaurant Franchise in Beijing*

Year	Number of Stores (Unit)	Operating Area (10,000 sq.m)	Engaged Persons (10,000 persons)	Number of Seats (10,000 units)	Revenue (100 million Yuan)
2005	1066	51.80	4.90	15.30	54.60
2006	1295	74.00	6.10	22.10	73.20
2007	1502	87.22	6.69	24.88	91.77
2008	1740	98.03	8.56	27.35	121.07
2009	2054	114.62	8.46	31.83	137.17

*Note.* This source is the Bureau of Statistics of Beijing, China, 2010.

**Future trends.** While China's economic reforms and open policy are still in progress, the economy is growing rapidly. People in the city and rural area gain benefits, such as significant increases in their incomes from the economic reform. There is vigorous growth in the travel industry commerce. Currently, China is experiencing the third highest peak in the development of food and beverage industries. In order to adapt to this rapid growing economy, some well-known local restaurant tried hard to reconstruct their corporate cultures, and improve their brand images, enhanced their companies' internationalization and modernization level. Now the population is aging gradually, the environment is polluted, and life pressures are growing. Soup and salad is well positioned for the current interest in healthy, light, and tasty food. The healthy and nutritious food will certainly become a new diet wave in the 21st century in China.

### Target Market

In recent years, the healthy diet has become a fashion. Previously, massive junk food flooded into the market. With the enhancement in the standard of living, modern people who are tired of greasy food are pursuing nutritious, natural, and healthy food, longing to experience original taste and the flavor of natural foods. KFC and McDonald's have noted that since their products

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have high calories and high fat, their business maybe decline in the future as people refuse to continue to eat these kinds of food. Both chains have started to offer traditional healthy Chinese food such as congee breakfast, shredded egg soup, seafood soup, and Beijing chicken rolls.

Domestic chains also try hard to develop healthy products. For instance, Kungfu claims that their products are non-fried and highly nutritious (Deng, 2009).

Due to the nature of the American soup and salad concept, this type of restaurant does not suit university campus locations in China, because students have a low consuming ability, and they prefer to eat more meat than vegetables daily, which is not the strong point in a soup and salad restaurant. The company will avoid setting up stores in a busy street, because the dining style is buffet, not fast-food style, and the turnover rate will not be very quick; therefore, locating the store in a busy commercial area will be a waste of money with the high rent. The company will choose a residential or business district to launch the business in Beijing, because the property rental of these areas are much lower than in a shopping mall or commercial strip, and it reduces the risk for a restaurant chain first entering Chinese market. In addition, these areas do not have parking issues and will be convenient to the residents or the office workers who can walk to get to the restaurant.

In conclusion, there are two regions to be considered to open soup and salad chain restaurant in Beijing. First, the central business district (CBD) and office district, targeting local white-collar workers and urban foreign staff. Second, the residential areas populated by foreigners, and people from Hong Kong, Macao, Taiwan, and the business residential community.

## Product and Service

Soup and salad's menu designs follow prominent characteristics, such as insisting to be healthy, green, fresh, and nutritious with the promotion of American dining culture. In the menu

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variety, several store specialties that can be tasted in other places need to be designed—for instance, the modified American soup with Chinese characteristics. The sales motivators are rich nutrition, healthy, and easy to absorb, which meet soup and salad's central responsibility and main mission. Restaurant locations will be convenient with no parking issues, and it caters to both younger and older people. Beside food, every soup and salad chain store will provide a healthy diet consultant for customers, regularly offer free healthy diet education, and formulate healthy diet plans for members.

### **Price and menu. (See appendix)**

#### **Soup & Salad Buffet ¥ 68 (\$10.50)**

(11:00a.m.-9:00p.m.)

#### **Soups:**

- |                        |                    |                 |
|------------------------|--------------------|-----------------|
| -Chinese Style Borscht | -Cream of Mushroom | -Clam Chowder   |
| -Lentil and Vegetables | -Chicken Noodle    | -Red Bean Chili |
| -Harvest Vegetables    | -Hot and Sour      |                 |

#### **Salads:**

- |                        |                       |                          |
|------------------------|-----------------------|--------------------------|
| -Caesar Salad          | -Strawberry Vegetable | -Roasted Vegetable Salad |
| -Japanese Potato Salad | -Pasta Salad          | -Egg Salad               |
| -Coleslaw              | -Self selection       |                          |

#### **Staple Food:**

- Pizza (Whole wheat vegetarian pizza)
- Hot Foods (Toast with Butter / Pasta)
- Bread (Garlic Bread / Whole-wheat Bread)

#### **Drinks**

**(Enjoy Half Price of Any Drinks With Buffet Entry)**



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### Soft Drinks:

-Bottled Water	¥ 12	(\$1.85)
-Coca-Cola / Sprite / Fanta	¥ 12	(\$1.85)
-Diet Coke / Coke Zero	¥ 12	(\$1.85)
-Tropicana Orange Juice	¥ 12	(\$1.85)
-Huiyuan Apple Juice	¥ 12	(\$1.85)
-Nongfu Fruit Blend (Pineapple)	¥ 18	(\$2.8)
-Milk	¥ 18	(\$2.8)

### Fresh Squeezed Juices:

-Carrot Juice	¥ 28	(\$4.3)
-Tomato Juice	¥ 28	(\$4.3)
-Celery & Carrot Juice	¥ 28	(\$4.3)
-Celery & Tomato Juice	¥ 28	(\$4.3)
-Orange Juice	¥ 38	(\$5.85)
-Apple Juice	¥ 38	(\$5.85)
-Watermelon Juice	¥ 38	(\$5.85)

### Tea:

-Iced Black Tea	¥ 12	(\$1.85)
-Iced Green Tea	¥ 12	(\$1.85)
-Hot Lipton Black Tea	¥ 18	(\$2.8)
-Hot Lipton Green Tea	¥ 18	(\$2.8)

### Coffees:

-Espresso	¥ 12	(\$1.85)
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## Soup and Salad

-American	¥ 12	(\$1.85)
-Cappuccino	¥ 18	(\$2.8)
-Latte	¥ 18	(\$2.8)

The restaurant will be open for breakfast, lunch, and dinner seven days a week. Service will begin at 11:00 AM and end at 9:00 PM. The restaurant will not be closed on any day in the year except by mandatory government order.

## Market and Competitor Analysis

**Domestic competitors.** Kungfu (Kungfu Catering Management Co., Ltd) is a new Chinese restaurant chain, which established three major standardizations for the first time in the Chinese food and beverage industry. They are industrial modern service productions in regard with the cooking equipment and restaurant staff management practices. As the first Chinese dining standardization enterprise, it became an international standard in quality service, clean, and food safety. In 1997 Kungfu developed a unique set of operating standards. In the following years, they were able to open branches in Hangzhou, Ningbo, and Shanghai, as well as other cities. Kungfu continued to grow and develop for the next ten years and finally became a well-known brand over the country. In July 2005, Kungfu opened another branch in Beijing, and they are striving to be a top local chain restaurant (Deng, 2009).

Its central strategy is that a steaming cooking method was emphasized to produce healthy and nutritious food. There are no sauté and fry stations in their kitchen, which is similar with the soup and salad's healthy concept. Low innovation capability and lack of new products are their weaknesses. Kungfu only has six sets of main meals, so customers may get tired of eating the same food every time they visit. There is nothing more than steamed rice, steamed soup, Chinese traditional breakfast, and soup noodles. Kungfu originated from Guangdong and has good experience in the manufacturing of steamed food, and its food products are considered a light taste, yet China is vast in territory, and Chinese regional tastes are different. Food habits and

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preferences are diverse, and it is very difficult for Kungfu to blend with the local food preferences and tastes.

**U.S. competitor in China.** Subway was founded in 1965 in Connecticut, which is well-known for manufacturing sandwiches. Currently, Subway is the world's biggest sandwich chain. It is also the world's second biggest sole brand fast-food chain store organization and one of the pioneers in international chain. Now Subway has opened 50 large or medium-sized franchise stores in Beijing, Shanghai, Guangzhou, and Dalian (Subway, 2011).

Healthy and fresh food is the main characteristic of Subway. It guarantees their customers that it will provide fresh, healthy, and nutritious food every day. Their foods are non-fried, low fat, but still can maintain its uniqueness of taste. Besides that, its competitive advantages also include unification standard, opening service and strong support system, and all their sandwiches are made in front. Subway provides an optimal operation model to its allied partners; this may help those partners to run the business smoothly (Subway, 2011).

The disadvantages of Subway in China are the high price, lack of variety, and no soup offerings on the menu. As it is well-known that Chinese people love to have soup at their meals, Subway does not consider much about the food consumption habits of the Chinese people. Therefore, their localization is not successful.

### **SWOT analysis.**

**Strengths.** Chinese food has the characteristic of being healthy for the past 5,000 years. Soup and salad contains the symbol of healthy food. It is unlike Kungfu and Subway. Soup and salad has a wide range of product to meet the demand of people with age variations. Since people are looking for green and healthy food constantly, it seems feasible for the main course of soup and salad to be mainly soup and vegetable. There are several ways to cook main courses in steam, stew, and grill. In comparison to other food that are high in fat, calorie, and protein, but low in vitamins

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and minerals, soup and salad is better for people who have health and nutrition dietary requirements. In addition, it will be the only restaurant that focuses the entire menu on healthy and nutritious food among its competitions. Most local industry realized the healthy trend and added one selection on the menu, but they are always considered alternatives compared to their main dishes.

In this day and age, most people spend about 200 (\$30) to 300 (\$45) Yuan per head for a Western meal in China. This expense is not affordable for the general public (Xia, 2010). In soup and salad restaurant, it will only cost 80 Yuan (\$12) to have all-you-can-eat healthy Western style food with a drink, this price is affordable to most of consumers in Beijing. Since the buffet price is 68 Yuan (\$10.5) per person, the profit margin is high as most of the ingredients are soup and vegetable. Moreover, people who frequent a soup and salad restaurant would definitely be concerned with their health, and will effectively avoid overeating issue in the buffet restaurant style. As soup and salad already have the healthy dining superiority and advanced managerial experience in U.S., and most domestic interior city's developments have just started in China, its concept will be developed before any competition develops.

***Weaknesses.*** As a new dining concept for Chinese people, it faces competition from other rivals, such as Kungfu and Subway, which have already established their chains in China for a long while. When soup and salad land in the Chinese market, it may take some time to find out the adapted operation management system and the suitable menu design. These can be only improved by operating a real soup and salad restaurant in China. Other concerns are that soup and salad needs to develop their own local suppliers and distribution chain in order to save expenses.

***Opportunities.*** The restaurant industries potential in general is enormous in China, as the growth rate in the restaurant sector is obvious. The restaurant industries have reached the highest

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point in 20 years. The Chinese government also listed the restaurant industry as a fast growing industry. People frequently dine out and can afford to spend more for better food (Xia, 2010).

These consumers demand higher quality food, food safety, nutrition, and atmosphere; therefore, it is foreseeable that soup and salad has a bright future.

**Threats.** There is a certain degree of competition from rivals. There are many competitors other than Kungfu and Subway, such as Element Fresh and Pizza Hut. Supermarkets are selling prepared salad, and this somewhat occupies the healthy foods market share and poses a threat to salad and soup. Also, some domestic companies are strong in imitation—when they notice an opportunity to earn profit, these copycats may try to generate a similar product or service quickly to obtain a certain amount of the market share without any work, but well-organized chain competition will be much later.

**Strategic plan.** The price of the food is affordable and competitive. It has a wide range of food selections. As consumers care about their health seriously, it is easy to promote a soup and salad brand by sending out flyers and hosting on-site healthy food education. The company has automated the process of making all the menu items, as well as standardized the staff uniform and store decoration.

To expand the business, soup and salad offers franchise to the investors who are interested in opening their own soup and salad restaurant. The company will promote different kind of new food according to the seasons and taste of consumers in different regions. Business sales are promoted through discount coupons, gift cards, loyalty programs, special seasonal promotions, and advertisement. It may also engage joint ventures with other successful chain stores as their strategy partners. However, soup and salad has its unique method of selling healthy food to the public, and aiming to become a popular brand in China.

### Marketing Plan

**Location section.** Soup and salad normally rents premises its property. If the economy is dismal, it is easy for company to make change to the premises. The restaurant will build up a solid foundation with quick order system and low transportation cost. When selecting a store address, factors such as social environment, geographical population, traffic, an area's economic background, and local government guidelines will be studied. A restaurant location determines the flow of consumers, consumption power, and consumers' spending classification. Soup and salad will choose the store location by the residential or business areas in Beijing, because these areas normally have parking areas and the rent is cheaper than the city center.

In China, some districts may be demolished due to government's infrastructure redevelopment plan. Soup and salad restaurant investor will study the possibility of this redevelopment plan from the local government office. For example, Wang Limin, the vice president of Beijing Panjiayuan Hospital, bought a street store in CBD Beijing for investment. In June 2009, the Beijing Business Administration Bureau banned this location to run business in residential premises according to the government's new policy. No restaurant was allowed to open in the premises, so Wang was unable to get the license and had suffered financial lost (Wang, personal communication, July 5, 2011).

The second ring road in Beijing is the first choice when selecting store location. It is fully developed and the density of affluent people in Beijing that live within second-ring road is high—they have strong consumption power. Soup and salad will also consider set stores within or outside the third-ring road. These areas are not fully occupied and there is room for soup and salad to gain a market place. The rent in these areas is low, and people also have strong consuming ability, such as white-collars workers, and residents who work for a foreign company, they always support new restaurants. Through our marketing, publications, and word-of-mouth, people can easily realize that the American healthy and nutritious food can be delicious and

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affordable, and after people have tried the food, soup and salad brand will soon become well-known in these areas.

Soup and salad will not consider setting up their restaurant outside the third-ring road because the traffic is convenient within the third-ring road, and subway and buses available. People from different parts of Beijing will also come inside the third ring road area and scout for excitements and dining experiences.

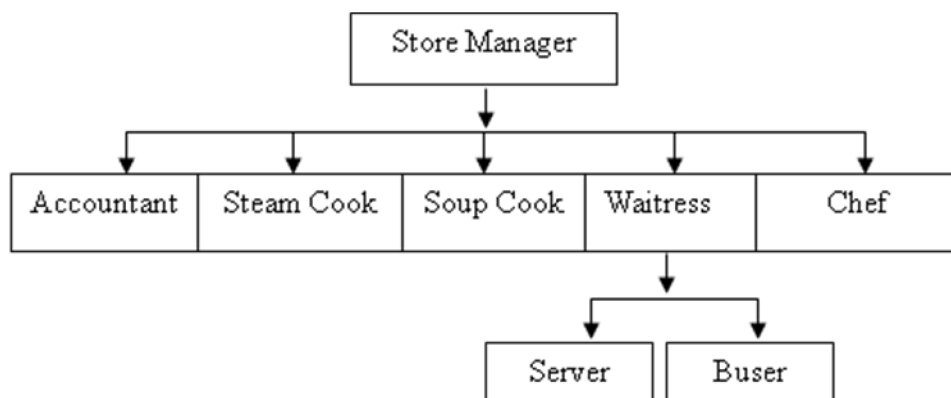
**Market promotion and sales plan.** Since initially the soup and salad budget will not allow a large advertising budget, advertising has to be implemented carefully. The food products are promoted with the use of flyers and pamphlets and sales promotion. A survey system is set up for consumers to provide feedback about what they want to eat, how they feel about the service provided by soup and salad, and how to rank food quality. With the survey system, the company will collect significant information about consumers' soup and salad preferences, locations where they go for Western style restaurants, and suggestions they provide to the soup and salad menu, so the company can make necessary changes to meet the desire of consumers. The soup and salad website will also be well established when landing in China.

Soup and salad will introduce an image that will emphasizes green products, green packaging and icons. The goal is to promote green consumption. In the restaurant, simple and green decorations are used to make a cozy and healthy environment. Wood tables with flowers are the main themes, and light music is also played in the restaurant. In short, soup and salad in China will care, be environmentally green, build its social responsibility, provide membership access, and construct a green and comfortable eating environment.

**Public relations.** In order to obtain solid staff members and maintain a good relationship with the public, two-way communications between the staff and the management are built, such as internal communication, staff discount, and regularly held staff recreation. Soup and salad will take consumers' suggestions and demands, sets up fair contract with the local suppliers and follow the government policy, and maintain a good relationship with the local government to assist in solving social problems.

**Membership.** Soup and salad will invite the first 100 consumers to be the members via letters, telephone, and advertisement. When a consumer spends more than 99 Yuan (\$15.25), that customer is entitled to be a member of soup and salad. A membership card is issued to the diner, friends, or relatives. The validity is one year but renewable. The membership card offers discount when dine in and food purchase at any Soup and Salad chain store in Beijing. Soup and Salad will also cooperate with the Beijing health organization, and fitness club to develop more members.

### Management and Personnel



**Figure 1.** Restaurant Staff Members

Figure 1 illustrates the staff members and the management team for operating Soup and Salad restaurant in Beijing. Every chain store requires six full-time staff members and fifteen part-time employees. Full-time staff includes store manager, chef, steam cook, soup cook, accountant, and waitress. The average hourly wage is between 10 to 15 Yuan depending on the



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job titles, with additional benefits such as medical care, pension, social security, and free family membership. Staff is entitled to have two weeks of annual leaves. Part-time staff hourly wage is 8 Yuan, and they are entitled to free family memberships. Soup and salad will keep stable human resources and provide personnel training to the staff on topics such as food culture, sanitation, and health care. For part-time employees, some temporary help from local schools will be employed, making soup and salad appear energetic and fresh through a young a vibrant staff.

### Financial Review

#### **Estimated investment.**

Table 3

#### *Estimated Investment*

Installation & Decoration	500,000 Yuan
Outdoor Advertisement	50,000 Yuan
Equipment	250,000 Yuan
Estimating Unknown Expense	100,000 Yuan
Total Estimated Investment	900,000Yuan (\$ 140,000)

Table 3 shows the total estimated investment for build up one Soup and Salad chain store in Beijing is 900,000 Yuan (140,000 dollar).

**Return on investment.** Table 4 explains the total monthly operating expenses of a single Soup and Salad chain store. The rent ¥ 30,000 was calculated by 5 Yuan/sq.m.\*200sq.m.\*30 days, full-time and part-time wages were 15 Yuan/hr.\*10 hr.\*30 days\*6 people and 8 Yuan/hr.\*10 hr.\*30 days\*15 people.

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Table 4

### *Monthly Operating Expenses*

Categories	Amount
Rent	¥ 30,000
Full-Time Wages	¥ 27,000
Part-Time Wages	¥ 36,000
Utilities	¥ 8,000
Telephone & Internet	¥ 1,000
Maintenance & Repair	¥ 3,000
Marketing	¥ 5,000
Training	¥ 2,000
Operating Supplies	¥ 3,000
Other Cost	¥ 15,000
Total Operating Expenses	¥ 130,000

Table 5

### *Monthly Income*

Categories	Projection for most positive scenario	Projection for most negative scenario
Operating Area	200 sq.m.	200 sq.m.
Number of Seats	60	60
Dining Table	15 (4 seats standard)	15
Table Turnover	3 Times	2 Times
Seat Occupancy	180	120
Average Spending	¥ 80 (With drink)	¥ 80
Daily Sales	¥ 14,400	¥ 9,600
Monthly Sales	¥ 432,000	¥ 288,000
Cost of Goods Sold	¥ 151,200	¥ 100,800
Monthly Gross Profit	¥ 280,800	¥ 187,200
Total Operating Expenses	¥ 130,000	¥ 130,000
Tax (5%)	¥ 21,600	¥ 14,400
Monthly Income	¥ 129,200	¥ 42,800
Investment Recovery	6.97 Months	21.03 Months

Table 5 shows a comparison of good and bad conditions when running the soup and salad restaurant business in Beijing. The restaurant has 60 seats and the daily sales were between

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¥14,400 and ¥9,600, the cost-of-goods-sold occupies 35% of the total sales regardless the seasonal impact. As a result, it will take approximately seven months ( $900,000/129,200$ ) to recover the initial investment if business is running good, however, if business conditions are poor, it will take about 21 months ( $900,000/42,800$ ). Thus, the average return on investment is  $(6.97+21.03)/2$ , which is 14 months.

### **Risks and Solutions**

First, soup and salad will implement the strict sanitation standards in the front and back of the house in order to prevent common infectious diseases in the early hours. Second, during development phase, product sales may be dim, if sales revenue is low, and this may affect the franchisee's creditability. Third, there might a risk that competitors will create a similar business which may cause great pressure on the firm. Last, the main ingredients of the soup and salad restaurant are vegetables. These ingredients are green and recognized by many consumers, and any improper food found by customer will seriously affect the brand image of the entire soup and salad chain; therefore, all purchases must have the knowledge to ensure the freshness of all ingredients.

The company will use advance technology to develop unique food products, and regularly collect customer information and constantly promote new products as the competitive advantages to copycat competitions. Developing its local suppliers and distribution chains will save budget and transportation costs. In addition, the restaurant can set up a hand-wash sink and have hand sanitizers at the buffet entrance, which will increase the restaurant's hygiene level.

### **Conclusion**

The franchise industry in China is on its upswing, and in long run, healthy and green food will most likely be the future trend in Chinese food and beverage industry. With the unique dining style and food features provided by soup and salad restaurants, it is assumed that it will

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quickly capture the market shares and become a popular brand in Chinese franchise restaurant market. However, the lack of legal system and the uncompleted franchise law and policy are the main issues for soup and salad's development in Beijing. In addition, soup and salad also needs to fit into local culture, make appropriate adjustments in the management of systems and food products, and learn the relevant government regulations, to build up a mature and stable soup and salad franchise development system in China as soon as possible.

## Appendix



**Soup & Salad Buffet ¥ 68**  
(11:00a. m. -9:00p. m.)

**Soups :**

- Chinese Style Borscht    -Cream of Mushroom
- Clam Chowder    -Lentil and Vegetables
- Chicken Noodle    -Red Bean Chili
- Harvest Vegetables    -Hot and Sour

**Salads :**

- Caesar Salad    -Strawberry Vegetable
- Roasted Vegetable Salad
- Japanese Potato Salad    -Pasta Salad
- Egg Salad    -Coleslaw    -Self selection

**Staple Food:**

- Pizza
- Hot Foods (Toast with Butter / Pasta)
- Bread (Garlic Bread / Whole-wheat Bread)

**Fresh Squeezed Juices:**

- Carrot Juice ¥ 28
- Tomato Juice ¥ 28
- Celery & Carrot Juice ¥ 28
- Celery & Tomato Juice ¥ 28
- Orange Juice ¥ 38
- Apple Juice ¥ 38
- Watermelon Juice ¥ 38

**Teas:**

- Iced Black Tea ¥ 12
- Iced Green Tea ¥ 12
- Hot Lipton Black Tea ¥ 18
- Hot Lipton Green Tea ¥ 18

**Drinks**  
(Enjoy Half Price Of Any Drinks With Buffet Entry)

**Soft Drinks:**

- Bottled Water ¥ 12
- Coca-Cola / Sprite / Fanta ¥ 12
- Diet Coke / Coke Zero ¥ 12
- Tropicana Orange Juice ¥ 12
- Huiyuan Apple Juice ¥ 12
- Nongfu Fruit Blend (Pineapple) ¥ 18
- Milk ¥ 18

**Coffees:**

- Espresso ¥ 12
- American ¥ 12
- Cappuccino ¥ 18
- Latte ¥ 18



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