

Involution and Localization Challenges in Overseas Chinese Restaurants: Evidence from Major Cities in North America and Australia

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Abstract: Against the backdrop of globalization and the accelerated “going global” trend of Chinese cuisine, the overseas Chinese restaurant industry has experienced rapid quantitative growth yet faces profound structural dilemmas. Focusing on six major metropolitan areas in North America and Australia, this study adopts an operator’s perspective and collects 305 valid questionnaire responses. Using regression analysis and moderation effect testing, it systematically investigates the driving mechanisms of industry involution, the double-edged sword effect of localization strategies, and the boundary role of cultural distance. The findings reveal three key insights. First, significant involutionary competition exists among overseas Chinese restaurants, structurally driven by heavy reliance on Chinese clientele, fragile supply chain stability, and high operational cost pressures—with cost pressure being the strongest driver. Second, localization strategies exhibit a clear double-edged sword effect: while they effectively enhance non-Chinese customer acceptance, they simultaneously undermine Chinese customer satisfaction and cultural identity. Third, cultural distance significantly moderates these relationships: the greater the cultural distance, the weaker the positive effect of localization on non-Chinese acceptance, and the stronger its negative impact on Chinese customer satisfaction. A counterintuitive finding is that, after controlling for localization level, cultural distance itself is positively associated with non-Chinese acceptance, suggesting that high “otherness” may itself attract exploratory consumers. This study operationalizes the concept of “involution” within the context of ethnic food economies, providing empirical evidence and strategic implications for transitioning Chinese cuisine from “product export” to “cultural integration” in the global marketplace.

Keywords: Overseas Chinese Restaurants, Involutionary Competition, Localization Strategy, Cultural Authenticity, Supply Chain Constraints, Cultural Distance, Ethnic Economy.

1. Introduction

1.1. Research Background

Amid the wave of globalization, the international expansion of Chinese cuisine has emerged as a significant economic and cultural phenomenon. In recent years, driven by multiple factors including capital influx, intensifying competition in the domestic market, and the stable growth of overseas Chinese consumer communities, Chinese catering brands have ignited a wave of “going global” [1]. Industry reports indicate that as of 2024, the number of overseas Chinese restaurants has grown to nearly 700,000, with a market size approaching 3 trillion RMB, operating in over 180 countries and regions worldwide. This expansion signifies a transition for Chinese food globalization from early-stage individual operations to a “new phase” characterized by branding and chainization [2]. Market forecasts also indicate that the overseas Chinese catering industry is experiencing rapid growth, with its market size expected to continue to grow from approximately 2 trillion RMB in 2022 to over 3 trillion RMB in 2027 [3].

Within this global landscape, North America [4] (represented by the United States and Canada) and Australia [5] have become the most representative core destination markets for Chinese food expansion, owing to their large economies, mature consumer markets, and high-density Chinese diaspora communities. Metropolitan areas in these regions not only

host historic Chinatowns serving as cultural bastions but have also fostered stable and financially capable core customer bases for Chinese food. Therefore, examining the Chinese restaurant industry in North America and Australia holds key significance for understanding the overall picture of Chinese culinary globalization.

Beneath the surface of quantitative growth, however, the overseas Chinese food industry faces profound structural dilemmas, posing serious challenges to its sustainable development. Firstly, there is a noticeable tendency toward “involution.” A significant number of restaurants heavily rely on an “internal circulation” within Chinese communities, with a disproportionately high percentage of customers being ethnic Chinese (including students, immigrants, and tourists), creating what can be termed “ethnic economy” enclaves [6]. This deep dependence on a single customer segment leads to homogenized competition and profit compression within a limited market. Secondly, localization strategies are caught in a “double-edged sword” dilemma. Restaurants that modify their menus to attract local mainstream consumers often struggle to gain recognition from Chinese diners for “cultural authenticity,” being criticized as “inauthentic” [7]. Conversely, restaurants adhering to traditional flavors find it difficult to break cultural barriers and attract regular patronage from local consumers [8]. Finally, operational levels are constrained by multiple rigid factors, including the instability and high cost of sourcing specific Chinese ingredients, labor cost pressures stemming from reliance on

skilled chefs, and conflicts between cultural practices like communal dining and lively atmospheres with mainstream local dining etiquette. These challenges collectively reveal a core contradiction: the prosperity of Chinese food overseas is, to a considerable extent, an “overseas extension of the Chinese catering market” rather than a genuine “cultural integration” widely embraced by mainstream society. Consequently, investigating the causes and mechanisms of its involutionary competition is of urgent practical necessity.

1.2. Research Questions

Building upon the profound contradictions underlying the overseas Chinese food industry’s expansion as outlined in the research background, this study aims to empirically and systematically investigate the following three interconnected core research questions:

RQ1: Market Reality and Nature of Competition: Is the overseas Chinese restaurant industry trapped in “involutionary competition”?

Despite the continuous growth in the number of outlets and market size of Chinese cuisine in regions like North America and Australia, numerous signs suggest that this growth may not stem from the successful exploration of the mainstream consumer market, but rather from homogenized competition for a limited market share within relatively enclosed Chinese communities. Through quantitative analysis, this study will empirically test whether overseas Chinese restaurants commonly face an “involutionary” dilemma—characterized by price competition, menu homogenization, and profit margin compression—driven by over-reliance on a Chinese clientele. This seeks to move beyond descriptive phenomena and provide empirical evidence for the existence and extent of “involution.”

RQ2: Market Penetration and Integration Barriers: Why does Chinese cuisine struggle to break through the boundaries of the ethnic market and integrate into mainstream daily consumption?

A significant gap exists between the global visibility of Chinese food and its daily penetration into mainstream society. Moving beyond generalized explanations like “cultural differences,” this study attempts to empirically examine the specific impact of multiple structural constraints from the operators’ perspective. We will focus on investigating how supply chain limitations (e.g., access to specific ingredients), operational cost pressures (e.g., labor costs for skilled chefs), and deep-seated cultural friction (e.g., differences in dining customs) collectively constitute barriers to the mainstream market entry of Chinese restaurants. This question aims to identify the key operational obstacles hindering Chinese cuisine’s transition from an “ethnic food” to a “mainstream choice.”

RQ3: Strategic Choice and Identity Paradox: Why does the localization strategy present a “dilemma” in practice?

While localization is often seen as a necessary path for the internationalization of catering, it appears to be a strategy fraught with tension for overseas Chinese food. This study will empirically investigate this “double-edged sword” effect: Do localization adjustments in dishes, flavors, or operational models made to attract non-Chinese customers enhance local market acceptance while simultaneously eroding their core appeal and “cultural authenticity” recognition among Chinese patrons? Conversely, does adhering to “authenticity” solidify its market boundaries? This research aims to dissect the structural dilemma faced by localization strategies in

balancing “market adaptation” and “cultural authenticity.”

By addressing these three questions progressively, this study expects not only to depict the authentic competitive landscape of the overseas Chinese restaurant industry but also to deeply unveil the dynamic, intertwined economic and cultural mechanisms underlying it.

1.3. Research Significance

1.3.1. Theoretical Significance

This research seeks to enrich and deepen academic discussions in the fields of culinary globalization and ethnic economy by providing empirical evidence from the perspective of operators. Existing literature predominantly examines the internationalization of food service from angles such as consumer cultural acceptance, multinational brand strategy, or macro narratives, while lacking large-scale, quantitative analysis of the specific competitive dynamics—particularly the mechanisms of “involution”—within overseas markets for specific ethnic cuisines like Chinese food. First, by systematically operationalizing and applying the concept of “involution,” which originates from development sociology to the analysis of the overseas Chinese food industry, and by constructing and testing a theoretical model centered on variables like “customer structure,” “localization level,” “supply chain stability,” and “cost pressure,” this study has the potential to uncover the structural causes of endogenous intensification of competition within ethnic economies. It may provide a micro-industry case for understanding “non-expansive growth” or “internal-consumption competition” in the context of globalization. Second, by focusing on the “double-edged sword” effect of localization strategies—the tension between attracting the mainstream market and maintaining ethnic identity—the research helps move beyond the traditional assumption of a “linear benefit” from localization. It contributes to the theoretical understanding of the intricate dialectical relationship between “cultural authenticity” and “market adaptation.” Finally, through a comparative analysis of multiple representative cities in North America and Australia, this study can reveal how city-specific characteristics (e.g., Chinese population density, cultural distance) moderate the aforementioned competitive mechanisms, thereby enriching contextualized knowledge about how geographic and situational factors shape ethnic business ecosystems.

1.3.2. Practical Significance

The findings of this study will provide targeted strategic references and decision-making bases for Chinese restaurant brands planning to expand overseas or already operating abroad, related investors, and industry policymakers. First, by empirically revealing the main drivers of involution (e.g., over-reliance on Chinese clientele, supply chain bottlenecks, high-cost pressure), the research can help practitioners soberly assess the market reality and potential risks, avoiding blind expansion into homogenized and saturated markets. Second, the quantitative analysis of the “double-edged sword” effect of localization can offer precise operational guidance for restaurants in menu design, marketing positioning, and brand storytelling. It assists them in finding a strategic balance between “maintaining authenticity” and “adapting locally,” rather than falling into a binary trap. Third, the findings regarding operational constraints such as supply chain instability and labor costs can directly guide businesses to optimize their logistical systems and cost structures, for

instance, by exploring solutions like central kitchens, prepared meal bases, or local ingredient substitutions. Finally, at a macro level, the structural issues uncovered by this study can inform relevant industry associations and government departments in considering how to systematically support the global expansion of Chinese cuisine. This could involve initiatives such as establishing cross-border food supply chain platforms, setting up overseas chef training programs, or promoting multidimensional narratives of Chinese food culture. The goal is to transition from “product export” to “industry export” and “cultural integration,” thereby enhancing the overall competitiveness and sustainable development capacity of Chinese cuisine within the global culinary landscape.

2. Literature Review

2.1. Ethnic Catering and Market Segmentation

2.1.1. The Market Limitations of Chinese Food as “Ethnic Catering”

The theory of the “ethnic economy” posits that immigrant communities often establish relatively independent economic systems in their host countries, with their business activities initially primarily serving their own ethnic enclaves [9, 10]. The development trajectory of Chinese food overseas is a classic example of this theory. Considerable research indicates that the core function of many overseas Chinese restaurants is to serve as “cultural fortresses” and “social hubs” for the Chinese diaspora [4, 11-14], providing familiar flavors and emotional comfort [15, 16]. This profound identity as “ethnic catering” initially offers restaurants a stable customer base and a buffer zone, enabling them to establish a foothold in an unfamiliar market environment. However, this dependency also creates a structural limitation for long-term development. When a restaurant’s business is highly concentrated within the ethnic community, its growth ceiling becomes intrinsically tied to the size and purchasing power of that community, resulting in “market segmentation.” [6, 17, 18] This segmentation often traps Chinese restaurants in a “comfort zone” or an “involutionary market” composed of culturally similar customers, making it difficult to break through invisible cultural boundaries and reach the broader, more economically potent non-Chinese mainstream consumer base. The nature of competition shifts from exploring new markets to engaging in homogenized rivalry for a limited share within the ethnic market, which directly corresponds to the “involutionary competition” phenomenon central to this study.

2.1.2. The Impact of Chinese Population Density on Catering Demand

The scale and vitality of an ethnic market are closely linked to the geographic distribution of the corresponding ethnic group. Specifically for the Chinese food industry, the spatial concentration of the Chinese population is a key contextual variable determining the local market’s demand foundation and competitive landscape. In major metropolitan areas across North America and Australia, Chinese residential clusters (such as traditional Chinatowns and newer suburban enclaves) form high-density demand networks. Academic consensus suggests that a higher Chinese population density directly fosters strong and sustained demand for “authentic” Chinese food, providing a substrate for restaurants focusing on serving their co-ethnic customers [4, 17, 19]. However, this positive demand effect is accompanied by a significant

competition effect. Population concentration attracts more suppliers while creating a market, leading to rapid market saturation [4, 20, 21]. In the absence of substantive differentiation in products and services, restaurants can easily fall into intense competition centered on price wars. Therefore, the impact of Chinese population density on the Chinese restaurant industry is twofold: it is both a guarantor of demand and business opportunity, and a potential catalyst for intensifying internal “red ocean competition.” This study incorporates “city characteristics/Chinese population density” as a crucial moderating variable in the conceptual model precisely to empirically test its role in the relationship between “customer structure” and “industry involution”: in high-density areas, does a high reliance on Chinese customers more strongly lead to involutionary competition?

2.2. Localization vs. Authenticity

2.2.1. The Tension Between Dish Adaptation and Cultural Expression

Localization is commonly viewed as a key strategy for food and beverage brands entering new markets, involving modifications to menus, flavors, service, and even spatial design to align with local consumer preferences. For Chinese cuisine, common localization practices include reducing spiciness or sweetness, adding fried options, introducing “combo” meals, or creating fusion dishes like “General Tso’s Chicken” or “Orange Chicken.” [22, 23] However, this pragmatic adaptation raises profound dilemmas regarding cultural expression. Food is not merely a commodity but also a carrier and text of culture. Each adjustment to a dish can be interpreted as a “translation,” “reconstruction,” or even a “compromise” and “distortion” of the source culture. The stance insisting on “authenticity” argues that the use of authentic ingredients, cooking techniques, and flavor profiles are inseparable components of Chinese culinary identity, and altering them implies a loss of cultural core [8, 24, 25]. Conversely, proponents of localization contend that adaptive changes are a manifestation of cultural vitality and communicative power, representing the inevitable creative transformation of “Chinese food” in global circulation [11, 14, 23]. This tension traps overseas Chinese restaurant operators in a strategic paradox: excessive localization risks losing the cultural distinctiveness that defines it as “Chinese cuisine” and its fundamental appeal to Chinese patrons; whereas rigid adherence to a fundamentalist “authenticity” may, due to cultural discount, hinder its appeal to mainstream consumers, thereby self-limiting its market to the ethnic enclave.

2.2.2. Consumer Identity and Cultural Authenticity

“Authenticity” is not an objective, fixed attribute but a subjectively perceived and socially constructed form of recognition that varies among different consumer groups. The root of the “double-edged sword” effect faced by overseas Chinese food lies in the divergent standards and expectations for “authenticity” held by Chinese consumers versus non-Chinese mainstream consumers [8]. For Chinese consumers (particularly first-generation immigrants), authenticity is often deeply intertwined with personal memory, nostalgia, and cultural belonging [23]. Their criteria for “authenticity” are typically stricter, involving detailed expectations for specific regional flavors, traditional techniques, and even the elusive “wok hei” (breath of the wok). For them, overly adapted Chinese food that is “distorted” to cater to local palates may not only fail to satisfy their culinary desires but can also weaken the cultural identity it embodies, leading to a

sense of alienation from the restaurant. In contrast, for non-Chinese mainstream consumers, their perception of “authenticity” is often broader, more exploratory, and symbolic [26]. They might associate “authenticity” with “exoticism” or an “authentic experience,” but their acceptance is strongly constrained by local dietary habits. They seek a form of “controlled otherness”—sufficient cultural difference to provide a novel experience, yet maintaining a degree of familiarity and accessibility in taste, ingredients, and dining format [27]. Therefore, localization efforts aimed at attracting mainstream customers are likely to run counter to the “authenticity” standards of Chinese customers. This divergence in consumer identity creates a risk for overseas Chinese restaurants of “pleasing neither side” when defining their cultural identity and market positioning: they may neither fully satisfy the Chinese diaspora’s longing for the taste of “home,” nor stand out as unique in the mainstream market, where they might be perceived as just another “ethnic fusion” cuisine. This study will empirically examine this “double-edged sword” effect, investigating whether localization efforts that enhance acceptance in one market come at the cost of eroding identity in the other.

2.3. Restaurant Operations and Supply Chain Constraints

2.3.1. Ingredient Sourcing and Supply Chain Issues

The stability and resilience of the supply chain are lifelines for the catering industry, and this is particularly critical for overseas Chinese cuisine. The pursuit of “authentic” flavor often heavily relies on specific ingredients, condiments, and spices imported from their regions of origin [28]. This dependence on products with specific geographical indications renders the supply chain elongated, fragile, and costly, vulnerable to international trade policies, logistics delays, customs procedures, and exchange rate fluctuations [29]. Even when local ingredients are substituted, issues of flavor deviation, unstable supply, or perceived “inauthenticity” by consumers frequently arise. This “supply chain rigidity” exacerbates industry involution in three ways: First, it constitutes a significant barrier to entry and operational cost, squeezing profit margins. Second, it limits menu innovation and flexibility, forcing many restaurants to offer highly similar dishes reliant on a few core ingredients that can be sourced reliably, leading to homogenized competition. Finally, it makes establishing a replicable, standardized supply chain system exceptionally difficult, thereby hindering brand scaling and locking most restaurants into a “small and fragmented” state dependent on the owner’s personal procurement channels. Therefore, the supply chain is not just an operational issue but a key strategic bottleneck determining the potential for product differentiation and economies of scale.

2.3.2. Labor Costs and Dependence on Chef Skills

Chinese cuisine, especially its core “wok hei” and complex flavors, relies significantly on the skill, experience, and on-the-spot judgment of individual chefs, with relatively low levels of automation substitutability [30]. In overseas labor markets, Chinese chefs possessing these specialized skills are a scarce human resource, commanding salaries significantly higher than those of general food service workers [31]. This deep dependence on high-skilled, high-cost chefs directly leads to two consequences: first, an excessively high proportion of labor costs, further eroding already thin profits in overseas metropolitan areas where rents are already high;

second, difficulties in business expansion and standardization, as chef skills are hard to completely proceduralize and de-skill like in Western fast-food models, making branch expansion heavily contingent on the recruitment and training pace of qualified chefs. This constraint profoundly influences the industrial structure of overseas Chinese food, fostering the “mom-and-pop shop” model reliant on family labor as the dominant organizational form. While this model can survive in low-margin environments by internalizing labor costs, it also reinforces characteristics of small scale, low innovation, and weak risk resistance, making it difficult to accumulate capital for branding and standardization upgrades. Consequently, it remains trapped in low-level competition, forming a crucial link in the involutionary structure.

2.3.3. Cultural Differences in Dining (Dining Style, Ambiance)

The dining experience is a culturally embedded holistic practice that extends beyond the food itself. Significant differences exist between common aspects of Chinese dining culture—such as communal dining, lively social atmospheres during meals, and the emphasis on “wok hei” and immediate consumption—and the prevailing dining cultures in North America and Australia, which often favor individual plates, relatively quiet environments, and greater acceptance of pre-made or food that can be held for extended periods [32]. These differences create invisible “cultural friction,” affecting mainstream consumers’ acceptance and repeat patronage. For instance, communal dining may raise hygiene concerns; a noisy ambiance might be unsuitable for business meetings or quiet dates; differing expectations regarding service speed and dining pace can impact service evaluations. Localization adjustments made to accommodate these differences, while potentially reducing the cultural discount, also imply a dilution of the unique social attributes and cultural rituals of Chinese dining. Such adjustments sometimes draw criticism from Chinese diners seeking an “authentic” experience [8, 17]. Therefore, cultural differences in dining are not merely an operational challenge to be managed but another concrete arena where overseas Chinese restaurants must navigate the difficult trade-off between “cultural authenticity” and “market adaptation.” How these differences are handled directly impacts their positioning and appeal among diverse consumer groups.

2.4. Research Gap

A review of existing literature reveals a rich foundation of insights into culinary globalization, ethnic economies, and the internationalization of Chinese food, which provides a solid basis for this study. However, when focusing on the specific competitive dynamics exhibited by the overseas Chinese restaurant industry—namely, the phenomenon of “involution” and its underlying structural dilemmas—discernible gaps remain in current research regarding perspective, methodology, and explanatory depth. These gaps are specifically manifested in the following three areas:

2.4.1. Lack of Quantitative Research from the Operator’s Perspective

Existing academic discussions on overseas Chinese food exhibit a certain bias in perspective. A significant body of research approaches the topic from the consumer end, exploring cultural adaptation, authenticity perception, or consumption motivations; or from a macro-level cultural communication and semiotic angle, analyzing the meaning of Chinese food as a cultural representation. However, the

voices and experiential data of Chinese restaurant owners and managers—the most direct participants in market practices and the most acutely affected by its dilemmas—are relatively absent from systematic academic inquiry. How do they perceive competitive pressures? How do they make strategic choices between localization and maintaining authenticity? What specific operational constraints do they face? Answers to these key questions currently rely heavily on case descriptions or theoretical deduction, lacking systematic, quantitative evidence based on large-sample surveys. This absence of empirical research from the internal perspective of operators limits our thorough understanding of the industry’s internal operational logic and competitive mechanisms.

2.4.2. Lack of Cross-City Comparative Analysis

Existing studies often treat “overseas Chinese food” as a homogeneous entity or focus solely on in-depth cases within a single city. Such research designs struggle to isolate and analyze the shaping effects of local contextual factors on the industry’s form. For instance, the competitive landscape, localization strategies, and challenges faced by the Chinese restaurant industry in Los Angeles—with its high-density Chinese population—may differ systematically from those in Melbourne, where the density is relatively lower. City-level variables, such as the size and structure of the Chinese community, the cultural diversity of mainstream society, local supply chain maturity, and business costs, can all serve as important moderating or explanatory variables. The lack of systematic cross-city comparative analysis prevents us from answering: Is the involution of overseas Chinese food a universal structural dilemma, or a localized phenomenon that varies by city context? Which contextual factors exacerbate or alleviate involution? Therefore, incorporating multiple representative cities into a unified analytical framework for comparative study is a necessary path to deepen understanding.

2.4.3. Lack of Empirical Explanation for the “Mechanisms of Involution”

Although the term “involution” is frequently used to describe the competitive state of overseas Chinese food, existing research lacks rigorous empirical testing and theoretical modeling of its formation mechanisms, driving factors, and the interactions between these factors. Most discussions remain at the level of phenomenological description, pointing out the existence of homogenized competition and thin profit margins, but failing to systematically answer: How can the degree of involution be measured? Which key variables (e.g., customer base structure, cost pressure, supply chain, localization strategy) drive involution? Do interactive effects exist among these variables (e.g., does the effect of a localization strategy vary with cultural distance)? Is involution a structural outcome of the combined, path-dependent effects of multiple factors? Transforming “involution” from a descriptive concept into an operationalizable, testable academic construct, and constructing a theoretical model that integrates market, strategic, and operational dimensions for empirical deconstruction, represents a critical gap in current research.

In summary, this study aims to directly address these research gaps. By adopting the operator’s perspective, collecting quantitative data from multiple major cities in North America and Australia, and constructing and testing a comprehensive model of involution formation mechanisms, this research seeks to empirically address the aforementioned deficiencies, providing more nuanced, robust, and explanatory academic knowledge for understanding the complex reality of the overseas Chinese restaurant industry.

3. Conceptual Framework & Hypotheses

3.1. Conceptual Model

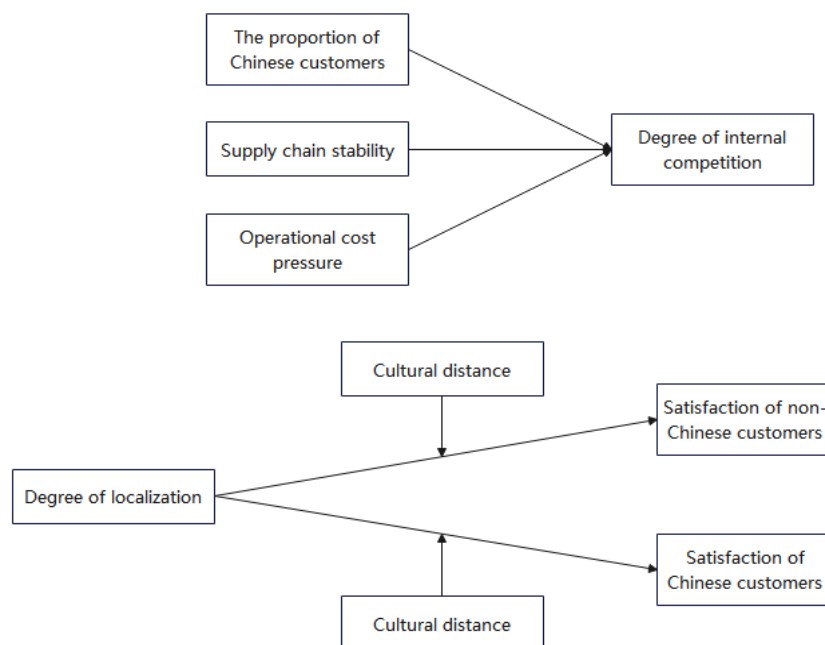


Figure1. Conceptual Model of the Research Approach

This study develops a conceptual model aimed at systematically examining the decisive factors and underlying mechanisms of industry involution in the overseas Chinese restaurant sector. The core rationale of the model posits that

this involution is fundamentally driven by a combination of “dependence on the Chinese market, cost pressures, and supply chain constraints,” while being moderated by “localization strategies and cultural contexts.”

Specifically, the model identifies three key explanatory variables that directly influence the degree of industry involution. First, customer composition (measured by the proportion of Chinese customers) is expected to positively affect involution intensity, as a highly concentrated ethnic market leads to overlapping target demographics and converging competitive strategies, thereby intensifying homogeneous competition. Second, supply chain stability is projected to negatively impact involution intensity—stable procurement channels reduce operational constraints and barriers to differentiation, allowing restaurants greater flexibility to avoid cutthroat price competition; conversely, supply chain instability forces restaurants toward conservatism and homogenization. Third, operational cost pressures are anticipated to positively influence involution intensity, as cost pressures directly squeeze profit margins and compel restaurants into price wars to maintain customer traffic.

Furthermore, the model incorporates cultural distance as a moderating variable and reveals its inherent trade-offs in cross-cultural management: the greater the cultural distance, the weaker the effect of localization on enhancing non-Chinese acceptance; and the deeper the cultural gap, the less effective localization becomes in reducing Chinese satisfaction.

In summary, this model decomposes the macro-level phenomenon of industry involution into three driving pathways—“ethnic market dependence, cost pressure, and supply chain constraints”—and incorporates a moderating mechanism involving “localization strategies and cultural distance,” providing a systematic analytical framework for understanding the competitive challenges and adaptation strategies of overseas Chinese restaurants.

3.2. Variable Definitions

3.2.1. Dependent Variable

The degree of involution serves as the core dependent variable in this study, referring to the irrational or excessive competitive behaviors exhibited by overseas Chinese restaurants within a context of homogenized competition. Specifically, when there is no substantial differentiation among restaurants, operators are compelled to compete for limited market share through measures such as price cuts, extended operating hours, and increased marketing expenditures, resulting in compressed profit margins and deterioration of the industry ecosystem. This study operationalizes the degree of involution into three dimensions: intensity of price competition, level of menu homogeneity, and extent of profit compression.

3.2.2. Independent Variables

This study comprises four independent variables. First, customer composition, referring to the proportion of different ethnic groups among the restaurant’s clientele; this study focuses specifically on the share of Chinese customers. Second, degree of localization, indicating how well the restaurant adapts its dish flavors, menu design, and service approaches to local consumer preferences, including the extent of menu improvements and adjustments. Third, supply chain stability, measuring the ease with which the restaurant obtains distinctive Chinese ingredients and its capacity for local procurement, as measured by ingredient availability challenges and local sourcing capabilities. Fourth, operational cost pressure, reflecting the financial burden imposed by expenses such as labor costs and rent, specifically comprising

labor costs and rental fees.

3.2.3. Moderating Variables

The moderating variable in this study is cultural distance, referring to the degree of difference between Chinese culinary culture and the local mainstream dietary culture. Specifically, cultural distance encompasses four core dimensions: first, the unfamiliarity of cooking methods—whether common Chinese techniques such as stir-frying, steaming, and stewing are difficult for local consumers to comprehend; second, acceptance barriers regarding common ingredients—such as whether animal offal, dried seafood, or specialty seasonings are perceived as unacceptable by local consumers; third, differences in dining practices—whether the typical Chinese family-style dining approach conflicts with the local practice of serving individual dishes; fourth, disparities in taste preferences—whether Chinese flavor profiles characterized by saltiness, spiciness, and sweet-sour combinations deviate from local consumer preferences.

3.3. Research Hypotheses

Based on the aforementioned conceptual model and theoretical framework, this study proposes the following hypotheses, covering both main effects and moderating effects.

3.3.1. Main Effect Hypothesis

H1: The higher the proportion of Chinese customers, the more intense the competition within the restaurant.

When a restaurant’s target clientele is predominantly Chinese, establishments tend to adopt similar menu offerings, pricing strategies, and service models, intensifying homogenized competition and plunging into a vicious cycle of price wars and shrinking profits.

H2a: The degree of localization is positively correlated with acceptance among non-Chinese customers.

By implementing strategies such as enhancing dish flavors and tailoring menu designs to local tastes, restaurants can overcome dietary cultural barriers among mainstream local consumers, thereby boosting their affinity for the establishment and willingness to dine there.

H2b: The degree of localization is negatively correlated with Chinese customer satisfaction.

For Chinese customers seeking “cultural authenticity,” excessive localization adaptations may be perceived as deviating from or diluting the traditional characteristics of Chinese cuisine, thereby reducing their satisfaction with the restaurant.

H3: The worse the supply chain stability (the more difficult it is to obtain ingredients and the weaker the local procurement capacity), the higher the level of internal competition among restaurants.

The unstable supply chain limits restaurants’ flexibility and room for differentiation in ingredient selection, forcing operators to adopt conservative approaches and pursue product homogenization, thereby intensifying price competition and service standardization among competitors.

H4: The greater the operational cost pressures (e.g., labor, rent) faced by restaurants, the more intense the price competition becomes.

High labor and rent costs directly squeeze profit margins, forcing restaurants to resort to price-cutting promotions to maintain customer traffic and revenue, thereby exacerbating intense internal competition across the industry.

3.3.2. Hypothesis of Regulatory Effect

H5a: Cultural distance negatively moderates the relationship between the degree of localization and acceptance by non-Chinese customers.

In other words, the greater the cultural distance, the weaker the effect of localization in enhancing acceptance among non-Chinese populations. The underlying logic is that when the cultural gap is too deep, simple modifications to dishes or menus cannot effectively bridge the fundamental differences between Chinese cuisine and the local mainstream culinary culture, resulting in diminishing marginal benefits from localization strategies.

H5b: Cultural distance positively moderates the relationship between the degree of localization and Chinese customer satisfaction.

The greater the cultural distance, the more pronounced the negative impact of localization on Chinese customer satisfaction becomes. In culturally diverse environments, Chinese customers are more sensitive and stringent in preserving “cultural authenticity” and exhibit lower tolerance for adaptations that deviate from traditional Chinese cuisine. Specifically: under conditions of low cultural distance, higher levels of localization actually lead to decreased customer satisfaction (with a stronger negative effect); under conditions of high cultural distance, the adverse effects of localization intensify further, and Chinese customers respond more strongly to perceived “unauthentic” modifications.

4. Methodology

4.1. Research Design

This study aims to investigate the relationships and boundary conditions among the degree of internal competition, localization strategies, customer acceptance, and satisfaction in overseas Chinese restaurants, involving measurements of multiple latent variables and tests of complex path effects. In line with its research objectives and hypothesis framework, the study employs a mixed-method design primarily based on quantitative analysis supplemented by open-ended questions.

Quantitative research constitutes the primary methodology of this study, employed to systematically test hypotheses H1 through H5b. Data collection utilized a questionnaire survey conducted via a combination of online and offline approaches, targeting Chinese restaurants in six cities with significant Chinese populations: Los Angeles, New York, Vancouver, Toronto in North America; and Sydney, Melbourne in Australia. The survey participants were key informants—including restaurant managers, owners, and chefs—who possessed direct knowledge of business strategies and customer demographics. Data analysis was performed using SPSS and its Process plugin, encompassing validity and reliability testing, descriptive statistics, correlation analysis, simple linear regression, and stratified regression analysis (including adjustment effect testing) to validate all research hypotheses.

To address the limitations of quantitative research in uncovering deep-level mechanisms, two open-ended questions were included at the end of the questionnaire. By collecting respondents' qualitative responses, this study aims to provide supplementary explanations for the causal relationships and unexpected findings underlying the quantitative results—such as the positive correlation between supply chain stability and the degree of internal

competition—thereby enhancing the depth and practical relevance of the conclusions.

4.2. Sampling and Data Collection

This study employed online questionnaire surveys for data collection. The research area covered six major Chinese-populated cities in North America and Australia: New York, Los Angeles, Vancouver, Toronto, Sydney, and Melbourne. These cities were selected due to their large Chinese communities, numerous and diverse Chinese restaurants, and varying levels of localization pressures and market competition faced by these establishments, making them well-suited for testing the study's hypotheses.

The survey targeted owners, managers, and key staff members of Chinese restaurants in the aforementioned cities, requiring respondents to have a direct and comprehensive understanding of the restaurants' business strategies, customer demographics, and competitive landscape. A combination of convenience sampling and snowball sampling was employed. Eligible restaurants were identified through the Chinese Catering Association, social media groups (e.g., WeChat, Facebook, and WhatsApp groups), and offline visits; additionally, previously surveyed restaurant operators were invited to recommend other potential respondents within their respective cities or industry networks to expand sample coverage.

A total of 400 questionnaires were distributed, with 361 actually returned, yielding a response rate of 90.25%. During data cleaning, the following types of invalid samples were sequentially excluded: (1) questionnaires completed in too short a time (less than 3 minutes); (2) questionnaires containing obvious logical contradictions or repetitive responses (e.g., selecting the same option repeatedly); (3) questionnaires with significant missing values for core variables. Ultimately, 305 valid samples were obtained, representing an effective rate of 84.49%.

4.3. Questionnaire Design

This study employed a questionnaire survey method to collect data, which consisted of three sections: basic information, measurement of core variables (using a 5-point Likert scale), and open-ended questions. The initial version of the questionnaire was in Chinese and included an English translation to facilitate comprehension for bilingual respondents. Prior to formal distribution, five Chinese restaurant operators were invited to complete a pilot version; based on their feedback, the wording of the items was refined to ensure clarity and ease of understanding.

4.3.1. Basic Information (Part A)

The first section collects basic characteristics of restaurants and respondents, including city, restaurant type, respondent role, and customer demographic composition. The cities covered are six study regions: New York, Los Angeles, Vancouver, Toronto, Sydney, and Melbourne. Restaurant types include full-service restaurants, casual fast-food establishments, takeout/pick-up specialty stores, hot pot/barbecue specialty shops, beverage and dessert shops, and others. Respondent roles encompass owners, managers, chefs, and others. Customer demographic composition is measured by the proportion of Chinese customers in each restaurant, categorized into five ranges: 0–20%, 21–40%, 41–60%, 61–80%, and 81–100%.

4.3.2. Measurement of Core Variables (Part B)

Part Two employs Likert's 5-point scale (1 = strongly

disagree, 5 = strongly agree) to measure eight core variables. The Involvement Level (3 items) assesses the intensity of price competition, degree of menu homogeneity, and compression of profit margins; Customer Profile (2 items) evaluates the restaurant's reliance on Chinese customers; Localization Degree (2 items) measures how well dish flavors and menus align with local consumer preferences; Non-Chinese Customer Acceptance (3 items) gauges overall customer perception, dish acceptance, and the restaurant's ability to attract new patrons; Chinese Customer Satisfaction (3 items) measures evaluations regarding dish authenticity, preservation of traditional characteristics, and repurchase loyalty among Chinese customers.

Supply chain stability (3 items) measures the impact of ingredient procurement difficulty, supply stability on quality, and local purchasing capacity (item 16 is reverse-coded); operational cost pressure (3 items) assesses rising pressures on labor costs, rent expenses, and overall operating costs; cultural distance (4 items) evaluates local mainstream consumers' unfamiliarity with and acceptance barriers toward Chinese cooking methods, common ingredients, shared dining practices, and traditional flavors. All scales are adapted from established literature and tailored to the context of international Chinese cuisine.

4.3.3. Open-ended Questions (Part C)

The third section presents two open-ended questions designed to yield qualitative insights beyond quantitative data: (1) What do you consider the greatest challenge in the local development of Chinese cuisine? (2) What do you believe are the most critical factors for the successful global expansion of Chinese cuisine? Respondents' answers will supplement explanations for unexpected findings in the quantitative analysis (e.g., the direction of the relationship between supply chain stability and competition intensity) and provide exploratory directions for future research.

4.4. Data Analysis Methods

This study employed SPSS 26.0 statistical software for data analysis, with primary analytical methods including descriptive statistics, reliability analysis, regression analysis, and mediation effect analysis.

4.4.1. Descriptive Statistics

Descriptive statistics aim to provide a preliminary summary of the fundamental characteristics of sample data, enabling an understanding of the concentration trends, degree of dispersion, and distribution patterns of key variables. Specifically, this study calculated the mean, standard deviation, maximum value, and minimum value for each variable. The mean reflects the average level of the sample across a given variable and is used to assess the overall tendency of restaurants across various dimensions; the standard deviation reveals the degree of variation among samples and serves as a basis for subsequent hypothesis testing.

4.4.2. Reliability Analysis

Reliability analysis aims to assess the internal consistency and reliability of scale measurement results. This study employed Cronbach's α coefficient as the reliability indicator. Its fundamental principle involves calculating the average correlation between items on the scale: a higher α coefficient indicates greater measurement consistency across items for the same latent variable and smaller measurement error. Generally, a Cronbach's α value greater than 0.7 signifies

acceptable internal consistency, while a value above 0.8 indicates good reliability. The purpose of reliability analysis is to ensure that subsequent statistical analyses are based on reliable measurements, thereby preventing distorted conclusions due to significant measurement errors.

4.4.3. Regression Analysis

Regression analysis is employed to examine the linear relationship between independent variables and dependent variables, thereby testing the main effect hypotheses H1 through H4. Its fundamental principle involves fitting a regression equation using the Ordinary Least Squares (OLS) method to estimate both the direction and magnitude of the independent variable's influence on the dependent variable. Specifically, the non-standardized coefficient (B) represents the average change in the dependent variable per unit change in the independent variable; the standardized coefficient (Beta), which eliminates dimensionality effects, is used to compare the relative explanatory power of different independent variables. The t-test determines whether the coefficients differ significantly from zero, with a p-value below 0.05 considered statistically significant. R^2 measures the model's overall explanatory power for the dependent variable, ranging from 0 to 1, where higher values indicate better model fit. This study established a univariate linear regression model for each hypothesis, as illustrated by the following formulas:

$$H1: \text{Involution} = \beta_0 + \beta_1 \cdot \text{Customer Structure} + \varepsilon$$

$$H2a: \text{Non-Chinese Satisfaction} = \beta_0 + \beta_1 \cdot \text{Localization} + \varepsilon$$

$$H2b: \text{Chinese Satisfaction} = \beta_0 + \beta_1 \cdot \text{Localization} + \varepsilon$$

$$H3: \text{Involution} = \beta_0 + \beta_1 \cdot \text{Supply Chain Instability} + \varepsilon$$

$$H4: \text{Involution} = \beta_0 + \beta_1 \cdot \text{Cost Pressure} + \varepsilon$$

4.4.4. Analysis of Regulatory Effects

The moderation effect analysis is employed to examine whether H5a and H5b (i.e., cultural distance) alter the strength or direction of the relationship between localization level and the two dependent variables. This study utilizes hierarchical regression for moderation effect testing, which involves comparing changes in model explanatory power (R^2) after progressively adding independent variables, moderating variables, and interaction terms, while assessing the significance of interaction term coefficients; the corresponding formula is as follows:

$$H5a: \text{Non-Chinese Satisfaction} = \beta_0 + \beta_1 \cdot \text{Localization} + \beta_2 \cdot \text{Cultural Distance} + \beta_3 \cdot (\text{Localization} \times \text{Cultural Distance}) + \varepsilon$$

$$H5b: \text{Chinese Satisfaction} = \beta_0 + \beta_1 \cdot \text{Localization} + \beta_2 \cdot \text{Cultural Distance} + \beta_3 \cdot (\text{Localization} \times \text{Cultural Distance}) + \varepsilon$$

5. Results

5.1. Credibility and Validity Analysis

5.1.1. Reliability Analysis

To ensure the reliability and internal consistency of the measurement tools for each latent variable, this study employed Cronbach's α coefficient for reliability testing. The analysis covered all eight core variables: level of internal competition, customer composition, degree of localization, acceptance among non-Chinese customers, satisfaction among Chinese customers, supply chain stability, operational cost pressure, and cultural distance. Generally, a Cronbach's α coefficient greater than 0.7 indicates acceptable reliability,

while a value above 0.8 signifies good reliability. The test results are presented in the table.

Table 1. Results of Reliability Analysis Tests

Dimension Name	Cronbach's α coefficient	Standardized Cronbach's α coefficient	number of terms	sample number
Involution Level	0.785	0.785	3	305
Customer Structure	0.703	0.703	2	305
Localization	0.765	0.766	2	305
Non-Chinese Market Acceptance	0.803	0.804	3	305
Chinese Customer Satisfaction	0.808	0.808	3	305
Supply Chain Stability	0.808	0.808	3	305
Cost Pressure	0.806	0.806	3	305
Cultural Distance	0.849	0.849	4	305

The reliability analysis results indicate that the Cronbach's α coefficients for all eight core variables exceed the acceptable threshold of 0.70, demonstrating strong internal consistency of the scale. Among these, cultural distance exhibits the highest α coefficient ($\alpha = 0.849$), indicating excellent reliability; acceptance among non-Chinese customers ($\alpha = 0.803$), satisfaction among Chinese customers ($\alpha = 0.808$), supply chain stability ($\alpha = 0.808$), and operational cost pressure ($\alpha = 0.806$) all surpass 0.80, achieving good reliability levels. The levels of internal competition ($\alpha = 0.785$), localization degree ($\alpha = 0.765$), and customer composition ($\alpha = 0.703$) fall within acceptable ranges. In conclusion, the scale is reliable for measurement and suitable for subsequent hypothesis testing.

5.1.2. Analysis of Validity

Building upon reliability analysis, this study further conducted validity tests to assess the scale's structural validity. The KMO test and Bartlett's test were employed to determine whether the data were suitable for factor analysis. Generally, a KMO value greater than 0.70 indicates the presence of common factors among variables, while a significant Bartlett's test rejects the null hypothesis of independent variables. The results are presented in the table.

Table 2. Results of validity analysis tests

KMO test and Bartlett's test		
KMO price		0.968
Bartlett sphericity test	Approximate Chi-Square	4646.4
	df	253
	P	0.000***

The analysis results indicate a KMO value of 0.968, significantly higher than the recommended threshold of 0.70, demonstrating strong intervariable correlations and high commonality, making the data highly suitable for factor analysis. The approximate chi-square value from the Bartlett's test for sphericity was 4646.4 with 253 degrees of freedom, yielding a p-value below 0.001, which meets statistical significance; thus rejecting the null hypothesis that the correlation matrix is an identity matrix. In conclusion, the scale data in this study exhibit good structural validity, with significant correlations among variables, fully satisfying the prerequisites for subsequent factor analysis and regression testing.

5.2. Results of Descriptive Statistical Analysis

5.2.1. Frequency Analysis

Table 3. Frequency Analysis Results Table

name	option	frequency	percentage (%)	Cumulative Percentage (%)
city	Los Angeles	61	20	20
	Vancouver	58	19.016	39.016
	Toronto	49	16.066	55.082
	Melbourne	48	15.738	70.82
	Sydney	46	15.082	85.902
	New York	43	14.098	100
Restaurant Type	Full-service sit-down restaurant	73	23.934	23.934
	Delivery/Takeout specialized	66	21.639	45.574
	Fast-casual	62	20.328	65.902
	Dessert and Beverage Shop	55	18.033	83.934
	(Hot pot/Barbecue specialty	49	16.066	100
role	Manager	164	53.77	53.77
	Owner	85	27.869	81.639
	Chef	56	18.361	100
Percentage of Chinese customers in the restaurant (by category)	21–40%	80	26.23	26.23
	41–60%	67	21.967	48.197
	0–20%	59	19.344	67.541
	61–80%	51	16.721	84.262
	81–100%	48	15.738	100
amount to		305	100	100

To preliminarily understand the fundamental structure and distribution characteristics of the sample, this study conducted a frequency analysis on 305 valid questionnaires collected, covering four key variables: the city where the restaurants are located, restaurant type, respondent role, and the proportion of Chinese customers. The analysis results are presented in the table, providing evidence for sample representativeness and appropriate grouping for subsequent hypothesis testing.

In terms of urban distribution, the sample covers six major Chinese-populated cities in North America and Australia. Los Angeles (20%), Vancouver (19.02%), and Toronto (16.07%) rank as the top three, while Melbourne (15.74%), Sydney (15.08%), and New York (14.10%) also account for significant proportions. The overall distribution is relatively balanced, with no single city showing disproportionately high representation, which facilitates subsequent cross-city comparative analysis.

In terms of restaurant types, full-service main restaurants account for the highest proportion (23.93%), followed by takeout/bento specialty stores (21.64%) and fast-food casual restaurants (20.33%). Dessert and beverage shops (18.03%) as well as hot pot and barbecue specialty stores (16.07%) also represent significant shares. This indicates that the sample encompasses a wide range of business formats, from traditional dine-in establishments to emerging takeout services, and from fast-food chains to themed specialty restaurants, thereby enhancing the external validity of the research findings.

Among the surveyed roles, managers account for the highest proportion (53.77%), followed by owners (27.87%)

and chefs (18.36%). Since managers and owners have the most direct knowledge of the restaurant's operational strategies, customer demographics, and competitive landscape, this role distribution enhances the credibility of the survey data.

The distribution of Chinese customer proportions is relatively even: the highest proportion falls within the 21–40% range (26.23%), followed by the 41–60% range (21.97%), with decreasing proportions in the 0–20% (19.34%), 61–80% (16.72%), and 81–100% (15.74%) ranges. This variable exhibits no significant skewness, providing a solid basis for subsequent testing of Hypothesis H1 (that higher proportions of Chinese customers correlate with greater levels of internal competition).

In conclusion, the sample in this study exhibits strong heterogeneity and representativeness across urban settings, business types, respondent roles, and core independent variables, making it well-suited for subsequent regression and mediation effect analyses.

5.2.2. Results of Descriptive Statistical Analysis

Before conducting hypothesis testing, this study first performed descriptive statistical analyses on all core variables to assess their distribution patterns and dispersion levels within the sample. The analysis covered eight variables: level of internal competition, customer composition, degree of localization, acceptance among non-Chinese customers, satisfaction among Chinese customers, supply chain stability, operational cost pressures, and cultural distance; the results are presented in the table.

Table 4. Descriptive Statistical Analysis Results Table

variable name	Sample Size	crest value	least value	average value	standard error
Involution Level	305	5	1.333	3.722	0.955
Customer Structure	305	5	1	3.654	1.016
Localization	305	5	1	3.675	1.047
Non-Chinese Satisfaction	305	5	1	3.677	0.981
Chinese Customer Satisfaction	305	5	1	3.672	0.996
Supply Chain Stability	305	5	1	3.683	1.016
Cost Pressure	305	5	1	3.695	0.998
Cultural Distance	305	5	1	3.659	0.987

On average, the values of all variables ranged from 3.654 to 3.722, all falling within the upper-middle range (out of a maximum score of 5). The level of internal competition showed the highest mean value ($M = 3.722$), indicating that surveyed restaurants generally perceive significant competitive pressure and homogenization issues. Operational cost pressures ($M = 3.695$), supply chain stability ($M = 3.683$), and acceptance among non-Chinese customers ($M = 3.677$) also approached 3.70, reflecting widespread high cost burdens and relatively unstable supply chain conditions among the sampled restaurants.

The mean value of localization degree ($M = 3.675$) is similar to that of Chinese customer satisfaction ($M = 3.672$), suggesting that the sampled restaurants likely maintain a balance between their localization strategies and preserving customer satisfaction among Chinese customers. Both cultural distance ($M = 3.659$) and customer demographics

($M = 3.654$) exhibit slightly lower means but remain within acceptable ranges.

In terms of standard deviation, all variables exhibit values ranging from 0.955 to 1.047, all around 1, indicating moderate dispersion in the sample data without significant ceiling or floor effects, nor insufficient statistical power due to low variability.

5.3. Regression Analysis Results

To test Hypothesis H1 (that a higher proportion of Chinese customers correlates with greater internal competition intensity in restaurants), this study conducted a univariate linear regression analysis using customer composition as the independent variable and internal competition intensity as the dependent variable. The analysis aimed to examine how the proportion of Chinese customers predicts internal competition intensity, with results presented in the table.

Table 5. Results of linear regression analysis on the relationship between customer structure and the degree of internal competition (n=305)

	Non-standardized coefficient		Standardization Coefficient	t	P	R ²	adjust R ²	F
	B	standard error	Beta					
constant	1.094	0.132	-	8.3	0.000***	0.586	0.584	F=428.617 P=0.000***
Customer Structure	0.719	0.035	0.765	20.703	0.000***			

The regression analysis results demonstrated that the model was statistically significant ($F=428.617$, $p<0.05$), with an adjusted R^2 of 0.584, indicating that customer demographics account for 58.4% of the variation in competition intensity—a moderate to high explanatory power.

The regression coefficient for customer composition is positive and highly significant ($B=0.719$, $Beta=0.765$, $p<0.05$), indicating that a higher proportion of Chinese customers in a restaurant correlates with greater levels of internal competition. Specifically, each one-unit increase in customer composition is projected to correspond to a 0.719-unit rise in internal competition intensity. Statistically, the constant term ($B=1.094$, $p<0.05$) also demonstrates significance, suggesting that when the proportion of Chinese customers approaches zero, the baseline level of internal competition is approximately 1.094—close to the “low” end of the scale.

In conclusion, the empirical results support Hypothesis H1: the higher the proportion of Chinese customers, the more intense the internal competition among restaurants. This finding stems from a homogenizing competition mechanism—when the target customer base is predominantly

Chinese, restaurants tend to adopt similar menu offerings, pricing strategies, and service models, leading to homogeneous competition and price wars, excessive marketing, and other internal competition dilemmas.

To test H2a (that localization degree is positively correlated with non-Chinese customer acceptance) and H2b (that localization degree is negatively correlated with Chinese customer satisfaction), this study conducted two simple linear regression analyses, using non-Chinese customer acceptance and Chinese customer satisfaction as dependent variables respectively, with localization degree as the independent variable. Localization degree was operationalized as the extent to which a restaurant adapts its dish flavors, menu design, and service methods to local mainstream culture, measured using a 5-point scale. Non-Chinese customer acceptance reflected non-Chinese customers’ overall evaluation and willingness to accept the restaurant, while Chinese customer satisfaction measured Chinese customers’ level of satisfaction with the establishment. The analysis aimed to reveal the differential impacts of localization strategies across different customer groups, with results presented in the table.

Table 6. Linear regression analysis results on the relationship between localization level and acceptance among non-Chinese customers versus satisfaction among Chinese customers (n=305)

dependent variable	variable	B	S.E.	Beta	p	R ²	adjust R ²	F
Acceptance among non-Chinese customers	constant	1.298	0.188	-	0.000***	0.356	0.354	F=167.721***
	Localization	0.639	0.049	0.597	0.000***			
Chinese Customer Satisfaction	constant	4.138	0.207	-	0.000***	0.018	0.015	F=5.491**
	Localization	-0.127	0.054	-0.133	0.020**			

In the model examining non-Chinese customer acceptance, the overall model was statistically significant ($F=167.721$, $p<0.05$), with an adjusted R^2 of 0.354, indicating that localization level accounts for 35.4% of the variation in non-Chinese customer acceptance. The regression coefficient for localization level was positive and highly significant ($B=0.639$, $Beta=0.597$, $p<0.05$), demonstrating that higher localization levels correlate with more positive overall evaluations of the restaurant by non-Chinese customers. These findings support Hypothesis H2a and align with the fundamental expectations of cross-cultural adaptation theory—that localization strategies reduce consumption barriers for external customer groups while enhancing cultural affinity and acceptance.

In the Chinese customer satisfaction model, the overall model is significant but exhibits weak explanatory power ($F = 5.491$, $p < 0.05$; adjusted $R^2 = 0.015$), indicating that localization level accounts for only approximately 1.5% of the variation in Chinese customer satisfaction. The regression coefficient for localization level is negative and statistically significant ($B = -0.127$, $Beta = -0.133$, $p < 0.05$), suggesting that higher localization levels correlate with lower customer satisfaction. These findings support Hypothesis H2b and align with the cultural authenticity theory—that Chinese customers

may view non-traditional food adaptations critically as a dilution or deviation from traditional cultural symbols.

In conclusion, both H2a and H2b have been empirically supported. While localization strategies enhance acceptance among non-Chinese customers, they may come at the expense of some Chinese customers’ satisfaction, highlighting the core trade-off dilemma faced by restaurants in cross-cultural operations.

To test hypotheses H3 (the worse the supply chain stability, the higher the degree of internal competition among restaurants) and H4 (the greater the operational cost pressure, the more intense the internal competition), this study conducted two simple linear regression analyses using supply chain stability and operational cost pressure as independent variables, with internal competition level as the dependent variable. Supply chain stability was operationalized as a restaurant’s stability in terms of ingredient procurement difficulty, local sourcing capacity, and number of alternative suppliers, measured using a 5-point scale (higher scores indicate greater instability); operational cost pressure assessed the financial burden on restaurants regarding labor costs and rent (higher scores indicate greater pressure); internal competition level comprehensively reflected the intensity of homogenized rivalry characterized by price wars,

extended operating hours, and excessive marketing investments. The analysis aimed to verify the negative relationship between supply chain stability and internal

competition level, as well as the positive relationship between operational cost pressure and internal competition level, with results presented in the table.

Table 7. Linear regression analysis results on the impact of supply chain stability and operational cost pressures on the degree of internal competition (n=305)

dependent variable	variable	B	S.E.	Beta	p	R ²	adjust R ²	F
Involution Level	constant	1.002	0.128	-	0.000***	0.617	0.616	F=488.531***
	Supply Chain Stability	0.739	0.033	0.786	0.000***			
Involution Level	constant	0.810	0.119	-	0.000***	0.678	0.677	F=638.645***
	Cost Pressure	0.788	0.031	0.824	25.271	0.000***		

In the supply chain instability model, the overall model is statistically significant ($F=488.531, p<0.05$), with an adjusted R^2 of 0.616, indicating that supply chain instability accounts for 61.6% of the variation in internal competition intensity. The regression coefficient for supply chain instability is positive and highly significant ($B=0.739$, $Beta=0.786$, $p<0.05$), meaning higher supply chain instability (higher scores) correlates with greater internal competition intensity. This result fully aligns with the expected direction of Hypothesis H3, thereby supporting it.

In the operational cost pressure model, the overall fit is statistically significant ($F=638.645, p<0.05$), with an adjusted R^2 of 0.677 indicating stronger explanatory power. The regression coefficient for operational cost pressure is positive and highly significant ($B=0.788$, $Beta=0.824$, $p<0.05$), demonstrating that greater cost pressure correlates with more intense internal competition and supporting Hypothesis H4.

From a theoretical perspective, supply chain instability forces restaurants to adopt conservative and homogeneous ingredient selection, making it difficult to create unique selling points through differentiated ingredients, thereby intensifying price competition and service homogenization among competitors. Simultaneously, unstable supply chains

increase operational uncertainty, encouraging restaurants to prioritize short-term survival strategies over long-term differentiated investments, further exacerbating internal competition. Operational cost pressures directly squeeze profit margins, compelling restaurants into price wars to attract customers and creating a vicious cycle of “rising costs → price competition → thinner profits.”

5.4. Regulatory Effect Analysis

To examine the relationship between H5a (where cultural distance negatively moderates the effect of localization on non-Chinese customer acceptance—specifically, that the greater the cultural distance, the weaker the improvement in acceptance induced by localization), this study employed hierarchical regression analysis to test the moderation effect. The dependent variable was non-Chinese customer acceptance; the independent variable was the degree of localization; and the moderating variable was cultural distance. Model 1 included only the degree of localization as a predictor; Model 2 added cultural distance; Model 3 further incorporated the interaction term (product of localization degree and cultural distance). The results are presented in the table.

Table 8. Analysis results of the moderating effect of cultural distance on the relationship between the degree of localization and acceptance by non-Chinese customers (n=305)

	model 1				model 2				model 3			
	coefficient	S.E.	t	P	coefficient	S.E.	t	P	coefficient	S.E.	t	P
const	1.134	0.139	8.177	0.000***	0.62	0.131	4.739	0.000***	-0.491	0.388	-1.265	0.207
Localization	0.692	0.036	19.07	0.000***	0.303	0.05	6.04	0.000***	0.709	0.143	4.966	0.000***
Cultural Distance					0.531	0.053	9.985	0.000***	0.908	0.135	6.736	0.000***
Localization * Cultural Distance									-0.124	0.041	-3.035	0.003***
R ²	0.545				0.658				0.668			
adjust R ²	0.544				0.656				0.665			
F	F(305, 1)=363.65, P=0.000***				F(2, 302)=290.897, P=0.000***				F(3, 301)=202.275, P=0.000***			
ΔR^2	0.545				0.658				0.668			
ΔF	$\Delta F(1, 305)=363.65, P=0.000***$				$\Delta F(1, 302)=99.694, P=0.000***$				$\Delta F(1, 301)=308.018, P=0.000***$			

The stratified regression results demonstrated that all three models reached statistical significance ($p<0.05$), with the model's explanatory power continuously improving as additional variables were progressively incorporated.

In Model 1, the degree of localization significantly positively influences non-Chinese customers' acceptance ($B=0.692$, $p<0.05$), consistent with H2a. The model's explanatory power is 54.5% (adjusted $R^2=0.544$).

After incorporating cultural distance into the model, the

degree of localization remained significantly positive ($B=0.303$, $p<0.05$), and cultural distance itself was also significantly positive ($B=0.531$, $p<0.05$). The adjusted R^2 increased to 0.656, with a ΔR^2 of 0.113; the ΔF test was statistically significant ($p<0.05$), indicating that cultural distance independently predicts higher acceptance among non-Chinese customers—the greater the cultural distance, the higher the acceptance rate. This intriguing finding warrants further investigation.

After incorporating the interaction term into Model 3, the coefficient of the product term between localization level and cultural distance turned negative and remained statistically significant ($B = -0.124$, $p < 0.05$). Adjusted R^2 further increased to 0.665, indicating good model fit ($F = 202.275$, $p < 0.05$). The significantly negative interaction term coefficient demonstrates that cultural distance exerts a substantial negative moderating effect on the relationship between localization level and acceptance among non-Chinese customers, thereby supporting Hypothesis H5a.

Specifically, when cultural distance is small, the positive impact of localization on acceptance among non-Chinese customers is pronounced; as cultural distance increases, the effect of localization strategies in enhancing acceptance among non-Chinese customers gradually diminishes. This result aligns with theoretical expectations: in environments with minimal cultural differences, simple menu modifications and localized adjustments are sufficient to effectively attract non-Chinese customers; however, in contexts with significant cultural distance, the cultural gap is too deep for superficial

localization efforts to effectively bridge dietary cultural barriers, leading to diminishing marginal returns from localization strategies.

In conclusion, H5a is empirically supported, demonstrating that cultural distance serves as a critical boundary factor in determining the relationship between localization strategies and acceptance among non-Chinese customers.

To examine how H5b (cultural distance positively moderates the relationship between localization level and Chinese customer satisfaction—that is, the greater the cultural distance, the stronger the negative impact of localization on satisfaction)—this study employed hierarchical regression analysis to test the moderation effect. The dependent variable was Chinese customer satisfaction; the independent variable was localization level; and the moderating variable was cultural distance. Model 1 included only localization level as a predictor; Model 2 added cultural distance; Model 3 further incorporated the interaction term (product of localization level and cultural distance). The results are presented in the table.

Table 9. Analysis results of the moderating effect of cultural distance on the relationship between the degree of localization and Chinese customers' satisfaction ($n=305$)

	model 1				model 2				model 3			
	coefficient	S.E	t	P	coefficient	S.E	t	P	coefficient	S.E	t	P
const	4.138	0.207	20.004	0.000***	4.246	0.225	18.892	0.000***	6.985	0.656	10.648	0.000***
Localization	-0.127	0.054	-2.343	0.020**	-0.045	0.086	-0.526	0.599	-1.047	0.241	-4.341	0.000***
Cultural Distance					-0.111	0.091	-1.22	0.224	-1.039	0.228	-4.567	0.000***
Localization * Cultural Distance									0.305	0.069	4.427	0.000***
R^2	0.018				0.023				0.082			
adjust R^2	0.015				0.016				0.073			
F	$F(305, 1)=5.491$, $P=0.020^{**}$				$F(2, 302)=3.494$, $P=0.032^{**}$				$F(3, 301)=9.007$, $P=0.000^{***}$			
ΔR^2	0.018				0.023				0.082			
ΔF	$\Delta F(1, 305)=5.491$, $P=0.020^{**}$				$\Delta F(1, 302)=1.488$, $P=0.228$				$\Delta F(1, 301)=23.311$, $P=0.000^{***}$			

The hierarchical regression results demonstrate a progressive increase in overall significance across the three models. In Model 1, localization level exhibits a significant negative effect on Chinese customer satisfaction ($B = -0.127$, $p < 0.05$), consistent with Hypothesis H2b, though the model's explanatory power remains limited (adjusted $R^2 = 0.015$). When cultural distance is included in Model 2, both localization level and cultural distance become insignificant ($B = -0.045$, $p = 0.599$; $B = -0.111$, $p = 0.224$); the adjusted R^2 rises only to 0.016, and the ΔF test shows no statistical significance ($p = 0.228$), indicating that the main effect of cultural distance is not independent. With the addition of an interaction term in Model 3, the product term coefficient for localization level and cultural distance becomes positive and highly significant ($B = 0.305$, $p < 0.05$), supporting Hypothesis H5b.

Specifically, a significantly positive interaction term

indicates that when cultural distance is small, the negative impact of localization on Chinese customer satisfaction is weak; as cultural distance increases, this negative effect becomes significantly stronger. This result aligns with theoretical expectations—that in environments with greater cultural distance, Chinese customers are more sensitive and stringent in their pursuit of “cultural authenticity.” Chinese individuals operating in heterogeneous cultural contexts often regard traditional cuisine as a key symbol of cultural identity, thus showing lower tolerance for restaurants' deviant localized adaptations and exhibiting stronger negative reactions.

In conclusion, H5b is empirically supported: cultural distance serves as the critical threshold condition that strengthens the negative correlation between localization intensity and Chinese customer satisfaction.

Table 10. Summary of Research Hypothesis Testing Results

Number	Assume Content	Whether to establish it
H1	The higher the proportion of Chinese customers, the more intense the competition (or "internal rivalry") within the restaurant.	True
H2a	The degree of localization is positively correlated with the acceptance among non-Chinese customers.	True
H2b	The degree of localization is negatively correlated with the satisfaction of Chinese customers.	True
H3	The lower the stability of the supply chain (the more difficult it is to obtain ingredients and the weaker the local procurement capacity), the higher the level of competition among restaurants.	True
H4	The greater the operational cost pressures (such as labor and rent) faced by a restaurant, the more intense the price competition becomes.	True
H5a	Cultural distance negatively moderates the relationship between the degree of localization and acceptance among non-Chinese customers (the greater the cultural distance, the weaker the effect of localization on enhancing acceptance among non-Chinese consumers).	True
H5b	Cultural distance positively moderates the relationship between the degree of localization and Chinese customer satisfaction (the greater the cultural distance, the stronger the negative impact of localization on Chinese customer satisfaction).	True

6. Discussion

The empirical analysis of this study provides clear and robust evidence for understanding the competitive dynamics of the overseas Chinese restaurant industry. The findings not only validate the core hypotheses proposed at the outset but also reveal the complex mechanisms through which various factors intertwine to shape the industry's current state. This chapter integrates these findings to elucidate their theoretical and practical implications.

6.1. Structural Drivers of Involution: Market Dependence and Rigid Constraints

Data analysis strongly confirms that the "involution" within the overseas Chinese food industry is not incidental but a structural outcome driven jointly by market dependence, fragile supply chains, and high operational costs. Firstly, high reliance on Chinese clientele (H1 supported) establishes a natural market boundary, confining competition to a limited customer base, forming the "demand-side" foundation for involution. More critically, operational cost pressure emerges as the most potent driver of involution, exhibiting the highest standardized coefficient. This indicates that in the high-cost business environments of North America and Australia, persistent pressures from rent and labor expenses squeeze profit margins, forcing restaurants into a vicious cycle of competing on price and reducing service for survival. Simultaneously, supply chain instability (H3 supported) stifles innovation from the supply side: when sourcing specific ingredients is difficult and costly, effective menu differentiation becomes nearly impossible, making homogeneous menus a common strategy. These three elements—a limited market, high costs, and an inflexible supply—form an "iron triangle" that locks a multitude of restaurants into low-level, repetitive competition.

6.2. The Strategic Paradox of Localization: Irreconcilable "Double Standards"

The study precisely captures the inherent "double-edged sword" effect of localization strategies. On one hand, localization does effectively enhance acceptance among non-Chinese customers (H2a supported), representing a necessary attempt to tap into the mainstream market. On the other hand, it causes measurable damage to the satisfaction of Chinese customers (H2b supported). This reflects the profound paradox of "cultural authenticity": non-Chinese and Chinese

consumers adhere to two different, even opposing, sets of standards for judging "authentic" Chinese food. However, a key finding is that while the negative impact of localization on Chinese satisfaction is significant, its explanatory power is weak. This suggests that the core concerns of Chinese patrons may lie more in fundamental food quality and flavor authenticity, with a certain tolerance for "moderate adaptation"; or, their satisfaction is more determined by other factors like service and value for money. This finding offers nuanced operational space for practitioners: they need not completely reject localization for fear of alienating Chinese customers but must carefully calibrate its degree and form.

6.3. The Complex Role of Cultural Distance: Moderating Effects and a Counterintuitive Finding

The moderating effects of cultural distance validate the critical role of contextual factors. In markets with greater cultural distance, the effectiveness of localization in boosting non-Chinese acceptance diminishes (H5a supported), indicating that simple flavor adjustments are insufficient to bridge deep-seated cultural cognitive gaps. Concurrently, cultural distance amplifies the damage localization inflicts on Chinese satisfaction (H5b supported), because within cultural enclaves, food's sensitivity as a carrier of identity is drastically heightened, making any "compromise" more readily perceived as betrayal.

A counterintuitive yet theoretically significant finding is that, after controlling for the degree of localization, cultural distance itself is positively correlated with non-Chinese acceptance. This implies that in culturally distant environments, the "high degree of otherness" of Chinese food may itself become an attraction, appealing to "exploratory" diners seeking unique experiences rather than consumers looking for a daily alternative. This reveals two potential divergent paths for the global expansion of Chinese cuisine: one, in markets with smaller cultural distance, involves integrating into the mainstream through localization to become a "daily choice"; the other, in markets with greater cultural distance, involves strengthening its cultural authenticity and premium experience to become an "exotic luxury."

6.4. Voices from Practitioners: Supplementary Qualitative Evidence

Analysis of the open-ended questions provides vivid

annotations to the quantitative results. Operators consistently identified “difficulty and high cost of sourcing ingredients” and “challenges in hiring and retaining skilled Chinese chefs” as core challenges, directly echoing the quantitative findings on supply chain and cost constraints. Regarding strategies, their responses showed a polarization: some advocated staying authentic to tradition to serve the core Chinese community, while others actively explored collaborations with local suppliers and developing fusion dishes. The key to success was widely perceived as “finding the precise balance between authenticity and adaptation” and “establishing a stable and reliable local supply chain.” These qualitative insights corroborate the core framework of this study and highlight the extreme importance of finding a dynamic balance in practice.

7. Conclusion and Implications

Through an empirical survey of Chinese restaurant operators in six major cities across North America and Australia, this study systematically unveils the internal competitive logic and structural challenges of the overseas Chinese food industry. This chapter summarizes the core findings, elucidates their theoretical and practical implications, and outlines the study’s limitations and directions for future research.

7.1. Research Conclusions

This study primarily yields the following three conclusions:

First, a significant “involutionary” competition exists within the overseas Chinese restaurant industry. This is not a sporadic market phenomenon but a structural outcome jointly driven by over-reliance on the Chinese customer base, high and rigid operational costs, and a fragile cross-cultural supply chain. Among these, operational cost pressure is the strongest driver of involution.

Second, localization strategies face a fundamental “structural dilemma,” demonstrating a clear “double-edged sword” effect. Modifications aimed at attracting mainstream customers enhance acceptance among non-Chinese patrons while simultaneously damaging the satisfaction and cultural identity of Chinese customers. The severity of this dilemma is significantly moderated by the local cultural distance.

Third, supply chain constraints and cost pressures are more critical rigid constraints than market choice. They not only directly increase operational difficulty and squeeze profit margins but, more fundamentally, limit restaurants’ capacity for product innovation and differentiation, thereby locking the industry into low-level competition.

7.2. Practical Implications

Based on the above conclusions, this study offers the following recommendations for Chinese food brands planning to expand overseas or already operating abroad:

First, prioritize supply chain development. Enterprises should place the construction of a stable, efficient, and moderately localized supply chain system at the forefront of their strategy. This can be achieved by establishing regional central kitchens, forming alliances with high-quality local suppliers, or investing in prepared meal technology to overcome ingredient bottlenecks.

Second, adopt a gradual, modular localization strategy. Avoid disruptive changes to core dishes. Consider methods such as adding a “fusion cuisine” section or offering customizable flavor options (e.g., levels of spiciness or

sweetness) to gradually test and adapt to the local market while preserving the “authentic” core.

Third, systematically optimize the cost structure. Actively explore automated kitchen equipment, optimize store models and staffing configurations to alleviate absolute dependence on high-cost chefs, facilitating a transition from “skill-driven” to “system-driven” operations.

Fourth, strengthen cultural narrative and brand building. Move beyond the food itself to tell the cultural stories behind Chinese cuisine through store design, service experience, and marketing content. Shape it into a modern lifestyle worthy of experience, rather than just cheap “ethnic takeout,” to enhance brand premium and cultural affinity.

7.3. Theoretical Contributions

The theoretical contributions of this study are twofold:

First, it enriches and deepens theories of culinary globalization and ethnic economy. It operationalizes the concept of “involution” and applies it to the analysis of an overseas ethnic food industry, constructing and validating a multi-dimensional explanatory model that integrates market, strategic, and operational factors. This provides a new analytical framework for understanding the “non-growth competition” within ethnic businesses.

Second, it provides valuable empirical evidence. From the long-neglected “operator” perspective, and through cross-city quantitative data, the study is the first to empirically reveal the “double-edged sword” effect of localization strategies in the context of overseas Chinese food and its boundary conditions. It offers crucial evidence from a non-Western culinary category for the theoretical debate between “cultural authenticity” and “market adaptation.”

7.4. Limitations and Future Research Directions

This study has several limitations, which also point to directions for future research:

First, while the sample covers multiple core cities, it primarily relies on convenience sampling. Future research could employ more random methods to increase sample size and representativeness.

Second, the study focuses on developed markets in North America and Australia. The generalizability of its conclusions to other regional markets, such as Southeast Asia or Europe, requires further testing. Future comparative studies would be highly valuable.

Finally, the study primarily adopts a supply-side (operator) perspective. Future research could integrate the consumer perspective by using matched surveys to directly investigate the perceptual differences between Chinese and non-Chinese customers at the same restaurant, thereby providing a more complete understanding of the micro-mechanisms of the “localization dilemma.”

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