

Pizza hut uk: marking strategy



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Strategic Marketing Intelligence

1 Introduction

Pizza Hut has operated in the UK since 1973. It is the UK's biggest pizza restaurant business. The company is facing a crucial situation since customer numbers to its restaurants are growing. If the deliver system can not match medium and future demand, Pizza Hut UK will be in trouble. Therefore, trying to understanding the market place within which Pizza Hut UK is operating becomes necessary.

Research for Win-Win has been approached this case . As a famous and experienced research agency , we have been given this brief prepared by Pizza Hut UK. Subsequently, the following proposal has been prepared for Pizza Hut UK by us.

2 Background

2. 1 External environment audit

2. 1. 1 Pizza Hut UK and competitors

Pizza Hut (UK) Ltd is a leader in what is now known as casual dining, with more than 700 outlets. (Keynote, 2009). It not only aims at the family market but also promotes itself to young couples and groups of young people celebrating for a fun. The brand has a two-tier leadership role because it also leads the pizza sector, straddling quick-service and full-service restaurants. As for traditional eat-in restaurants, Pizza Express and Prezzo are the main competitors to Pizza Hut UK while Domino's Pizza UK is the rival at quick-service market (including takeaway and home delivery).

2. 1. 2 Market size and trends

Key Note forecasts that the UK fast-food/takeaway and home-delivery market (excluding coffee shops) will increase from £9. 75bn in 2008 to £10. 15bn in 2009 , and will reach £11. 34bn in 2012, representing a 16. 3% rise from 2008 to 2012. Take pizza sector for example, the value of the pizza market will increase from £1. 07bn in 2008 to £1. 13bn in 2009, and will reach £1. 30bn in 2012. Growth in the sector has been driven by increases in outlet numbers, the wide range of pizza options available, and consumer demand for premium pizza restaurants. Therefore, as a leader in pizza sector, Pizza Hut aims to increase its number of outlets in the UK, and plans to have more than 800 stores by 2010, and in excess of 1, 000 stores by 2015. (Keynote, 2008)

2. 1. 3 Customer buying behaviour

As for the customer buying behaviour, in June 2008, a research investigated by NEMS Market Research showed that among the 1, 006 adults aged 16 years and over in Great Britain interviewed, 39. 8% indicated that they had visited a fast-food outlet in the previous 6 months. Penetration rates for visiting a fast-food outlet varied widely around the average of 39. 8%, especially in terms of factors such as age, household size and age of children. The marital status of respondents was also an important factor affecting customers to fast-food outlets, with the single and separated groups having the highest penetration rates (51. 2% and 45. 7%, respectively). (Keynote, 2008). In addition, in August 2009, a sample of exactly 1, 000 adults were also investigated by NEMS Market Research as to which leading brands they had used in the previous year. The results show

that excluding the quick-service brands (McDonald's and KFC), Pizza Hut remains its top position, used by 30% of adults in 2009.

2. 1. 4 Value proposition

Pizza Hut UK plans to relaunch its brand, in order to position it away from its fast-food roots, and towards casual dining the style of chains such as Frankie & Benny's and Nando's . As part of its repositioning strategy, the firm has appointed a new advertising agency (Abbott Mead Vickers BBDO) to invest its £13m advertising expenditure. (Keynote, 2008)

2. 2 Internal environment audit

Financial Results for Pizza Hut UK Ltd show turnover having peaked at £391. 3m in 2005 (year ending 4th December), slipping back to £379. 3m in 2007 and falling to £358. 6m in the year ending 30th November 2008. Besides, profit before tax was a loss of £6. 36m and £13. 3m in 2007 and 2008, respectively(Keynote, 2009). Furthermore, Pizza Hut UK spent £12. 9m on main media advertising in the year ending March 2008, which was 55. 9% higher than in the corresponding period in 2006/2007.

Overall, through the review the external and internal environment of Pizza Hut UK, it can be can conclude that customer numbers to Pizza Hut UK are growing while the number of outlets are increasing as well. It is vital to understand the marketplace to match medium and future demand.

Otherwise, the delivering system and the chain of funds will be in trouble.

3 Research questions and objectives

3.1 Research questions

Pizza Hut UK was facing two vital questions which should need to find out the answers by research:

- 1 Who are the current Pizza Hut UK customers?
- 2 Who could be the Pizza Hut UK customers in the future(4/5 years time)?

3.2 Research objectives

The overall objective is “ To identify the market place within which Pizza Hut UK is operating”. This has been broken into the following sub-objectives:

- 1 To find out the current ‘ typical’ Pizza Hut UK customer.
- 2 To identify the Pizza Hut UK customer in the future(4/5 years time).

It has been detailed further areas beneath each objective:

1 To find out the current ‘ typical’ Pizza Hut UK customer.

This objective would seek to discover demographic and geographic factors of the current customers (eg: age, residence, income group). Furthermore, the social and cultural values, customers’ menu choice, eating habits and motivations are also need to be researched.

2 To identify the Pizza Hut UK customer in the future(4/5 years time).

This objective would aim to find out who are the potential groups, why other customers not choose Pizza Hut , who want to buy currently but do not buy actually and identify future customer’s profiles including the age, residence, income group, social and cultural values, menu choice as well as eating habits

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4 Methodology

4.1 Research philosophy and approach

Pragmatism may be more appropriate than the other philosophies for answering particular questions (Saunders, Lewis and Thornhill, 2009).

Tashakkori and Teddlie (1998) state that Pragmatism is intuitively appealing, largely because it avoids the researcher engaging in what they see as rather worthless debates about such concepts as truth and reality. Pragmatism often relates to mixed or multiple methods designs, both quantitative and qualitative. Therefore, in this research, pragmatism is adopted as the research philosophy.

There are two main research approaches: deduction and induction. With deduction a theory and hypothesis are developed and a research strategy designed to test the hypothesis. With induction, data are collected and a theory built as a result of the data analysis (Saunders, Lewis and Thornhill, 2009). Deduction emphasises on the collection of quantitative data while induction emphasises on the collection of qualitative data. Combining research approaches are adopted in the research because both quantitative data and qualitative data are needed to achieve the research objective.

4.2 Research design

Research design aims to turn a research question and objectives into a research project. It contains research strategies, research choices and time horizons.

4.2.1 Research strategies

In this research, survey and grounded theory will be used as research strategies. The survey strategy is usually used to answer who, what, where,

how much, how many questions and to collect quantitative data. Telephone questionnaire will be used as a data collection technique to achieve survey strategy in this research. Besides, grounded theory strategy will also be adopted to predict and explain behaviour. It will be done through in-depth interviews in this research.

4. 2. 2 Research choices

Mixed-method research will be adopted. It uses quantitative and qualitative worlds view at the research methods stage, quantitative data are analysed quantitatively and qualitative data are analysed qualitatively (Saunders, Lewis and Thornhill, 2009). The research consisted of two stages:

1. First, in-depth interviews that were arranged to 50 customers of fast food industry in UK. The data will be analysed qualitatively to get an understanding of customers' values and be useful to design the questionnaire.

2. Secondly, a telephone questionnaire that was administered to 300 respondents. This provide quantitative data which include the profiles of Pizza Hut UK current and future customers as well as other analytical information.

4. 2. 3 Time horizons

This research will be longitudinal. It has the capacity to study change and development. As for the Pizza Hut's future customers, it based on market changes in 4/5 years time. The research should keep up to date to match the need of the customers because the demand may change or customers may

focus on healthy eating in the future. Therefore, a longitudinal study is required.

4.3 Sampling

We will use non-probability sampling in qualitative research (in-depth interviews). As for suitable sample size, Creswell (2009) states that for a general study, it should undertake between 25 and 30 interviews. In qualitative research, due to the research question is wide ranging and the importance of understanding the customer value, we will choose 50 respondents who are the customers of fast food industry in UK for in-depth interviews. The sampling technique we chose is quota sampling. It divide the population into specific group (age, gender, income group etc.) which fit our research objective and this technique is quick for data collection.

Furthermore, it is less costly and the sample is representative, using quota sampling.

We will use probability sampling in quantitative research (telephone questionnaire). Wilson (2006) states that it is vital to make sure the sampling frame is complete, accurate and up to date. Otherwise, your sample may not be representative of the total population. Therefore, we compile our own sampling frame. The sources comes from the telecom provider which records customers' calling history to the fast food restaurants in UK, data supplied by customers (e. g. registering on Pizza Hut web site, when signing up to a loyalty card scheme) and the complaint calls customers made to Pizza Hut UK's service centre. Finally, we create a list of 1000 customers telephone numbers from which to select the sample. The sample size we choose for

telephone questionnaire is 300. Simple random sampling is adopted as the technique. It is representative of the population.

4. 4 Secondary research

Secondary data can not only provide a useful source from which to answer, or partially answer the research question but also can compare with the primary research findings. This research will obtain useful secondary data of Pizza Hut UK mainly from three ways:

First, Customer data stored in internal systems of Pizza Hut UK is vital. It may include data supplied by customers , the products they bought and money they spent, when, via what channel , whether they were selected for and responded to Pizza Hut UK’s marketing campaigns and calls they made to the service centre . These data can provide the researcher main data set of current customers and compare with the primary research findings in profiles of current customers.

Secondly, secondary data from previous research of Pizza Hut UK will provide the researcher historic research results which have already done in similar research area. It helps us better understand and deal with the current research design and implement.

Thirdly, some secondary data can also obtained from Pizza Hut UK’s annual report, websites, fast food industry statistics and reports. These data are useful for environment analysis and getting a clear perception of fast food industry market size, market trends, competitors information and customer information.

4. 5 Qualitative research

4. 5. 1 Purpose

We aims to conduct 50 in-depth interviews to obtain some qualitative information about the customer values of Pizza Hut UK . Saunders, Lewis and Thornhill (2009) claim that in-depth interviews provide the researcher the opportunity to probe the reasons for interviewees' attitudes and opinions or understand the reasons for the decisions they have made. The in-depth interviews will probe the following:

I Are you a frequenter of Pizza Hut UK?

I Why or why not choose Pizza Hut UK?

I What advantages and disadvantages does Pizza Hut UK have compare with its competitors?

I What is your eating habits?

I How would you evaluate the menu, service, price and environment of Pizza Hut UK restaurant?

I Who would you company with to have meals in Pizza Hut UK restaurant?

I Who is the decision maker when ordering dishes?

I Who will pay the bills?

I In your opinion, what aspects can Pizza Hut UK make improvements?

I Will you still be or start to be a customer in the future ?

4. 5. 2 Population and sampling

The sample size is 50, and the population is the customers of fast food industry . The sample will include mix males and females, different age groups, current and non-current customers of Pizza Hut UK.

4. 5. 3 Procedure

We will invite the 50 respondents to a place which is quiet and convenient for the participants. We will audio-record the interviewers with permission and it is also helpful to make brief notes as well in order to maintain the attention and focus.(Ghauri and Gronhaug, 2005). The intended duration is 20 minutes for each respondent.

4. 6 Quantitative research

We plan to conduct a telephone study using a questionnaire on CATI (The questionnaire is in appendix). It has been chosen as a cost -effective way of contacting relevant respondents. We have not proposed on-line approach since we feel that children and old people do not use internet generally. Furthermore, telephone questionnaire usually have a higher response rate than postal questionnaire or delivery and collection questionnaire .

4. 6. 1 Purpose

This stage plans to provide quantitative data which include the profiles of Pizza Hut UK current and future customers as well as other analytical information. We will seek for demographic and geographic factors of the current customers (eg: age, residence, income group), the social and cultural values, customers' menu choice, eating habits and motivations in this quantitative research.

4. 6. 2 Population and sampling

We will carry out 300 telephone questionnaires. The sample size is 300. The population is the customers who were the customers of Pizza Hut UK. The sample will include mix males and females, different age groups, different areas for residence.

4. 6. 3 Procedure

The questionnaire is developed by us and is in the appendix. It will seek for the following:

I Where do you live? How old are you? What is your occupation?

I Are you a frequenter of Pizza Hut UK? (How many times a month?)

I Do you have brand motivation for choosing Pizza Hut UK?

I What channel will you often adopted ?(eat-in restaurants, take away or phone-delivery)

I The top three food you like in the menu of Pizza Hut UK.

I Are you satisfied with the service of Pizza Hut UK when you dine in?

I Do you think the price charged by Pizza Hut is reasonable?

I If you want to try another fast food restaurant to replace Pizza Hut, what is the reason?

It should be ensured that all questionnaires are printed or , for CATI, that the software has been programmed and tested. After that, we will telephone

each respondent , record the date and time of call and make call-back calls at the time arranged(Saunders, Lewis and Thornhill, 2009).

4. 7 Data analysis

4. 7. 1 Analysing qualitative data

The qualitative data result from the collection of in-depth interviews that requiring summarising , categorisation and structuring.(Saunders, Lewis and Thornhill, 2009). We will use computer-assisted qualitative data analysis software(CAQDAS) to help us during the qualitative analysis. Lewins and Silver(2006) state that CAQDAS can help with project management and data organisation, keeping close to the data, exploration, searching and interrogating to build proposition , and recording the thoughts systematically.

4. 7. 2 Analysing quantitative data

The quantitative data obtained from the telephone questionnaires that requiring preparing, inputting and checking. The initial analysis should explore data using both tables and diagrams. The choice of table or diagram will be influenced by the research objectives, what aspects of data you wish to focus on, and the scale of measurement at which the data was recorded. From this analysis, we can learned the characteristics of current customers. Subsequent analyses will involve describing the data and exploring relationships using statistics. The choice of statistics also will be affected by the research objectives and the scale of measurement at which the data was recorded(Saunders, Lewis and Thornhill, 2009). We can use correlation and regression to evaluate the strength of relationships between variables.

Besides, we will use regression analysis to predict values. Predictive analysis will help us identify the future customers.

5 Reporting and presentation

After finishing the secondary research and qualitative research, an interim presentation-report will be submitted.

It will be followed by a meeting with Pizza Hut UK to discuss the next stage of the research (quantitative research). Meanwhile, a PowerPoint-based presentation will be shown in brief. Besides, there will be a formal presentation of all findings, along with conclusions and recommendations drawn in the last few weeks. Three copies of a final report with all results and phases of the research will be submitted at the end.

6 Timing

The following table shows our suggested time schedule for the research.

Week number

Activity

1-3

Secondary research

3-5

Qualitative research in progress

6

Interim presentation and reporting

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7

Meeting and questionnaire development

8-13

Quantitative research in progress

13-14

Coding and data preparation

15

Analysis data

17

Final presentation

20

Final report submitted

7 Fees

The fees are subject to the assumptions contained in these proposals and we reserve the right to make adjustments should any assumptions prove to be incorrect.

Phase

Description

Fee

Secondary research

Purchase relevant reports

£2, 000

Qualitative research

50 in-depth interviews

£6, 000

Quantitative research

300 CATI questionnaires

£15, 000

Total fee

£23, 000

8 Credentials

This research project will be carried out by the Customer Research Department of Research for Win-Win Ltd.

The director, Li Yong, who has own many years working experience in market research field. He has worked and studied in the UK, China, Japan and Australian. He is an expert in application of research techniques to IT industry.

I Quality control

Our team is professional and responsible. All in-depth interviews and telephone are trained and supervised. All field work meets the industry standards

I Contract details

Two copies of our contact will be send to you by mail.

9 References

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through the natives eye ', Qualitative Market Research, vol. 10, No. 2, pp. 168-82

Appendix A

Questionnaire for Pizza Hut UK

1 Where do you live?

2 How old are you?

3 What is your occupation?

4 Do you like fast food?

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- Yes

- NO

5 Have you ever been to Pizza Hut UK?

- Yes

- NO

6 How often do you visit Pizza Hut UK?

7 Do you have brand motivation for choosing Pizza Hut UK?

- Yes

- NO

8 What channel will you often adopted ?

- eat-in restaurants

- take away

- phone-delivery

9 List the top three food you like in the menu of Pizza Hut UK.

10 Are you satisfied with the service of Pizza Hut UK when you dine in?

· Yes

· NO

11 Do you think the price charged by Pizza Hut is reasonable?

· Yes

· NO

12 Do you think Pizza Hut offers enough variety of food?

· Yes

· NO

13 What factor affect your preference while choosing the fast food restaurants?

14 If you want to try another fast food restaurant to replace Pizza Hut, what is the reason?
