

Krushers kfc assignment

[Business](#), [Marketing](#)



Loyal customers can find their favorite restaurant in almost every developed country across the Globe. “ KFC” established strong position in the market place and recognized by millions of people in the World for its “ finger lickin’ good” chicken. “ KFC” is serving more than 12 million customers in 109 countries throughout the world every day. Currently, The Company is the most popular chicken restaurant chain in the entire Globe. This particular report is focusing on KFC Arabia, United Arab Emirates in particular. KFC restaurants introduced to the Middle East region by franchise partner Americana since 1973.

Currently, there are KFC branches in over 70 different locations across United Arab Emirates. Menu offered to the Arab World is more focused on chicken sandwiches and Colonel’s Crispy Strips, and also includes side items that are suited to local preferences and tastes. [2] Product Portfolio: The fact that, “ KFC” restaurants are associated by the customers with chicken, does not limit the range of products has been offered to the customers. Currently, more than 300 different types of products have been introduced by the company all over the World.

World Famous menu contains of chicken pieces, salads, sandwiches, hamburgers, wraps, kebabs, snacks, sweets and sides, beverages. “ KFC” Corporation constantly upgrades its menu with new innovative products in order to satisfy unmet needs of their current and future customers. KFC is introducing a new product called “ Krushers” to the region; a new refreshing frozen drink. This new refreshing frozen drink first was introduced in 3 different flavors “ Strawberry”, “ Chocolate Krumble”, “ Kookies N Kream”,

followed by “ Karamel Krunch” flavor that has been introduced later on in the Middle East.

Objective: The objective of this report is to create strategic marketing plan for “ Krushers” product and successfully launch it in the UAE. 2 Situational Analysis External environmental analysis: PESTEL Environmental (competitors): “ Krushers” is introduced in a very competitive environment. There are several direct competitors in this product category, the biggest ones are MC flurry from MC Donald’s and Hand-Scooped shake from Hardees’s, these are traditional competitors for KFC in the fast-food segment and have similar products to the “ Krushers”.

Other competitors in this product category include Baskin Robins, StarBucks and Jonny Rockets as they offer frozen drinks as part of their product portfolio. Indirect competitors include Lipton’s Ice tea and Pulp Juice bar’s frozen drinks, they are considered as indirect competitors because they offer product replacements or substitutes to the “ Krushers”. Sociological: The UAE population has higher levels of disposable income compared to the rest of the world, according to HSBC bank study, UAE is the fifth top country in the World in terms of disposable income. 3] As a result, eating out is almost a daily activity in the social life of UAE residents, which in turn produces a bigger market for restaurants and food outlets. In addition to that, In terms of age groups, the UAE has a dominant young population, with the 25-29 years emerging as the largest group of about 777, 000 at the end of 2008. It is projected by the Ministry to peak at 830, 000 at the end of 2009. [4] This combination of high disposable income and young population makes the UAE

a perfect market for KFC “ Krushers” product which targets age group of 18-24.

Technological: From a technological point of view, production of cold beverages relies heavily on the right equipment. KFC has state of the art production equipment. The company also utilizes advanced CRM solutions to gear its direct marketing efforts. Economic: “ In the UAE over two-thirds of expats in the UAE stated that their attitudes to spending had changed as a result of the economic crisis, however over three-quarters of expats (82%) living in the UAE also said that they had not considered a move home. [5] Having said that, the UAE remains one of the strongest economies in the region (third in the region after Saudi Arabia and Iran). [6] As mentioned earlier, the disposable income in the UAE is cooperatively high, which makes it an ideal market for KFC and the new product “ Krushers”. Industry Analysis: Porter’s Five Forces Market Rivalry: “ Krushers” is a product category that faces high rivalry from various direct and indirect competitors. These competitors do not only include fast food chain restaurants with a similar product category, but also chains that focus exclusively on that market niche (frozen shakes and drinks).

The fact that “ Krushers” is a hybrid or mix of different products (i. e. ice cream, milk, smoothie, ice, fruits, juice, cookies, etc) makes it difficult to place it in a specific product category and thus exposes it to higher competition from those various product categories. In addition, competing products have been established in the market and have a healthy market share. It would be a challenge for KFC to strongly compete in this product

category, partly because the product is new and partly because they are not strongly associated with frozen drinks like “ Krushers”.

Bargaining power of suppliers: KFC is one of the largest purchasers globally; all their suppliers go through a very rigid screening process to meet their quality standards. Having said that, KFC only uses high quality suppliers with which they have strong relationships, therefore, the threat of suppliers is minimized. **Threat of Substitutes:** “ Krushers” falls into the frozen drinks category, due to this point, it faces a high threat of substitution from a number of relevant product categories including carbonated drinks, milk shakes, ice cream, ice tea, ice coffee, frapuccinos, fresh juice and smoothies.

In order to offset this threat, KFC has to rely strongly on their established brand image and large customers base to market and sell the product.

Bargaining power of buyers: As it mentioned earlier, the target segment(s) (18-24) are high in population, however, there is a large number of product substitutes available to them. Therefore, they enjoy a fairly high power of bargaining. **Barriers to entry:** The barriers to entry to this specific product market are relatively low. The investment needed is not very high and the health regulations can be met with reasonable effort.

However, due to the size and the number of KFC branches across the UAE, it would be very difficult for new players to significantly compete with KFC’s market share unless they make significant financial investments, thus reversing the barriers to entry to very high. 3 Constraints and Assumption.

Constraints: There are several constraints that KFC face in the introduction

level of a new product “ Krushers”. Customers are not aware of a new product that has been introduced by KFC.

Lack of awareness can be explained by poor promotion and advertising, training of the employees. “ Krushers” should be prepared within 1 minute, however, according to the survey, almost 95 percent of the consumers received their “ Krushers” during the time frame 3 minutes to 6 minutes. [7] KFC is known all over the World for its “ finger lickin good” chicken, it would be difficult for consumers to associate KFC as a place where they can purchase “ Krushers”. The company didn’t define the product for the customers whether it is a milk shake or it is a desert, etc.

However official launch of the product might solve these constrains.

Assumptions: KFC does not publish any sales figures as a reference point; therefore the sales forecasts are based on an assumption that each branch will be able to sell 5 “ Krushers” per hour on an average from their branch traffic. Assuming that branches operate from 10 a. m. to 3 a. m. that makes a total of 17 working hours a day. According to data published on the Americana website, they have 70 locations across the UAE, which equals total working hours of 1, 190 per day (17X70).

Assuming that the price of “ Krushers” is at 9 drh per drink without a meal, and 4 dhs per a drink with a meal and based on the research conducted with consumers, 25 percent of the consumers will buy a “ Krushers” with a meal and 75 percent of the consumers will buy it without the meal. [8] Based on these assumptions, we can conclude the following: Total number of “

Krushers" sold per a day = total working hours X number of " Krushers" sold per hour = 1, 190 X 5 = 5, 950 " Krushers" per day across all locations.

Therefore, total revenues per day would be calculated as following: Revenue of " Krushers" sold with a meal = (5, 950 X 25%) X 4 = 5, 950 dirham
 Revenue of " Krushers" sold without a meal = (5950 X 75%) X 9 = 40, 162dirham Total revenue of " Krushers" per day = revenue with meal + revenue without meal= 5, 950 + 40, 162 = 46, 112 Monthly Total revenue of " Krushers" = total revenue per day X 30 days = 46112 X 30 = 1, 383, 375 dirham Annual revenue of " Krushers" = monthly revenue X 12 = 1, 383, 375 X 12 = 16, 600, 500 dirham Since KFC spends 6% of the total revenue on marketing and promotion, we can estimate the annual marketing budget for " Krushers" at annual revenue of " Krushers" X 6% = 16, 600, 500 X 6% = 996, 030 dirham Due to the lack of information on variable or direct costs, we will limit our forecasts to only revenues. However there is more accurate way to estimate net profit of the company from " Krushers". Target segment that has been chosen by the company is the youth in the age range 18-24 of UAE, which has been estimated to 1, 417, 300 people.

It has been assumed that 60 percent of the total youth in the age range 18-24 would be a potential target of the " Krushers", according to the chosen target segment " UAE explorers", which is 850, 400 people. [9] Penetration has been assumed according to seasonal demand, such as hot summer weather effect. Shopping festival was another reason to estimate increase in penetration in the month of December, and there is other reasons that has an effect on penetration percentages across the year, which is explained in

the business plan section 4. 1 of the report. Revenue has been calculated according to the total users that would purchase the “ Krushers” and the selling price.

Expenses that would go on the marketing part of the “ Krushers” have been assumed by the group and calculated in the business plan section 4. 1.

Expenses have been estimated according to: Magazine = 150, 000 dirham
Newspaper = 168, 000 dirham Facebook = 20, 000 dirham In house AD: 30, 000 dirham TV = 600, 000 dirham Road signage = 200, 000 dirham Billboard = 300, 000 dirham Campaign = 50, 000 dirham

4 Product Need and Value. | KFC’s value characteristics | Consumers need analysis | | KFC is a well known brand as a value for money all around the | Consumers would search for a reliable drink with no risk to | | world. | their health. | KFC has large number of branches, as well as big variety of | People living in gulf countries such as UAE would always search| | items, all delivered in a timely fashion, all of these give | for a drink which refreshes their feeling. | | high value of convenience. | Consumers would go for a product which is faster to be | | | delivered to them and easier to carry with them while doing | | | their normal routines during the day. | | | Actually people are always after new things in their life. | | Those things could be a new product like “ Krushers” or even its| | new flavors to be introduced to the market in future. | | | There many other important factor in the consumers mind to be | | | considered as their needs of product such as pricing, great | | | taste and optional choice. | “ Krushers” value analysis based on the mentioned needs above: • “ Krushers” is introduced as a smoothie drink that doesn’t have negative effect or risk on consumer’s health. It supposed being a drink to be alternative to those of

energy drinks fulfilled of caffeine. “ Krushers” came up with different flavors for variety seekers and those valuing a product based on optional choice. • Offering “ Krushers” as a value-added to meal as of satisfying perception of value for money promised by KFC. They offer customers to add 4dhs to their meal and have “ Krushers” with their meal in spite of soft drink or juice. • Soon enough “ Krushers” could be a replacement for cold drink at KFC by offering less than half the price if it is with any KFC meal. • • As of the discussed need of customer relating the weather of UAE then “ Krushers” could be the best solution for relieving the thirst and the heat. Segmentation, Target & Positioning 1 Segmentation and Target Segment 1 “ Academia’s” University students actively socialize in groups for many reasons, be it for regular chat ups between classes, for examinations studying or even group assignments etc. Therefore as the above points display that a “ Krushers” will fit in perfectly with all three areas of a university student. Students usually have a red bull or a coffee or a milk shake etc with them while working on assignments with a group or while studying in order to keep them going. It’s become more like habit to do so. This is where we feel a “ Krushers” can come in to play as it is a thick ice cream based shake with different flavors that will be able to fulfill a student’s need and want in terms of a having a drink that goes with what they do. Segment 2 “ Beach & Shopping mall goers” (Fun)

For this group what we really mean is the lifestyle of having fun and constantly active. We used the beach and shopping mall as examples of places where those who are in constant search of fun and activity can have a

“ Krushers”. The reason we used the beach and shopping mall as examples is due to the fact that a “ Krushers” can be consumed in both situations / locations where on the beach it can be used as a refreshing cold drink to keep cool under the sun where as in the same time people don’t usually take food with them to the beach as it spoils under the sun and so having a “ Krushers” on the beach is like a two in one feeling as it has real bits in some of its drinks like “ kookies n kream”.

Where as in the mall those shopping around can have a “ Krushers” as a drink to walk around with while shopping or/and even as a drink to just and relax with while taking a break or even while meeting friends for a “ coffee”.
Segment 3 “ UAE Explorers” This is a group of people who are constantly out and about but don’t really engage in activity. They just simply roam around places such as the mall or the JBR walk etc. by just watching other people or ‘ window shopping’ or even simply go for drives around the city in search of something to do. Basically they don’t have anything to do and just want to keep themselves busy. Generally they do this in groups of two or more.

The reason why have inserted such a lifestyle in our segment is because a thick shake like “ Krushers” can be very appealing to them in terms of keeping them busy with a drink in their hand. Not only do they have a choice from a variety of flavors but the fact that it takes only a minute to prepare the drink of their choice , thus allowing them to think “ its quick, ill stop and get one on the way”. There is a KFC available in almost if not every mall in Dubai, as well as on popular roads such as the Jumeirah beach road where a drive through option is available. Target Segment & Justification (U. A. E

Explorers) • • According to feedback, most people would consume a Krushers 'on the move'. • They look at it more of a milkshake like drink with pieces in it than anything else. Krushers drink does not fit in with the food served at KFC, and therefore existing KFC customers will not have one at a dine in time especially considering they don't see it as a desert either. • Sports people have energy bars and drinks to consume. • University students opt for a red bull or coffee based drink to keep them up and alert. • The 'fun' group of people would not really consider having a Krushers as it is not suitable for them. They would not meet for a 'coffee' in KFC nor would they buy a Krushers and sit on a bench for a chat. • Therefore the best group and lifestyle is that of a UAE "Explorer" as on a drive they can go to a KFC drive through almost anywhere in Dubai, Krushers is available at almost every mall in Dubai and at the famous JBR walk too. A Krushers fits in well with a UAE Explorers activities as it is packaged in a way that can be taken in almost any environment and placed almost anywhere easily without risk of leak or spilling over etc. 2 Positioning Map "Krushers" is perceived as a refreshing shake that you can have between your main meals. It can satisfy both thirst and hungers basic needs of a person. There are two main benefits which "Krushers" has over its competitors in relation to the target segment, such as Brand Image and Store Location KFC's brand image in the UAE is stronger than that of McDonalds and Hardees. Therefore having a strong brand image is advantageous to the consumer in terms of trusting to try a new product and actually consuming it.

Store location is a big factor to the target segment as KFC's stores are more convenient in terms of reach and comfort. Basically this is because KFC is

available at all leading malls in the UAE, but so are its competitors McDonalds and Hardees but what makes the difference here are famous roads and hang out spots such as JBR where there is a KFC restaurant but no McDonalds or Hardees. Not only that, in one of the most famous areas for food in Dubai, the Diyafah area there is no McDonalds yet there is a KFC restaurant there too. There is no McDonalds or Hardees in the Knowledge village area or the AUS (American University in Sharjah) food court but there is a KFC.

UAE Explorers are on the go and so with KFC restaurants being on their ‘way’ (drive thru) Jumeirah Beach Road, which is one of the most famous cruising streets a “Krushers” will be just the thing they will go after as it keeps them busy through their drive or walk at JBR etc. Marketing Mix 1 Product strategy “Krushers” is a sub product that has been represented by KFC. Introduction of this product increases variety of the product line available in KFC Corporation. “Krushers” has been introduced in order to bring customers throughout the day. The drink is available in 4 different flavors in the region. “Strawberry”, “Chocolate Krumble”, “Caramel Krunch”, “Kookies N Kream” are the types of flavors that has been introduced by KFC.

According to the survey, customers identified two most popular flavors which are “Kookies N Kream” and “Chocolate Krumble”. Currently it is represented in 1 size. It is advisable to add more size options to suit different needs of the consumers. KFC offers “Krsuhers” as a value-added to a meal by just adding 4Dhs by customer to their meals which is less than the real

price of “Krushers” purchased separately. The promise of great and natural taste is given by KFC through their advertising slogan by saying “full of real bitZ”. This slogan says that “Krushers” contains real pieces of fruits and chocolates in it. Thus one of the other augmented products of “Krushers” is the stated promise.

2 Pricing strategy

One of the most important factors that must be considered carefully by companies is appropriate price strategy. “Krushers” is a new product, due to this point it is recommended to follow penetration strategy while pricing process. However it must be based on “Krushers” demand, as the demand are more for “Krushers” it is more obvious that penetration might be superior strategy to follow. Beside they also can gain some market share in marketplace however the supplier of “Krushers” must be assure when they imply this strategy for their product, they are capable to handle demanders and distribution channels. After all consideration about KFC “Krushers”, it is better off if they follow penetration strategy.

According to the survey, 23 percent of the respondents were dissatisfied, 40 percent were neutral, which makes it total of 63 percent of the respondents (which is more than a half), that were not satisfied with the current price choices. Customers are unhappy which means the price does not affect their objectives toward purchasing products. [10] Normally the fixed cost for supplier is 60% of variable cost of products, Krusher is 9 Dhs, 60 % of variable cost would be 5.4 Dhs which is the fixed cost and the profit approximately might be 3.6 Dhs on each “Krushers”. According to the interview made with one of the KFC staff, assumptions were made as

followed: Ingredient of “ Krushers” for each cup: 60 % of each cup contains ice cream (2Dhs for each cup) Because they purchase the ice creams in retail, it costs less than an ice cream that is selling in stores). 0 % Slash (blended water and sugar), (30 fils for each cup) Flavor (1 ounce), with consideration that the battle is 30 Dhs but for each cup they use just one ounce), (Around 30 fels). These amounts of materials imply for the entire available flavor. All the calculation is Close to 3 Dhs and approximately 1Dhs or less for packaging; in overall it cost 4 or 5 Dhs for company. Option Price: There is just one size of krusher available in all of the outlets; however option price are as below: • 9 Dhs for any flavor in regular cup size • 5 Dhs for having a Krusher with the meal. 3 Place strategy KFC Corporation uses one channel distribution across the World, which is their network of restaurant outlets or branches. Krushers” are sold directly to the customers without having any middlemen. KFC branches are available almost in every neighborhood across the country. Restaurants spread out across 70 different locations in United Arab Emirates. Examples would be: • Shopping mall food courts(Dubai Mall, City Centre) • Close to schools and universities(knowledge village) • Petrol stations (Emirates Petrol station) • Office buildings (Sheikh Zayed Road) • High traffic roads like (The Walk in Dubai)[11] Customers can dine in the branches of KFC that accommodate dining areas, as well as choose take-away option and consume their “ Krushers” outside in any other location they would prefer to have it.

In the Introduction stage of the “ Krushers” Corporation did not represent delivery service for the product; these might be due to ice ingredients in it. Before opening any store KFC conduct market research to estimate and

consider the population of that area, consumer's demographic details and major streets which are close to that specific location. It is worth mentioning that the "Krushers" is not part of the home delivery service due to the physical nature of the product (is it cold and can melt).

4 Promotion strategy

In promotion strategy there are some factors that can be used to promote the products base on MARCOM mix that is used for KFC "Krushers" promotional strategy.

Direct marketing: As a direct marketing, KFC departments can hire some people mostly young girls and boys to promote the "Krushers" in a very small cup to let the volunteers just taste it and promoters can encourage and motivate the volunteers to go for the bigger "Krushers", and the best place for this sort of promotion is in the malls, at the foot court entrance.

Sales promotion: KFC already gives the customer this chance that if they want "Krushers" with their meal the price will be reduced for them to 4 Dhs, which the price is 9 Dhs regularly. While the loyal customers buy a combo from KFC outlet, as a promotion they can give the customers coupons with four blank checklist, that if they buy KFC combo meal for four times as a promotion they can get one free "Krushers" with their flavor choice. Generally it can be profitable for Kentucky chicken part sales and for "Krushers", and also that would lead to better result for KFC and keep the customer loyal to the brand.

Advertising:

Coupons are Another tools in sale promotion, KFC can sign contract with well known and famous companies or organization which stated whenever they have customer who purchase something from the companies or

Americana group official website, URL: [<http://www.americana-group.net/Default.aspx?Id=1207>], [last accessed April 7, 2010] KFC, 2010, Wikipedia, URL: [<http://en.wikipedia.org/wiki/KFC>],[last accessed April 4, 2010] KFC Arabia official website, 2010, URL: [http://www.kfc-arabia.com/new_products.html#Krushers],[last accessed April 8, 2010]

Annual report, 2008, Americana group, URL: [<http://www.americana-group.net/Default.aspx?Id=1316>], [last accessed April 14, 2010] Annual report, 2008, Yum, URL: [<http://www.yum.com/annualreport/docs/annualReport08.pdf>], [last accessed April 4, 2010 UAE population to exceed five million by year's end, 2009, UAE Interact, URL:[http://www.uaeinteract.com/docs/UAE_population_to_exceed_five_million_by_years_end_/37085.htm], [last accessed April14, 2010] Appendix Graph 1. [pic] Graph 2. [pic]

Graph 3: [pic] Graph 4: [pic] Based on: 1. Strongly dissatisfied 2. Dissatisfied 3. Neutral 4. Satisfied 5. Strongly satisfied ————— [1] KFC corporate website (2010) 2] Americana group website (2010) [3] AMEinfo press release, June 24-2009. <http://www.ameinfo.com/201597.html> [4] Ministry of social affairs, annual statistic, 2008 [5] AMEinfo press release, June 24-2009. <http://www.ameinfo.com/201597.html> [6] Wikipedia, 2010 [7] Appendix, Graph 1, page () [8] Appendix: Graph 2, page ()

[9]URL:[http://www.uaeinteract.com/docs/UAE_population_to_exceed_five_million_by_years_end_/37085.htm]

[10] Appendix, Graph 4, page () [11] Americana group website (2010)

————— High Brand Image KFC Krushers McDonalds Shake High Store location convenience Low Store location convenience Hardees Shake Hardees Shake Low Brand Image