

Influence of promotional activities on fast food buying



Dining out in Pakistan is an exciting and rich experience. In Pakistan food has many different styles with many great restaurants in all the major cities of Pakistan. Fast food trend is quite new in Pakistan. It was introduced in Pakistan about two or three decades ago and it is growing very fast which indicates that this type of food industry have a very bright future in Pakistan. Fast food is pre-prepared food or which can be quickly cooked when you order for it. Two major fast food restaurants having strong presence in Pakistan are Mc Donald's and Kentucky Fried Chicken (KFC). Fast food restaurants attract customers through different techniques in which promotional tools are widely used. Our research is based on the hypothesis that several promotional techniques like coupons, new product, value deals, price discounts and promotional deals are having influence on fast food consumer's buying behavior or not. A research has been carried out which is based on the consumers response to survey which involved questions regarding several promotional techniques used in fast food.

CHAPTER I – INTRODUCTION

The concept of sales promotion could easily be understood by considering this simple example “ Suppose you visit the market to buy any product and there it is suggested to you that if you buy two of that product then you will get an extra piece according to their scheme. You will be delighted to know that you are saving money of that extra piece of product given to you. That extra piece can be a product used on a regular basis which you can keep for later use. These are exactly the sales promotion techniques for increasing sales of a certain product which every business person wants for the sales of goods that he deals in and he can use many different ways for this purpose.

Some of those methods you might have heard about such as “ Win a tour to Dubai”, “ 20% extra on a large pack”, “ Scratch and win”, “ Free gifts like lunch box, pencil box and shampoo sachet, “ Buy one get one free” etc.

In every industry, promotions are key sources of increasing sales of products. Fast food industry is one of the industries which very much rely on its foods promotion to increase the sales. For this purpose, it practices several techniques including price discounts, coupons, new product and offer different deals to attract its customers.

Every organization wants a greater share of the total customer market and for this purpose it becomes very important for organizations to know their consumer’s reactions and responses towards their promotional campaigns in order to implement them successfully.

Now we will look at fast food industry and its presence in Pakistan.

FAST FOOD RESTAURANTS

Fast food restaurants are those restaurants where no table service is provided. It’s a self service restaurant and food is ordered only at a counter. The term fast food is the term used for food which is prepared and served very quickly with precooked ingredients.

Fast food restaurants represent one of the largest segments of the food industry. Some of the largest players in this category include international giants like McDonald’s, and Kentucky Fried Chicken (KFC).

FAST FOOD RESTAURANTS IN PAKISTAN

Fast food chains are becoming increasingly commonplace in nations around the world. Many American based companies have expanded into and are thriving in the global market. The concept of fast food restaurants was introduced in Pakistan in the early 1980s. There are several fast food chains operating in Pakistan but two of them are very dominant. A brief introduction of these fast food chains is given below.

MCDONALD'S

Mc Donald's was opened in 1940 by brothers by Dick and Mac Mc Donald in San Bernardino, California. McDonald's opened its doors in Pakistan in September 1998 at Lahore and presently operating in almost every major city with a network of several restaurants in each city. McDonald's Pakistan has an aggressive plan to expand in all over Pakistan and is rapidly growing with the passage of time. It has a strong presence in Pakistan with locations in Lahore, Karachi, Hyderabad and Islamabad.

KENTUCKY FRIED CHICKEN (KFC)

The company was founded as Kentucky Fried Chicken (KFC) by Colonel Harland Sanders in 1952. KFC has a strong presence in Pakistan. In Pakistan its locations include Lahore, Peshawar, Islamabad and Karachi. KFC opened its first outlet in Gulshan-e-Iqbal in 1997 and today KFC has several branches in main metropolitans throughout Pakistan which include Karachi, Lahore, Gujranwala, Sukkur and Murree with more than 60 outlets nationwide.

FAST FOOD DEVELOPMENT IN PAKISTAN

Our nation has been denoting a fast food nation as we look around. We see them on road corners, shopping areas, petrol pumps and even in hospitals

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whether is an international franchise of fast food or a local burger wala, people spend extra money on burger and French fries as compared to other food; in a very short time period our civilization has become faster paced and attracted to this style of dining out. Dining out is an important part of our emerging lifestyle as compared to the past as it was considered as an unusual luxury. Children are also an important market targeted by fast food because they offer special value meals for them. The young generation who considers it faster is the potential high fat fast food consumers. The fast food environment is not considered only for eating but for enjoyment also today, keeping in mind the several activities practiced in fast food especially for children such as birthday, get together parties and other unforgettable occasions. Several promotional activities are practiced in order to attract the new customers and to retain the existing one.

Now let's look at some sales promotion approaches used by fast food restaurants.

COUPONS

A coupon is a printed document that can be exchanged for reduction when buying a product. Basically coupons are issued by manufacturer of a product which is used as sales promotion method. Coupons usually fall into three categories. (1) Absolutely free, (2) Discounted, (3) Buy one get something. These are often seen in newspapers and magazines and packs.

PRICE DISCOUNTS

Price discounts are incentives offered to consumers in order to catch their attention. Actually price discounts is the initiative which give consumers

feeling of receiving some additional value by not paying a certain percentage of amounts of that product such as 10%, 20% or 50%. This is one of the most commonly used ways to convince customers to increase their purchases.

PROMOTIONAL DEALS

In the fast food industry, different deals are offered to its customers better suited to their needs and requirements as it is a quick service food. Such kinds of deals are known as midnight deals and lunch deals etc to provide value to customers.

VALUE DEALS

Value deals are those deals offered by fast food restaurants to their customers as value for their money. Fast food restaurants come up with these attractive ideas by offering some extra amount of food with a minor difference of amount. For example, upsizing the meals by paying extra smaller amount or getting 20% for the same price.

NEW PRODUCTS

Fast food chains such as Mc Donald's and KFC introduce new products to its consumers in different seasons to attract new customers and keep hold of the existing customers by offering/ adding something new in their menu.

STATEMENT OF THE PROBLEM

The objective of sales promotion is to market activities in order to add the basic value of a product or services which encourages people to purchase. As the fast food industry is growing in Pakistan and obviously the reasons are speed, convenience and price. People are now more attracted towards fast

food with the introduction of different promotional offers which suits customers in different occasions and timings.

The rapid rate at which the fast food industry continues to include promotions to its menu to attract its customers is as much a reflection of consumer attraction towards those promotions itself. Therefore, with an emphasis on sales promotional activities, its impact on sales and consumer's responses towards them is going to be analyzed.

The main purpose of this research is to study the different independent variables which could encourage fast food consumers to dine in the fast food franchises. To investigate the consumer's behavior/ response towards sales promotion in fast food industry, Consumers can have a positive or no response to sales promotion.

PURPOSE OF STUDY

The purpose of this research is to investigate the influence of promotional activities practiced in the fast food restaurants.

For this purpose some important and most practiced promotional approaches which are used in fast food franchises are taken which are given below:

- Price discount
- Coupons
- Promotional deals
- Value deals
- New products

RESEARCH SCOPE AND LIMITATIONS

The scope of this research is to investigate the influence of several promotional activities practiced in fast food restaurants.

These are some limitations imposed on this study:

- Respondents are randomly selected and mostly were youngsters and college/university students because they are more attracted towards fast food and definite users.
- Access to fast food franchises was limited in order to meet respondents inside because they did not allow.
- The questionnaire was filled by researcher from respondents outside the franchises.
- Lack of response from some respondents.

THESIS STRUCTURE

This thesis consists of four chapters. Chapter 1 discusses the problem about which the research was carried out and in general about the fast food industry and its scope in Pakistan. Chapter 2 is about the literature review. In Chapter 3, researcher describes the methodology adopted including sources of information and data collection methods are discussed. In chapter 4, the experiential data collected through questionnaire is analyzed and results are concluded on the basis of a survey. Conclusions are drawn and necessary recommendations are suggested.

CHAPTER II- LITERATURE REVIEW

In today's competitive environment it is very important for marketing managers to utilize the complete variety of marketing mix tools to achieve

maximum result and one of these marketing tools is sales promotion which has been very important in the food retail division(Sue Peattie; 1998). Nowadays several promotional tools such as coupons, bonus packs, free samples and sweepstakes are very commonly practiced activities offered by manufacturers to its consumers but the next step which is the consumer response to these activities has not been understood well in this regard (Chem L. Narayan and P. S. Raju; 1985). So keeping in mind the importance of consumer's reactions and response towards promotional campaigns of organizations in order to implement these promotional activities successfully, the influence of these promotional activities on sales and consumer decision is going to be analyzed. Promotional campaign is an attempt to influence the consumer buying decision; and promotional strategist is a functional behavioral analyst who finds the nature of the response towards any promotional activity and seriously weighs up the facts and support provided by the respondents via behavioral research in order to achieve utmost results and efficient findings (Peter L. Wright; 1973). The impact of advertising on the purchasing behavior of the consumer has been acknowledged in the marketing literature while the impact of promotional activities has given less consideration (Deborah L. Owens, Michael Hardman, Bruce Keiller). Advertising has a much closer relation with sales promotional tools. Sales promotion consists of short term incentives to encourage purchase or sale of a product or service while advertising offers reasons to buy a product or service. Sales promotion offers reasons to buy now (Kotler, Principles of Marketing). Recently the use of promotional activities has attracted noticeably increased attention due to the effectiveness of easily measurable and measurable promotional campaign as compared to

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advertising campaign. This investigation has been intended to assist managers of marketing and sales departments in order to implement various consumer promotions efficiently in a combined marketing program.

The usage graph of sales promotions has gone up significantly in few years and one of the major reasons for this is that effectiveness of sales promotions is very much easier to calculate than the effectiveness of advertising campaign (Deborah L. Owens, Michael Hardman, Bruce Keiller). There are some internal factors and external factors which contribute in the growth of sales promotional activities. The main internal factor is the acceptance of sales promotion as an effective sales promotion technique by the product managers because they face greater pressure by top management to increase their current sales while external factors include large number of brands and then the increasing competition among them seeing that the competing brands are less differentiated. Third, advertising efficiency has declined because of changing economic conditions, rising costs and media disorder (Philip Kotler), (Chem Narayan and P. S. Raju; 1985). Given the importance of sales promotional techniques the most important decision for marketers is to choose the mixture of suitable sales promotional activities (*Philip Kotler*), (Chem Narayan and P. S. Raju; 1985).

The modern fast food uprising basically was originated in the US in 1950's and since then this style of cuisine has captured the whole world. Fast food is seen as a symbol of globalization and post-modern society and the world is attracting to this style of food (Yasser Ibrahim, Claudio Vignali; 2005). The fast food industry is more global now and international fast food expenditure goes on to enhance in popularity (Ali Kara, Erdener Kaynak, Orsay <https://assignbuster.com/influence-of-promotional-activities-on-fast-food-buying/>

Kucukemiroglu; 1997). In the developing countries a very little research has been done on fast food and its consumers thus a very little is known about fast food consumers. *Timothy J. Richards and Luis Padilla* in 2007 has found that promotional activities increase the market share of the company and also expand the fast food demand generally. This shows that promotional activities influence the buying decision of fast food consumers due to price change. Promotions obviously contain a great impact on buying decision. What is important to keep clear is the process through which consumers act in response to these offers. This understanding is very important for successful scheming of promotions as well as for assuring the minimum harmful causes of other communication elements (Meryl P. Gardner, Roger A. Strang).

A very little work has been done in the past concerning consumers perceptions and preferences for fast food industry. Previous researches done on fast food industry have been limited to the features of fast food consumers in terms of demographic and socio-economic factors while a very little attention has been given to study the behavior and attitude of fast food consumers (Ali Kara, Erdener Kaynak, Orsay Kucukemiroglu; 1997).

Consumer behavior is expected to be found fairly different as compared to the developed countries in view of the fact that these countries are mainly influenced by social, political and economic conditions (Raju, 1995). It can be forecasted that the concept of fast food in developing countries is different than developed countries and their perceptions and attitudes differ as compared to international fast food industry in the industrialized countries (Brady and Robertson; 1999; Watson; 2000; Eckhardt and Houston; 2002). It

has been acknowledged that marketing managers and strategists should have sufficient knowledge and understanding of consumer's perceptions and preferences of dining out in fast food restaurants and how they are diverse across cultures and countries. This understanding will help in targeting countries and their different cultures in order to promote fast food culture and to improve and modify the perception of fast food restaurant there to increase the demand of the consumers (Ali Kara, Erdener Kaynak, Orsay Kucukemiroglu; 1997).

Fast food restaurants practice several types of promotional activities throughout the year in which coupons are the most used promotional tool. Coupons have grown by more than 500% in the last decade which proves the importance of coupons (Chakravarthi Narasimhan 1984) and coupons are the representative among other promotional tools like new product offers, promotional deals and price discounts etc. It is well acknowledged in the marketing literature that coupons have immediate impacts on sales (Jeongwen Chiang 1995). Fast food restaurants offer consumer a mixture of tangible and intangible elements. Here the purpose of the study is to examine the influence of promotional activities on consumer decision in fast food industry. Several big fast food giants are engaged in satisfying consumer needs and Kentucky fried chicken (KFC) is the leading fast food franchise satisfying its consumer needs followed by Mc Donald's, Subway and Mr. Burger.

CHAPTER III: METHODOLOGY

DATA COLLECTION

Two types of sources are used in data collection for any research function which are primary and secondary data. In this research study, both types of sources are operated. Secondary data is obtained from the books, articles, research journals, and internet while primary supply of data is dependent on questionnaire survey. According to the requirement the researcher is dependent on both the sources for academic and experimental data. We are very much relying on the questionnaire survey results for empirical data because limited information is available on promotional activities and its influence on consumer buying behavior in Pakistan.

RESEARCH AND TESTING INSTRUMENTS

Questionnaire has been used for surveys for this research and for testing purpose SPSS has been used as a testing tool. During the analysis of data in SPSS researcher has used technique of one sample T- test.

FEEDBACK FORM

For the purpose of data collection about different promotional tools and its influence on consumer buying behavior in the fast food restaurants a questionnaire has been used. Information regarding the influence of different promotional activities offered in fast food restaurants on consumer buying behavior is availed by knowing the satisfaction and agreement level with every promotional activity independently offered in fast food.

QUESTIONNAIRE TESTING

To detect weaknesses in the instrument a questionnaire testing was conducted. According to Malhotra (2003), pre-testing refers to the testing of <https://assignbuster.com/influence-of-promotional-activities-on-fast-food-buying/>

the questionnaire on a small sample of respondents to recognize and to get rid of likely trouble. For such purpose the researcher filled out 10 questionnaires from fast food consumers. Burns and Bush (1998) suggested that a pre-test of 5-10 representative questionnaires is usually adequate to spot the problems in a questionnaire.

SAMPLING

For this thesis, the influence of different promotional activities on consumer buying behavior was carried out through a survey of consumers of selected fast food restaurants. A questionnaire was filled out from 100 respondents in a good environment in order to avoid any hustle and weak response.

SAMPLE SIZE

The sample size of research is 100 respondents. It includes the following:

- Male/ Female
- Age group: 20 years or above
- Employed/ unemployed
- Fast food consumers
- Karachi based

HYPOTHESIS

h3= Price discounts influence purchase decision of fast food consumers.

h3= Coupons influence purchase decision of fast food consumers.

H3: Promotional deals influence purchase decision of fast food consumers.

H4: Value deals influence purchase decision of fast food consumers.

H5: New product influence purchase decision of fast food consumers.

CHAPTER IV: RESULTS AND DISCUSSION

In our finding the statistical test which has been applied is the one sample t-test. One sample t-test compares the mean value of a sample (computed from a set of observed values) with the hypothesized mean value so this is the easiest test to understand and determine the likelihood or the difference between sample score and hypothesized values.

Following is the output of our research. We compared the mean level of our output to a known test value of 4 because 4 is our agreement level.

First see the descriptive statistics.

The mean of our samples are the following:

Price discounts = 4. 0

New products = 3. 9933

Coupons = 3. 9767

Promotional deals = 3. 9033

Value offers = 3. 8767

The above mean values are closest to the test value of 4. Price discounts is having the highest mean value 4 which is equal to the test value of 4 and then new products have mean value (3. 9933) and followed by coupons (3. 9767), promotional deals (3. 9033) and then value offers (3. 8767).

Now, see the results of our one sample t-test:

Our T-value for each observation is:

Price discounts = 0. 000

New products = -. 111

Promotional deals = -1. 219

Value offers = -1. 559

Coupons = -. 306

The cut point of T-value is 1. 5. If the T-value is greater than 1. 5 then the significant value becomes lower and goes to significant level.

We have 99 degrees of freedom.

Our significance values are:

Price discounts = 1. 000

New products = 0. 912

Promotional deals = 0. 226

Value offers = 0. 122

Coupons = 0. 760

It means that the mean difference is not significant and the test value which is (4) “ Agreement level” is equal to the mean value of price discounts, new

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products, promotional deals, value offers and coupons and there is no significant difference between the test value and the mean values of the sample.

ACCEPTED HYPOTHESIS:

Following hypothesis has been accepted:

h3, h3, H3, H4, H5

Based on statistical test and results of above table, following hypothesis has been accepted and it was found that these factors influence the consumer buying behavior in fast food restaurants.

h3= Price discounts influence purchase decision of fast food consumers.

h3= Coupons influence purchase decision of fast food consumers.

H3: Promotional deals influence purchase decision of fast food consumers.

H4: Value deals influence purchase decision of fast food consumers.

H5: New product influence purchase decision of fast food consumers.

CONCLUSION

A very little research has been done so far on fast food consumers and their buying behavior as well as promotional activities practiced by fast food restaurants and its influence on consumer buying decision. To the best of my knowledge, the research work done so far of fast food outlets have been limited to the explanation of the characteristics of the fast food consumers in terms of demographic and socio-economic factors and some work is done on the restaurants brand equity and their competitiveness while a very small

number of consideration has been related to the fast food consumer's behavior and attitude orientation. Research conducted by Syed Mehdi Raza and Tariq Jalees in 2005 measures the brand equity of fast food chains operating in Karachi. Timothy J. Richards and Luis Padilla believe that fast food promotion is a major cause of the obesity.

The purpose of the learning is to understand the influence of promotional activities on the buying behavior of fast food consumers. For findings we apply the One Sample T-test to check the significant impact of all selected variables, it was found that the all variables (Coupons, Price discounts, Promotional deals, value offers and new products) significantly influence the buying behavior of fast food consumers.

The results of the study have shown very optimistic response from fast food consumers for the influence of promotional activities in fast food restaurants. Consumers really think and appreciate that promotional activities influence their dining out decision in fast food restaurants, it also affect their frequency of dining out in fast food and they think that promotional activities should be offered by fast food restaurants.