

How kfc can keep its share and gradually develop in fast food industry



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In this report I would like to discuss market potentials available for KFC UK. Currently we are earning better profit share from this territory compared to other franchise operations. But still there are some plenty of opportunities available to expand our market in the UK. I have collected relevant information from both primary and secondary sources given below.

After discussing the major methodology I have presented and commented on the existing marketing approach. Also environmental factors both internal and external, segmentation and targeting strategy relating to the company. Briefly discuss about customer buying behavior also. In the later part of the task one further discussed competitive advantage, distribution, product development, price, promotions and extended marketing mix.

In the later stage I have given some recommendations to suitable market segments, differentiation and the major changes in domestic marketing and international marketing.

Background

KFC is one of the world's largest chains of quick service restaurants, serving tens of millions of customers daily worldwide. The company started in 1930s, Colonel Harland Sanders bought a motel and café in Corbin, Kentucky. The business has developed very quickly and spread all over the world and there were 838 Kentucky Fried Chicken franchises only across the United States by 1964.

The Kentucky Fried Chicken concept was introduced to Britain in 1965 when the first store opened in Preston. Many more followed and in 1986, following the worldwide acquisition of KFC by PepsiCo, it was announced that the <https://assignbuster.com/how-kfc-can-keep-its-share-and-gradually-develop-in-fast-food-industry/>

British operation, KFC GB Ltd had become a joint venture – a company owned by Trust house Forte and PepsiCo.

In January 1997, PepsiCo Inc. announced the spin-off of its quick service restaurants into an independent restaurant company. Tricon Global Restaurants and Tricon Restaurants International were founded and KFC became part of the Tricon group, the world's largest restaurant group with restaurants in nearly 100 countries in the world. Combined with Pizza Hut and Taco Bell, there are nearly 30, 000 restaurants worldwide. In 2002 Tricon changed it's name to YUM! Brand Inc.

Despite these changes in ownership, the strength of the KFC brand has seen the expansion of the UK & Ireland restaurant network to its current level of over 700 locations, some company operated and some franchised. The achievement of excellent restaurant standards has also resulted in the British operation acting as a training base for many of the new KFC restaurants operating throughout Europe.

(KFC, 2010)

2. Marketing Information and Research

Marketing information is crucial in conducting and analyzing the market. It is important that a company finds out as much as possible about its customers and markets, understanding the needs and trends, before deciding on strategies and tactics to meet its desired outcome.

Marketing research helps the company in determining factors such as economic growth, competitor's information, distribution channel

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performance, sales trend by segments, and future trends. All this information helps in developing a more effective marketing plan.

Ways of collecting Information

Via KFC's interactive websites

Competitor's websites

Mass media – newspapers, magazines, etc

Consumer websites

Mintel reports

Government statistics

As a long established fast food company, KFC y has a huge databank of historical market data and information. The company values market information and has a team of market analysts to constantly track various websites, print media and government reports to understand the consumer and market trends on a daily basis. All these information are available to the Marketing team of KFC, in analyzing the market, and making effective decisions in implementing a Marketing Plan. Since the 90s, KFC has launched a number of interactive websites, which enables consumers to provide feedback and suggestions. This is another method in which KFC has reached out to the market and consumers and obtained vital information. One such example is the separate websites for each country or region website.

Ways of conducting Research

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Secondary research

Internal data – available data from KFC

External data – available data from other Research companies or
Government organizations

Primary research

Qualitative – interviews and focus groups (interviewing with one of the KFC manager and customers)

Quantitative – survey questionnaires, internal Gap Analysis

As a market and consumer focused company, KFC constantly conducts various research programs of all its key brands, to check consumer feedback and market share. The company listens to its consumers and makes necessary changes to its product offering to meet the needs of the ever changing consumer.

In addition, a detailed market research is carried out before launching a new product or Brand. KFC also conducts a post launch research after 12 months of launching a new product or Brand. This is to determine the success of the launch, as well as to obtain feedback from both existing and non-existing consumers.

KFC's philosophy of understanding the market and consumers is key to the success of the company, and it has become a culture in the organization to conduct market information and research in developing Marketing Plans.

Marketing Approach of KFC

Each organization employs an organizational orientation depending on its focus and the industry within which it operates. There are five varieties of organizational orientation: production, product financial, sales and marketing. All organizations incorporate each of these elements, but their orientation will lie in whichever of these elements is deemed the most important. The main elements of each type of orientation are set out below:

Marketing – the organization identifies the needs and wants of its customers and then creates products/services to satisfy those needs and wants. e. g.

New menus.

Production – organization places emphasis on efficient production and distribution methods. This maximizes production / number of meals, minimizes unit cost and generates economies of scale e. g. online delivery.

Product – organization places an emphasis on creating innovative and good quality products. This is usually driven by advancing technology rather than by consumer wants and needs. This often differentiates their products from their competitors by giving them USPs e. g KFC rice.

Sales – here, emphasis is placed on driving quick, high volume sales. Often sales tactics are used to persuade customers to purchase the meal and restaurant service

Financial – emphasis is placed on financial return. The organization focuses its energies where it can gain the largest return on its investment e. g. enter to new markets.

KFC employs a marketing orientation approach which provides it with several advantages. It carries out regular customer surveys and marketing research which enables it to know which food / drink it offers are likely to be successful. When an organization is confident that it is producing products/services which fulfill a need, a premium can be charged. Further, by producing such products/services customer loyalty is increased. A marketing orientation forces KFC to keep in touch with its customers and aware of their needs; it gives KFC the further opportunity to differentiate, it forces us to keep abreast of their competitors' new foods / drinks and means that its marketing has a greater overall influence on strategic planning.

A marketing orientation is adopted at a corporate wide level and pervades all departments within the organization, each of which has its own marketing role to play. For example, customer services employees are presenting an image of KFC through their customer-facing role and need to uphold this image whilst dealing with customers' queries and complaints. However, KFC does also to a lesser extent lay importance on product orientation factors.

Benefits of the Marketing Approach

Profit level will increase continuously

Customer loyalty level will increase and establishing long lasting customers / life time customers

Can achieve long term goals and objectives

Get competitive advantage

Differentiate products and services from competitors

Increasing the goodwill of the organization.

Develop quality customer service

Costs of the marketing Approach

Cost for regular marketing researches and analysis.

Setting marketing focus structure in the company

Product development cost

Promotional cost for advertising and other methods

Situational Analysis / Marketing Audit

4.1 External & Internal Environment

External Market Environment

KFC conducts a complete external marketing audit which includes both the macro and micro environment of the fast food industry and how these may have an impact on KFC meals. From this audit, the company will be able to identify the key issues impacting each business, and how the business can develop an effective plan with tactics and strategies to tackle these issues and ultimately achieve the Marketing Objectives.

Macro Environment

Macro factors are factors that we totally have no or extremely little control off. It is not just looking at a segment of the industry, but the effects these

factors have on the whole industry. An example of an audit tool is the PESTEL analysis, which identifies the opportunities and threats of the external environment, which then helps the Company to develop appropriate plans.

Political

Being in a confectionary industry, political factors have little impact on KFC business and available everywhere. There are no political factors which restricts consumers from purchasing these products. However, in India and Pakistan the Government has banned the sale of beef mixed food items, as it is seen as a nuisance to the culture. Therefore, in the UK, KFC businesses have no direct impact politically.

Economic

The state of the economy has an impact to most businesses. The credit crunch and slow down of economic growth, as we are currently experiencing, does effect consumer buying power, and hence KFC businesses. However, the reduction in interest rates does help consumers, as it creates consumer spending, and hence KFC businesses may have minimal impact.

Social

In terms of social factors, there are many consumer groups which voices their own opinions and sometimes this have a major impact on regulations and legislations. Consumer businesses are highly impacted by social factors. As an example, KFC business may be impacted by health reasons, such as

fat and obesity, which will influence the sugar, fat, nutrition's and ingredient content of its product, and ultimately the formulation and taste.

Technological

The increase use of internet has impacted businesses worldwide. Consumers are more aware of product offerings, have greater access to information and knowledge about products and can make more educated choices of products. The internet has also brought consumers closer to companies such as KFC, who now have faster feedback from consumers about their products. All of this has both positive and negative impact to KFC businesses.

Advancement in manufacturing technology has also influenced the food industry in terms of cost of production, shapes, sizes, packaging etc. All of these do affect KFC's businesses in many ways.

Environmental

As the world experiences greater environmental challenges, such as global warming, environmental legislations do impact KFC's manufacturing, product and packaging. As a responsible company, KFC practices a zero discharge to the environment, which increases the company's manufacturing costs. It also uses bio-degradable packaging material, which is a requirement in the EU.

Legal

The food industry is a highly regulated industry. In each country, as in the UK, it is governed by legislations and monitored by the Food and Drug authorities. Influences from Environmental and Social groups, may introduce changes in legislations, which in turn impacts the food business. As an <https://assignbuster.com/how-kfc-can-keep-its-share-and-gradually-develop-in-fast-food-industry/>

example, the use of artificial colors, additives deemed to increase hyperactivity in children, has forced KFC and other food companies to find alternatives, at higher costs. The increasing manufacturing standards for food products have also impacted KFC businesses. Tighter standards means higher costs to manufacturers. Whilst this is good for society, it has a negative impact to KFC businesses.

Internal Environment

There are factors within a company which affect the internal environment and these should be addressed. Being a global leader in the chocolate business, the product, Brand and Corporate image, service, value of the product and quality is inseparable. Therefore an audit of the internal environment is also important.

The SWOT analysis is a useful method in determining the key issues of a company, and will the company to develop a plan to mitigate threats and focus on opportunities.

4. 2 Competitor Analysis

Porter's Five Forces is very useful in this analysis;

Bargaining power of Supplier

Bargaining power of Buyer

Rivalry

Treat of Substitutes

Threat of new Entrants

Each of Porter Five Forces model contributes to the competitive environment in an industry:

Threat of new Entrants

With the fast food industry showing good growth potential, new players may enter the market to get a small market share of a very large industry.

However, due to high entry barriers, such as establishing a renowned Brand, as well as high manufacturing standards, the threat of new entrants remains high for the fast food industry.

Threat of Substitutes

With new entrants in the market, a group of existing or new competitor may introduce new products/brands, for the fast food sector, claiming the same consumer satisfaction, but at lower costs, e. g. Bergers, KFC rice, Ice-creams, puddings which claim to be cheaper and healthier. The threat of substitutes is moderately high for the fast food sector.

Bargaining power of Suppliers

As a long established player in the fast food industry, KFC has the economics of scale to bargain for low cost raw materials. It works with the best suppliers in the world in order to ensure consistent quality and low cost materials.

Therefore, the bargaining power of KFC's suppliers is relatively low.

Bargaining Power of Buyers

In today's world consumers have many choices, due to the intense rivalry in the fast food industry. However, KFC has a number of established brands which command a relatively stronger pull, hence the bargaining power of buyers (eg street outlets and supermarkets, B2B) is low but the bargaining power of the consumer is moderately high. (B2C)

Rivalry among Existing firms

The fast food industry is a crowded, with many players. Some are well established players, such as McDonald's, who have equally strong brands as KFC. Some have carved out sectors, e. g. in-house brands of Tesco, Marks & Spenser and Sainsbury. There are also many small players who have good positions in small sectors of the industry. Hence the rivalry among existing players is moderately high. However, KFC well established brands do provide some level of edge in the industry.

4. 3 SWOT Analysis

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Strengths

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Well established company since 1930

Global brands and innovative products

One of the top 2 leading fast food companies in the world

Only focuses on fast food products.

Products available in almost all distribution

Channels.

Financially strong, with continued revenue

And profit growth annually.

Weaknesses

Too many products and brands (meals)

Highly dependent on fast food market

High cost base when compared to some

Smaller fast food companies.

Relatively small presence in emerging

Markets.

Opportunities

Entry into new markets (e. g. India & China) with its established Brands.

Ability to introduce new product extensions

in existing markets using its established

Brands

Acquisitions of other fast food companies.

Threats

New legislations and regulations which may increase costs

Social impact from consumer groups on

health related issues

New entrants into the fast food industry

Products could be easily copied by competitors (carbon copy)

4. 4 Value Chain Analysis

Support Activities

Firm Infrastructure

Formation: Includes general management, planning management, finance, legal, accounting, quality management, public affairs, etc .

Human Resource Management

Personal activities: All activities that links with recruiting, development (training, education), retention and compensation of employees, manager, etc .

Technology Development

R & D, etc : Include the technology development to support the value chain activities, i. e., Process automation, Research & Development, design and redesign, etc.

Procurement

Purchasing inputs: The role of purchasing inputs i. e., procurement of raw materials, machines, spare parts, servicing, buildings, etc .

Primary Activities

Inbound Logistics

Receiving inputs : Activities that associates with receiving, storing, transportation scheduling, inventory control

Operations

Building the product/ providing the service : Includes packaging, assembly, machining, maintenance, testing, activities that transform the final input into final product

Outbound Logistics

Distributing the product to buyers : Activities that involved the finished product to get to the customers; warehouse, orders, transportation, distribution, etc

Marketing & Sales

Pre-sale support : Activities associated with getting buyers to purchase the product including channel selection, promotion, advertising selling, pricing, retail management, etc

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Customer Service

Post-sale support : the activities that maintain & enhance the product's value, including customer support, repair services, installation, training, spare parts management, upgrading, etc

Marketing Strategy of KFC

Marketing Objectives for KFC

Achieve min 70% UK consumer awareness of this new food products within 12 months of launch

Increase UK sales of KFC new food range by 6% for 2011.

Achieve sales of GBP25 million in 2011, and GBP80 million in 2013 for the UK market.

Marketing Strategy for KFC

The strategy for any marketing project is the key to the success of the project. It should map out what needs to be done, targeting which consumers, and providing them with what value, through the product offered.

The Ansoff ' s Matrix below shown is a tool used to assist the marketing department to develop its strategic plans to grow its business.

Products

Existing

New

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Markets

Existing

Market

Penetration

Product

Development

New

Market

Development

Diversification

Segmentation of Market

KFC segments the UK food market based on Geography, Demographics and Psychographics to identify the target market segments for their KFC foods.

Geography

KFC geographically segments the UK market by:-

Urban market (Cities) – e. g. London, Glasgow, Cardiff, Manchester, etc

Suburb markets (Towns) – e. g. Barnstable, Abingdon, Stamford

Others (Village towns) – e. g. Sawston

The company identifies the size of the food market, per capita consumption, growth trends, as well as analyses each segment in terms of KFC market share. This will provide KFC the necessary information to target the right market for new food ranges.

Demographic

Demographic segmentation allows KFC to understand the food market by age, gender, income group, etc. This allows KFC to identify which groups are the food lovers, which group prefers meat, which group prefers new taste, etc.

Psychographic

Psychographic segmentation is based on consumer lifestyle, attitudes and motives. KFC segments the UK chocolate market, based on consumers who prefer branded goods, those who prefer taste, texture or shapes of the pack. By doing this, the company is able to identify the target segment which will best suit the new food range.

Targeting the market

After establishing the market segmentation, the next step is to evaluate each segment and choose which possible segments should the company target and offer KFC in order to meet its marketing objectives.

Based on the segmentation analysis, KFC is targeting the following groups:-

All locations around UK, with greater focus on urban markets.

Across all channels, especially super and hyper markets, and convenient stores, where the food consumption per capita is high.

Children, teenagers and females, who are seen to be lovers of KFC foods.

New taste lovers, the group which KFC is hoping to switch from traditional food taste.

Positioning of New food range

As KFC is the only available new food taste during January till April every year, the Strategy is to new tastes all year round, so that KFC lovers will be able to enjoy the same “ new” taste all year round.

McDonald’s branded in a fun and novel way, maintaining the same great taste, so that children, teenagers and young adults would be attracted to this product.

Marketing Mix of the KFC

The marketing mix is a combination of critical factors that make up the marketing strategy for a product, which helps the company to successfully achieve the set marketing objectives.

Product

Uses no artificial colorants or banned additives, and meets all EU food standards.

Personality of the KFC Brand is fun and novel to target the young trendy and female market segment (new food range)

Packaging is colorful, to attract the children, teenage and young adult market.

KFC UK emphasizes on the need for strong brand image, and therefore all the decisions they make with regards to its products are in line with the brand image. The product and packaging are designed to project and communicate the brand image reflecting KFC as who they are. The product reflects the innovation, high quality and nutritional value it provides to its customers, whilst the packaging clearly reflects the familiar purple corporate brand color and corporate brand logo, associated with reliability and quality.

Price

New food range / meals is priced at 10 GBP, which is competitive in the food segment.

GBP per meal it is cheaper than the other food ranges of the KFC

Pricing of products is key in reflecting the image of a brand. This is why KFC carefully considers the image of the product, the value it offers to the consumer and who is the target consumer, before it determines the price of any of its products. It is obvious that different KFC products, targeted at different segments of the market are priced differently. The decision on pricing does have an impact to the brand. For example KFC offers its meals at a premium price compared to KFC and other competitors for the mass market. KFC also sells some of its high end products to reflect a luxury image, and can command good premiums. The price of a product is also dependent on customer's perception of the brand which KFC takes into

account before it prices its products. However, with the current economic scenario, KFC gives special deals.

Place

KFC new food range will be available across all distribution channels in the UK market.

Focus will be in branches in Hyper and Supermarkets as well as convenient stores, at prominent locations within the stores (entrance, exit door, etc).

Greater visibility will be provided at urban segments (both cities and towns).

KFC chooses carefully the distribution channels it places its products based on the brand image of the products. For the premium products ranges KFC should maintain the existing image and should run the new range separately.

Promotion

Above the line promotion via TV, Radio and print media.

Advertising will focus on target groups, e. g. children, teenagers, young adults and females.

Below the line activities will be carried out at urban markets at high traffic outlets, such as Hyper and Supermarket concourses.

Special standees will be appropriately designed to portray the fun and novel personality of the product, and placed in major outlets.

Depending on the brand image, the target consumer and market, KFC carefully chooses its communication strategy to meet the objectives of increasing awareness and ultimately pulling the consumer to purchase its products. Every promotional activity has its own strategy and this can vary from increasing brand awareness, maintaining the brand value, educate consumers about a new product, increasing seasonal purchases, or campaigns such as 'choose KFC to highlight the positive emotional value of the brand. However, due to the current economic downturn, KFC carefully selects its promotional activities; such that it has maximum returns for its promotional spend. With the advent of the electronic media, KFC has created a number of websites for its popular brands for consumer/members to be active. These websites have education information, games, good associates, cocoa partnership and fair-trade. KFC has recently agreed to partnership with the 2012 Olympic, which will give its brands, global recognition.

People

KFC is having very courteous sales staff for the front line. Also they are very friendly and efficient compared to other competitive restaurants. They are undergoing service trainings. Also all cooks having proper training on cooking and additional concern on protect the exact taste.

Process

Process is very efficient and not waste time of any customer. Quickly ask the customer requirement and settle payments very quickly. Keep some fast moving food item in stocks or else cater within 10 minutes time.

Physical Evidence

KFC is having unique physical evidence all around the world. It is changing as per season and special occasions. Also introduced music and televisions to each outlet and creating nice experience to each customer.

7. New International marketing strategy

As per my description under the about task, there are several ways to find / divide in to various segments of the market. I would like to select the demographic factor for the KFC food range. Under this selected segment can choose two sub segments as children and teenagers.

Children Segment

Age group is from 6 years to 12 years. This is very good and competitive market segment in the UK food market. Children can directly influence to the decision making of parents. Through this approach can implement effective marketing strategy.

Product range should be target child taste as sweet taste, low chilly and salt, nice colors, attractive carvings and chocolate mixed drinks in to the meal.

Price should target to put family pack. It means based on the child demand should try to capture both parents or guardians to the same meal pack. All outlets should be introduced the same meal at one time. Promotional activities should be directly target the child segment. KFC should be conducting the promotion campaign with the Disney Walt cartoon characters and music. Also outdoor promotions should target kid schools and daycare centers.

Teenager Segment

Age group should be year 13 to 18. This segment is adventurer seeking generation. They need to get experience on innovations and trial products. They are having some bargaining power as they get pocket money from parents. They are interesting to buy new food items.

All foods should come as individual packs. Also need mote saucer and cheese. KFC should offer coke or Fanta as fantastic drink of the youth. They are really interesting to have fun meals with their friends groups. Prices should be attractive. Also it is interesting to offer quantity discount as group of people who is having the same meal at same time. They will gather as group to have new taste. While offer the same pack in all branches in UK should do more promotions in teenage magazines and websites. Also can use facebook as the more interesting promotional tool.

Difference between B2B and B2C

As other companies KFC also trying to maximize the profit. The meaning of the B2B and B2C were developed to target market. KFC is practicing the B2C concept. But there is market potential to introduce to the B2B market too. The organization and execution of your marketing program depends on which of these two markets you have chosen to enter. The B2B market relies on very different sales strategies to be successful than the B2C market. The B2B sales market heavily relies on relationship selling. The sales are obtained in a longer sales cycle than B2C sales. The differences in the characteristics between B2B sales and B2C sales and their associated marketing schemes are plentiful.

The market you target when selling your product is also very different among B2B and B2C businesses. B2B sales are focused on a very narrow segment that has a use for your product. Those businesses that can make use of your product to save them money or make part of their business more productive or easier will be the market on which you spend your time and marketing efforts. In B2C sales, your market is the entire sales market of consumers. There is very little discrimination or qualification of potential customers. If the product appeals to them, then they are a customer to which you may sell your product.

(<http://www.yourdictionary.com/>, 2010)

Difference between International Marketing and Domestic Market

KFC is practicing both strategies. KFC is having 700 outlets in the UK and around 14, 000 outlets in the world. They are having more than 100 outlets in some countries. Therefore should apply domestic marketing policy. Prices should be same as all other outlets in the same country. Also promotional concepts should be same. Also KFC should apply international marketing strategies as they are operating all around the world. The communication concepts should deliver the same integrated message. Even pricing policies change based on the competition and the economical condition food taste and offering should protect the ide