

The food and beverage industry



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The focus of this project is to analyze Popeyes Chicken & Biscuits' business by looking at the factors affecting the marketing mix strategies. The strategies that are in focus is product, pricing, placing and promotional strategies. An in-depth research was further conducted to provide a greater insight into the business situation of Popeyes.

Reviewing marketing mix strategies in great detail and effectively recommend new marketing mix strategies to increase the annual gross profit of the business. Information on the Food and Beverage industry and Popeyes are collated and discussed so that further improvements could be made to make Popeyes a more profitable business in Singapore.

Placing research emphasis on the effectiveness of every marketing strategy and how it affects the business and its effectiveness. With the main method of investigation being internet research and annual reports of Popeyes Chicken & Biscuits as well as their parent company America's Favorite Chicken (AFC Inc.)

Three major themes are present in the recommendations that have been generated is firstly for Popeyes to effectively reach the local market, widening their target market to families, young adults and tourists and at the same time reconsider their segmentation method.

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Introduction

Purpose

The focus of this project is to analyze Popeyes Chicken & Biscuits' business, by zoning in on target market, segments, competitors, market positioning

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and marketing mix activities. With a better insight of Popeyes' marketing mix strategies, the elements of their marketing strategies are reviewed and recommendations made to enhance the marketing efforts in turn improving their marketing strategies to bring about a higher annual turnover rate.

Background

Popeye's Chicken and Biscuits brings the taste of New Orleans to your taste buds. Popeyes' first restaurant was opened in 1972 in Louisiana, New Orleans by Al Copeland and, then named "Chicken on the run", before being renamed to "Popeyes" after the character Popeye Doyle in the movie "The French Connection". Even though Popeyes' was named after Doyle, Popeye the sailor eventually became the main character fronting the marketing efforts. In the next decade, 500 franchises were opened in the US, before Popeyes went global in 1984 through expansion into Toronto, Canada and continues to expand into new markets around the globe.

Popeyes' is one of the latest additions to the fast food industry in Singapore, also the world's second largest fried chicken quick service restaurant, with close to 2,000 outlets and operations in 26 countries worldwide. Operating amongst the competition from other quick service restaurant outlets in Singapore, such as Kentucky Fried Chicken and McDonalds. In Singapore, Popeye's' outlets are certified as Halal, where fresh chickens are used instead of the frozen variety, and are slaughtered daily at the company's factory at Senoko. In the coming year, consumers can expect a Popeyes' delivery service as well as New Orleans-style promotions that will bring a taste of Louisiana culture and music to the local outlets.

Popeyes' is now generating new ideas to further expand its franchises worldwide and the worldwide franchises in turn would have to continuously maintain Popeyes' reputation as a "mighty good fried chicken" restaurant.

Popeyes' also emphasizes on its culinary excellence and customer service. This is evident through its industry recognitions, such as earning a gold award in the customer service category twice. In addition to that, Popeyes' have also won an award for its culinary excellence, in celebration of its 30th anniversary in the US. In order to maintain their reputation of earning prestigious awards, they are constantly improving themselves for customer satisfaction purposes.

Introduction to the Food and Beverage Industry

The Food and Beverage Industry in Singapore is growing at an exponential rate. Singapore, together with Hong Kong is ranked one of the capitals with the highest per capita food intake in the Asia Pacific region. In addition to that, in 2008, the industry comprised about 5, 900 establishments, an expansion of 12. 4 percent compared to 2007. Of these, more than half cater to the export market.

The total value of the food and beverage services amounts to 3, 884 including restaurants, fast food outlets, caterers and coffee houses. The industry is not just supported by the local population, but also by the large number of tourists that flock to the island state. In addition, the industry employs about 82, 600 workers and the total value added generated was \$1, 249 million in 2004 with food caterers being the most cost-effective.

The major players in the industry include foreign culinary talent, the government and food-trepreneurs. The cosmopolitan environment here has attracted many foreign culinary talents, bringing with them new and interesting F&B concepts. This has contributed to the quality lifestyle that Singapore offers to both locals and visitors.

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Food-trepreneurs have taken common man dishes usually available at hawker centres and moved them up-market into, air-conditioned food courts and into fine dining inventions. The government, on the other hand, is working together with the industry to help the Singapore's F&B sector build up its capabilities in R&D, efficiency, education, and the attraction and retention of talent.

Singapore has a vibrant and diverse food scene to cater to different taste. With outlets of major brands such as McDonalds, Burger King, Pizza Hut and Subway, the fast food scene in Singapore is well established.

Hence Popeyes' being a Quick Service Restaurant (QSR) in Singapore, needs to constantly generate new and interesting ideas to effectively set themselves at the same footing with its competitors which are gradually increasing. Currently, Popeyes' have expanded from 3 outlets to 5 in Singapore. Popeyes have shown interest in opening 25 outlets in Singapore in the next 5 years, focusing on the Eastern areas of Singapore.

Target Market Segment

The target market segment of Popeyes is believed to be demographic, as they mainly attract a specific group of people, in the context of Singapore,

tourists. As Singapore is known for her diverse spread of food, Tourists not only look for food which cannot be found in their own countries but familiar foods as well.

Popeyes would be an excellent choice as a quick service restaurant, with a unique environment where consumers can watch classic Popeye Cartoons while enjoying their meals, the specialty, fried chicken with delicious sides such as mash potatoes and biscuits to complement their meals. As compared to KFC which mainly promotes itself through its slogan, Popeyes promotes itself through its unique identity in which consumers can easily look out for. Popeyes foreign consumers could be fried chicken lovers, fascinated by the uniqueness of Popeyes in its food variety. Hence, Popeyes is expected to be well-known in time to come if the service excellence and food quality is being maintained at a high level.

Product Strategy

Levels of Product

Core

The core product defines the need that consumer seeks to satisfy when buying the product. This varies from consumer to consumer.

Popeyes' business strategy capitalizes on the strengths of their highly franchised restaurant system. This provides diverse and reliable earnings and cash flows, with low capital spending demands. It efficiently produces cash flows which are available for use in enhancing their share holder value. It also provides the ability to expand the Popeye's system more rapidly as compared to having a company-operated restaurant model.

Popeyes offers a variety of distinctive, flavorful Louisiana recipes, for lunch, dinner, or in-between. Attainable through dine in, take out, or drive-thru. They aim to provide food that consumers crave for and fit their budget. The commitment becomes even more imperative in economic times.

Studies show chicken and seafood is among the proteins of choice across the world. Knowing what the consumer wants and how the consumer wants it is the sole aim of the business, thus leading to the popularity in the signature bone-in Bonafide chicken, freshly prepared, marinated for 12 hours in Louisiana seasonings, and then hand battered and precisely cooked to a golden brown. Having slow cooked food in a fast-paced life is what keeps their consumers coming back for more. (2007 AFCE annual report)

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Actual

The actual product refers to the features that are combined to deliver the benefits to satisfy the consumer's need. This comprises of the product, features, design, quality level, brand name and packaging.

Embracing the ' providing something for everyone, everywhere' philosophy, Popeyes strives for a standard better than other Quick Service Restaurants (QSRs). A national syndicated research conducted among QSR consumers in 2007, taste and quality rank as the top two drivers of guest satisfaction in QSR chicken. The same study suggested that QSR consumers considered Popeyes significantly superior to the leader chicken QSR chains on both dimensions of taste as well as quality. A focus group held across America

revealed that the superiority of Popeyes' food comes from the ingredients used in the preparation. (2007 Popeyes annual report)

With the well marketed brand name, Popeyes has always been known for superior quality food. Popeyes knows that there are always two sides to the business, the first is in the hands of the company and the other is the side that exist in the minds of their consumers, influenced by individual guest experiences. Popeyes has always ensured that their consumers and potential consumers see their brand in a positive light. Popeyes has never once portrayed themselves as a fast food chain but instead a Quick Serviced Restaurant. Popeyes always ensures that their brand name is perceived as trust worthy, providing ample information about their products in a strategic manner which entices people to patronise the restaurant. (2007 Popeyes annual report)

Their goal is to deliver a superior guest experience- every visit, every restaurant. Though they have not attained such standard, they warmly welcome feedback at every outlet. Popeyes commits to building a sound formula for running great restaurants and delighting guests at every Popeyes visit and has since developed new operations support systems and tools providing every restaurant in the system with a monthly guest survey tracking valuable feedback from their consumers, having them analyzed by an independent consumer research company. This information will help restaurant general managers exceed guest expectations for hot, delicious food served promptly, accurately and hospitably. (2007 annual report)

At Popeyes, not only is the quality of food priority but also that the entire organization stronger and more profitable by building a solid franchise support platform enabling investment in key areas. With ongoing investments in menu innovation and marketing are now looking into investing more visits to restaurants to assess and train general managers and crewmembers. Currently investing in Guest Experience Monitor (GEM) to gather feedback from guest, Popeyes hope to further increase profitability using technology to strengthen the unit economics of the business and the bottom line, investing today to grow faster in the future. (AFC Enterprises Inc annual report 2009 first quarter)

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2. 1. 3 Augmented product

The augmented product refers to the additional service and benefits that are built around the core and actual product to enhance the consumer's experience. Nutritional facts and public press release about nutritional facts are available online at www.popeyes.com, stating in detail every item available on the menu, going to the extent of considering the nutritional value with and without the chicken skin on. Popeyes has always been transparent about their food decisions, even going to the extent of listing the ingredients used in their recipes for the benefit of the health conscious, this has added to the trust worthiness of the brand name. Another avenue that Popeyes promotes their brand name using psychological means is releasing a press report introducing that their signature biscuits have zero grams trans fat and one gram per serving French fries in its domestic restaurants. Paying an increased attention to trans fat content, Popeyes has since initiated a

review of all menu items and cooking procedures to identify innovative alternatives that would not compromise on Popeyes world-famous flavour. At the same time highlighting that all items on the menu contain less than one and a half grams of fat.

On top of providing the nutritional facts of the entire Popeyes menu, Popeyes also avails a full copy of their menu with price list on their website. This is seldom done with their competitor's websites, such as MacDonald's, KFC and Burger King. Popeyes' competitor's websites only showcase the items on their menu and does not state price lists, whereas Popeyes goes the extra mile to provide for their consumers, ensuring their consumers are well informed of their menu items and staff at the counter would never hesitate to attend to any queries to the best of their ability, enhancing every consumer's experience.

Evaluation of Product

Popeyes provides for every need in the dictionary of the food and beverage industry.

Despite their current spread of offerings of product, due to the competition in the Food and Beverage industry, Service providers are always striving to improve their business in terms of both, structure and revenue.

As core product is very much limited to what the consumer is looking for in the business, many businesses constantly try to fine tune their recipes to satisfy their consumer needs. The Actual product varies in each business; it is what differentiates the businesses. By promoting brand names in different manners consumers think that the offered product is very different, despite

the essence of the product being exactly the same. In this instance, KFC and Popeyes can be compared. Their core product is their chicken that satisfies hunger of consumers, however when you compare their actual product they differ in quality level, packaging, features and design. When taking into consideration the actual product in a business it is always important to provide the best as providing quality in every aspect determines if businesses win consumers over.

As such the augmented products offered by the competitors of the Food and Beverage industry is the factor that determines who gets a leg in the industry. The Augmented product is the level with the least structure; it has endless opportunities to explore. As such with advancement in technology businesses can take advantage of this and offer more interactive websites to make every contact with the business memorable, be it a physical visit to the food joint, virtual visit, interaction on facebook or website.

Every business is constantly trying to exhaust their options in the most cost effective manner. As businesses in the Food and Beverage industry try to outdo each other in looking for new opportunities, it is a new ending road to sourcing out new avenues.

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Alternative Product Strategy

As Popeyes does not operate any outlets outside US, the Popeyes outlets in Singapore are franchised.

Popeyes should also market their products in a different manner, differentiating them from their competitors such as KFC, Burger King and <https://assignbuster.com/the-food-and-beverage-industry/>

MacDonald's. As Popeyes has been careful in not portraying their product as fast food but a Quick Service Restaurant, this ensures that consumers and potential consumers do not label their food as unhealthy. As such Popeyes should take advantage of the situation and differentiate their product from their fast food competitors and promote their product and brand as a healthier choice of chicken.

Popeyes should also look into Packaging their products in a different manner, to match up to their competitors. By doing so they would add more variety to their current spread on their menu. Family, junior and student set meals should be worked into the menu to adapt to the fast food competition in Singapore. Failing to do so would result in losing a significant percentage of consumers who cannot find the combination of their choice.

Popeyes should also take advantage as the ever increasing advancement of technology; Popeyes should keep up with the other businesses in the Food and Beverage industry by including different elements such as having games and interactive buttons, making their website family friendly. Portrays Popeyes as a warm consumer centred business.

Price Strategy

Pricing Tactics

The two pricing tactics used by Popeye's chicken is product line pricing and optional product pricing.

The main product of Popeye's Chicken and Biscuit is their fried chicken.

Basically, it is served with a soft drink, a biscuit and a side dish. Simple, no-

frills dining. We aim to increase sales by coming up with strategies to make Popeye's more appealing to a wider range of consumers.

Product bundle Pricing

Product bundle Pricing is the pricing for a package of related products and offering the bundle at reduced price. Popeye's offers a large variety of meals to their consumers. There are meals such as the 2-piece chicken meal designed for individual consumption. There are also set meals like the Popeye's Bonafide Chicken meal designed to feed a group of at least 4 people which is offered at a reduced package price. It is targeted at groups of consumers eating together so they can enjoy a meal together but at a reduced cost.

Optional Product Pricing

Optional Product Pricing involves pricing optional products along with a main product. In Popeye's context, the main product is its fried chicken, optional products offered are sides and desserts. A set meal at Popeye's consist of the main product, chicken or burgers, and other optional products such as soft drink, a side dish and a biscuit, which is different from other quick service restaurants as those mostly only offer French fries and a soft drink to go along with the main product. Popeye's has more variety to offer than other quick service restaurants.

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Evaluation of Pricing Tactics

The pricing tactics currently in use by Popeye's are not very effective; in fact the tactics that Popeye's are using are the most common tactics

implemented by fast food chains all over the world. Other fast food chains are implementing many other different pricing tactics that prove to be even more effective in increasing their sales. Even so, other fast food chains have also been actively implementing new pricing tactics in order to boost their sales figures, in comparison; Popeyes has been very passive in this aspect. In order to boost their sales figures, Popeyes needs to implement new pricing tactics in order to actively challenge for a larger portion of the fast food market.

Alternative Pricing Tactics

Promotional Pricing

Promotional pricing involves temporarily pricing products below listed price/cost in order to increase short term sales. Many fast food chains have ongoing promotions throughout the year, feeding off festivities such as Chinese New Year, Christmas and Hari Raya. Products during these promotional periods are cheaper or come with more freebies. Also there are special products only available during these promotional periods such as McDonald's prosperity burger which is only available in the new year period and Pizza Hut's Twist 'N' Dunk Christmas Edition Pizza. Therefore, by introducing such promotional tools, Popeye's would be able to increase its sales.

Psychological Pricing

Psychological Pricing takes into consideration the psychology of prices in deciding how to price products. By placing competitive prices next to each other to allow reference pricing or odd pricing. In Singapore, locals often remark that Popeyes products are more expensive than its competitors, such <https://assignbuster.com/the-food-and-beverage-industry/>

as KFC or McDonald's. Therefore, Popeyes should lower its prices to match up with its competitors, such as KFC, whose meals average SGD6. 50 .

Lowering its prices to match its competitors would help to increase sales as consumers would find Popeyes more value for money and more consumers will patronize Popeye's if it is more budget-friendly. Many fast food chains also have Student meals targeted at students who have a more limited budget for meals. These student meals are \$1 - \$2 cheaper than the standard meals available. Even though portions are smaller, students will be enticed to purchase these special meals because of their cheaper pricing.

Placing Strategy

Distribution channel is a set of independent organizations involved in the process of making a product available to consumers. These organizations are also called marketing intermediaries, middlemen, distributors, wholesalers and retailers.

Distribution Channel Structure

Popeyes Chicken & Biscuit is a chain of fried chicken quick service restaurant that employs direct marketing channel, where no middleman is present between producer and consumer transactions. The product is distributed directly from manufacturer to the consumers. With the use of the direct marketing channel, it eliminates the need to rely on distributors to gather information from the market environment, to develop and market promotional offers, get contacts for prospective buyers, match the needs of buyer with producers and set the best price; resulting in a better relationship with the customer.

Exclusive distribution can be observed as there are a limited number of distributors in Singapore. Popeyes Chicken & Biscuit mainly focuses on tourist as their main market, as their outlets can only be found at tourist destination such as Singapore Flyer, Changi Airport and Century Square (Tampines). As a result of exclusive distribution, Popeyes chicken & Biscuit is not distinguished among Singaporeans

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Evaluation of Distribution Channel

The distributing channel structure used by Popeyes chicken & biscuit needs to be evaluated against the steps taken to decide company's marketing channel. The four steps involved are analyzing consumer needs, setting channel objectives, identifying channel alternatives and evaluating channel alternatives.

For a quick service restaurant, the type of channel needed would not require intermediaries. Popeyes managed to setup their outlets at strategic locations which enable them to reach out to their potential consumers. However, in order to maximize its returns, Popeyes should not isolate tourist as their market segment. Popeyes should attempt to venture into the different market sector, targeting families and students.

As a fast food chain restaurant, Popeyes has adopted the use of direct marketing channel. However, Popeyes has not maximized the opportunity to gain a better understanding of the consumers. Popeyes does not introduce promotions and services as frequently as their competitors do. Without

delivery service and promotions, consumers would rather patronize other fast food outlets such as KFC, McDonalds and Burger King.

As a quick service restaurant, Popeyes should be easily attainable and convenient. However, with the number of outlets in Singapore, Popeyes is unable to meet the two criteria consumers are looking for. Thus, it would be wise for Popeyes to implement selective or intensive distribution.

Alternative Distribution Channel Structure

There is certainly room for improvement for Popeyes in Singapore. Popeyes should utilize the information obtained from the market environment to meet the expectations and need. Currently, working adults are often seen rushing for time. Popeyes could engage gourmet food delivery services such as Cuisine Express, which currently caters to the delivery needs of 26 restaurants. Popeyes could also integrate a “drive-through” service which grants consumers the convenience of purchasing food without stepping out of their cars. By doing so, Popeyes can effectively reach out to more people and promote their brand name at the same time.

With the increasing trend of young adults and teenagers patronising fast food joints, Popeyes should introduce promotions or students’ meals in attempt to capture this market sector. Popeyes would be facing a very minimal risk by attempting to break into this market sector by complimenting it with price range that matches that of their competitors.

Popeyes can also consider implementing selective or intensive distribution instead of exclusive distribution. This could be done by increasing the number of distributors. Popeyes should promote their food as a healthier

choice in comparison to other fast food joints. This would help differentiate their product and at the same time make the product available to more consumers.

Popeyes is currently situated in a few locations, mainly Singapore Changi Airport, Singapore Flyer and Century Square (Tampines). Popeyes is seen targeting tourist spots, with such a limited target market; we suggest that Popeyes look into a wider market and consider targeting families

and young adults. Although targeting tourist in Singapore would guarantee a higher percentage of sales in the individual outlets, there are opportunities for Popeyes to break into the local market, being patronized by the locals. As there is an increasing trend among the young adults in Singapore to consume meals out of home, Popeyes can capitalize on this trend to make their business more profitable.

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Promotional Strategy

Media Vehicle

There are 3 media types namely print, broadcast and outdoor. Popeyes has adopted broadcast as media type and has chosen internet as the main media vehicle. Popeyes have set up an interactive and attention capturing website which has information of their products.

Research has shown that there is a surge in the number of adult using social networks such as Facebook which is the top social website and 43.3% of Facebook users are adults. As such Popeyes have employed the internet as

their media vehicle as it manages to capture a large percentage of their target audience. They have since started an interesting and interactive website to publicise their items and make known to the public regarding information about Popeyes. (Facebook Demographics 2009)

Promotional Tools

Public relations and direct marketing are the two promotional tools identified that are adopted by the company.

Direct Marketing

Direct marketing refers to direct communication between the targeted consumers to obtain an immediate response to the company's service or products so as to maintain good and lasting relationships. Popeyes uses direct marketing via networks such as Facebook and Twitter, which are popular among consumers, as an avenue to receive feedback. This is an effective platform used to communicate with their consumers. Ms Thompson, vice president of Popeyes' PR and communications claims that product promotions that run on Facebook is an opportunity to connect with fans and engage them at a more personal level, one such promotion that has been ran is the bonafide chicken promotion. As compared to their competitor, KFC whose avenue of feedback is only through their website. In KFC this has proven to be inefficient in obtaining valuable feedback, and also disengages the consumers as the process involves sending their feedbacks through their webpage which takes up to 3 working days to process. This is indirect as compare to Popeyes, where they provide explanations and replies almost immediately via Facebook at a more personal level. (Popeyes Facebook)

Public Relations

Public relations refer to building good company relations by obtaining favourable publicity, building good corporate image and handling unfavourable information or rumours well.

Popeyes' website portrays Popeyes in favourable light. On Popeyes' website, Popeyes places great emphasis on using the best and quality ingredients, provide nutrition charts to guide consumers concerned in selecting the healthiest choice. Popeyes also showcases the numerous awards they have won over the years. Bagging a gold award in customer service category of the “ Restaurants and institutions choice in chains” awards has brought Popeyes industry recognition. Popeyes also winning the nationwide taste test to their competitors KFC and Church Chicken. Popeyes has also gone on to win many other culinary awards which are listed on their website., Popeyes has obtained favourable publicity and build up a good image by continuously sweeping awards under their belt, proving their capability in handling unfavourable press and rumours Their product is globally recognised to have outstanding service and quality food. Therefore rumours that are spread around are usually easily defused. (Popeyes website)

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Evaluation of Promotion Strategies

It has been identified that Popeyes has adopted direct marketing and public relations as their promotional strategies.

As a quick service restaurant, Popeyes should engage in more sales promotions and advertising to further boost their business sales. Fast food is

classified under convenience products and thus, advertising and sales promotions should be used to attract a larger population of consumers. By having more sales promotions, it can attract more potential consumers and also enable consumers to choose Popeyes over other quick service restaurants which could be Popeyes' competitors. This can be possible if their promotions are widespread enough to capture potential consumers' interest.

Furthermore, with the usage of internet as their only media vehicle to spread its promotions, there is a very limited amount of exposure to their promotions. Therefore, with the addition of other forms of media vehicles to further spread its promotions, they are able to maximise exposure to their promotions and thus attract the attention of a larger population of consumers. Hence it is important that they have more than one media vehicle in order to reach out towards potential consumers who may not be in the know of their latest promotions available.

Alternative Promotion Strategies

Advertising

Popeyes has been promoting their products online with minimal advertising via other media vehicles such as television and radio. By choosing to advertise and market their brand through other media vehicles, a greater population of the market would be reached. This would decrease the cost per thousand exposures which would in turn decrease the advertising expense and increase marginal revenue causing the business to be more cost efficient. As television and radio are commonly watched and listened to by families and young people, choosing to advertise through other media

vehicles would expose the product to a wider market as well as serving as an informant of their product as Popeyes is not the most popular Quick Service Restaurant in Singapore.

Public Relations

Although Popeyes has already adopted public relations as one of their promotion strategies, there is still room for improvement. Besides showcasing their recognition on their website, contributing to the respectable corporate image they currently have. The current community involvement system Popeyes pr