

# The china market expansion problem of mr. pizza



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Background  
und Mr. Pizza Korea Co.

, Ltd. is a Korean pizza franchise company. Headquartered in Banpo-Dong Seocho-Gu Seoul, Korea, it was established in 1990. It is a restaurant chain making Korean style pizza. After establishing a franchise in Ewha Womens University, Mr. Pizza opened a store in Beijing, China in 2000. The Mr.

Pizza??™s logo, a slanted, stylized Pizza & Hand, is symbolic of two people (the company and customer) shaking hands. And its official slogan is “ Love for Women” as for 2008. Its food is healthy and of good quality.

Its service is full of creativity and elegance. And it is famous for its Golden Pizza series with relatively higher price. It keeps up with the trends of the food industry: healthy food with fashionable experience, and aimed at the white-collar female as their target market. Therefore, Mr. Pizza enjoyed a huge success in Korea with 370 branches, and was regarded as Korean??™s favorite pizza brand. Problem  
Soon, it spread its market to the US, Vietnam, and opens its first store in Beijing, China in 2000.

With a big proud, Mr. Pizza set up their goal that it would open as much as 300 branches in China until 2008. However, when we look at the figure we get from its official website, we are totally surprised that the number is only 20.

The information above reflects a big conflict between their goal and the very uncomfortable truth. We wondered why such a splendid pizza company with much better quality food than Pizza Hut cannot realize its dream in expanding the China market. As nothing can happen without a reason, we decided to find out the underlying reasons about the particular phenomenon.

Approach to the problem

After analyzing secondary data from different sources, interviewing one of its managers, and discussing with some industry experts, especially reading a lot of articles about how Pizza Hut went to success, we assumed the following reasons:

- \* The effects of Company structure and policy
- \* The influence of Chinese government
- \* The failure in promotion
- \* Wrong targeting in China market

Because it will be very difficult to access the information we need to prove the first two assumptions and sometimes the company can make effort to change if they want to improve, so we only could do an exploratory research to confirm our last two assumptions. And because this paper is a staging report of our investigation, the last procedure of depth interview with Mr. Pizza??™s GMs and staffs for expanding strategy has not yet been implemented. So we could only give some feasible suggestions to Mr. Pizza according to our findings so that they can make some renovation to step further and move forward in the process of expanding China market.

Literature Review In order to verify the two assumptions mentioned above, we have to review quite a number of literature, apply some analyzing theories and model to guide our research process to make it more logical and thus more convincing. Here we just list some important ones: 1. Sales and Marketing??” core journal in the China Marketing industry. We referred to all its content of 2011??™’s periodical especially some successful market penetration case in it to conclude some important traits for an international good pizza company.

This is the base for the 4 original assumptions we made above. 2. Philip Kotler??™’s Marketing for hospitality and tourism. This book guided us all the way through the process of researching. We reviewed for many important marketing terminologies to make our marketing research more professional. We also use the targeting method in it to design our survey to test whether Mr. Pizza made mistakes in targeting and positioning or not.

3. China 3G value-added business development SWOT analysis. It??™’s a paper written by Duanzhao and Zhang Jingyan, who gained a great success because of this paper. We got some techniques about SWOT analysis model after reading it, and then we did SWOT about Mr. Pizza. We used the SWOT analysis model in it to analyze the difference between Mr.

Pizza and its competitors, especially the pizza industry leader. This is helpful to find what Mr. Pizza lacks by comparing it with successful pizza stores like Pizza Hut. 4.

Modern business statistics by David R. Anderson. This book could be our reference due to the different data analyzing and presenting techniques. It mainly guided our research in the data collecting and analyzing stage.

So, our research framework goes like this: We made 4 assumptions by secondary data, then after discussing with industry expert, we narrowed down to two assumptions. On the one hand, we used the targeting step and SWOT analysis model to verify the marketing problem Mr. Pizza has. On the other hand, we analyzed our survey data through pie chart, bar chart to verify the targeting and position problem. Methodology Research Design The research design is a roadmap for conducting the marketing research project. From the second data, we know Mr.

Pizza??™s original plan was expending to 300 franchise restaurants in China by 2008, when Mr. Pizza entered China market. But so far it has only opened 20 stores. So here comes the question that why did Mr. Pizza fail its plan for 2008 Aiming to figure out the question, we mainly made two assumptions: Mr. Pizza lacks of promotion and has a problem on target segments.

In order to test the accuracy of our assumptions and help reduce management error in decision making, we make an exploratory research by designing a questionnaire. Data Collection Methods In our research, both secondary data and quantitative data were collected. Secondary data: In order to know the current target segments and promotion of Mr. Pizza, we mainly collected secondary data from official website of Mr. Pizza, other website and some magazines. And from those secondary data, we know the

current target segments are urban white-collar female. What??™s more, we know the promotion of Mr.

Pizza mainly include some advertisements, sales promotions and public relations. We can find some advertisements in Tudou web, but actually, these all come from Korean, and we could not find any in China. Sales promotion includes discount and coupon.

Besides, Mr. Pizza also makes a specific discount for female on Woman??™s Day and Woman??™s Week. For Mr. Pizza the most unique promotion method is a public relations activity. They often organize some public activities on the street and even join some particular TV program such as the YongLe Party in CCTV2.

Survey / Questionnaire (quantitative data): Through the questionnaire, we plan to test our assumptions that the main reason why Mr. Pizza expands slowly in China lays on the swift in marketing segments after moving from Korea and the lack of promotion in China. The questionnaires were sent to the patrons in Mr. Pizza and the passers-by in the street. Questionnaire Development and PretestingThe questions in the questionnaire center on promotion and market segments. In a detailed manner, customer profiles will be focus on demographically and behaviorally, besides, efforts of Mr. Pizza in marketing, competition and promotion will also be covered. In this way, we can locate many potential problems that may cause its failure in expanding.

Each single question has a function in getting the needed results for our later analysis. But still, the macro environmental and the management cannot be covered by this questionnaire. The structure of the questionnaire is very

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important to attract the respondents. So we pay much attention on the format and contents of the questionnaire. First, the questionnaire is only one page because most people don't like to answer too many questions and a two-page questionnaire may discourage many potential respondents. Then, we avoided ambiguous questions and sensitive questions like the age or the salary. Last, we made a special lucky draw box with 2 "salad for free" paper tapes in it as an incentive to respondents who are willing to fill the questionnaire. If the respondent is lucky to select the "salad for free" tape, we will pay for the salad.

Besides, the contents of the questionnaire are also very crucial to gain the needed information. Many types and forms of questions were asked in our questionnaire. We have 2 scales, 8 multiple-choices and 2 unstructured questions. The scales and multiple-choices have less interviewer bias and they are easy to code and analyze. The open-ended questions can provide rich insights and have less bias in response. Sampling About the sampling of the research, the target population is existing customers and potential customers.

For the existing customers, we mainly selected people from the customers in Mr. Pizza, while for the potential customers, we selected sample from the people who passed by the store. Because we selected people from patrons and street, we did not have sampling frame in our survey.

About the sampling technique, considering the need for least time-consuming and most convenient procedure, we used convenience sampling to select the people. Due to the fact that our research is a quantitative

research, we need to collect data from a large number of representative cases. And in order to make the data more valid and accurate, we sent 400 questionnaires to the people and received 300 valid questionnaires.

Fieldwork In the survey, those questionnaires were sent by ourselves.

Everyone took part into this research, sending questionnaires and collecting data. Before making the survey we made some proper training to ensure high-quality data collection, such as how to make an initial contact and the way to ask questions.

Besides, as an incentive to respondents who are willing to fill the questionnaire, a lottery was provided. If the people get the lottery, we will pay for their salad. Research Results Our questionnaires were sent to two groups of people. 300 were for the patrons who dine in Mr. Pizza and the other 100 were for those passers-by. And by our analysis, we finally concluded that the failure of expanding lays on the insufficient promotion done in China. Because of the feature of our paper is staging report, the last procedure of depth interview with Mr.

Pizza??™s GMs and staffs for improvement strategy was not conducted. So we will just analyze the questionnaire and give out our suggestions based on the results in the next chapter about conclusion and recommendation. In the questionnaire, the first two questions were mainly designed for the first group to identify the real market segment of Mr. Pizza, while the others were designed for the whole groups of people. The purpose of the first two questions is to test the accuracy of our assumption that it is because the target market of Mr. Pizza changed after coming into China that caused the failure of Mr. Pizza??™s expansion. By asking the gender and job category of

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people, we found out that the large proportion of customers were urban white-collar female, which is the same as the expected target market of Mr. Pizza. So we overthrew our assumption about the deviation of target market. The third question asks about the behavioral feature of respondents whether they are heavy goers or not. And together with the next question, we got the reason why they go to Mr. Pizza under that frequency. After analysis, we found out that for those who have been to Mr. Pizza, 72% of them went to Mr. Pizza quarterly or monthly.

These people thought that the price in Mr. Pizza is a bit higher but the service and food quality worth that much money. As for those passers-by, 40% of them had not been to Mr. Pizza before. The fifth question is about people's preference towards Mr. Pizza and the following one question is designed for knowing the reason. One represents the most favorable and six represents the least favorable. According to the investigation, we found out that 27% of the passers-by, that is 6% out of the total respondents did not like Mr.

Pizza at all because either of them doesn't like to eat pizza, or they are loyal customers of other restaurants. So, this answer gives out the information that Mr. Pizza did not do enough to attract the customers and it did not put much effort on publicity to make it well known. 76% of the respondents ranked from 2 to 4, because although they like the service and the emphasis on health and quality, the store does not have convenience facilities like toilets or waiting zone. But there were still 30 people felt totally

satisfied about the overall performance of Mr. Pizza, which occupies the percentage of 10. We asked people to rank the restaurants in Question 7.

This question is about the competition. And Mr. Pizza is in the first place. We analyzed that the respondents are mainly from the customers in Mr. Pizza. They were satisfied about the service of it.

And some people who choose Pizza Hut are mainly from the other 100 people in street, because its brand image is more spreading and powerful. Question 8 and Question 9 are also about the competition of Mr. Pizza. We combine these two questions together to analysis.

Question 8 is about why you choose Mr. Pizza and Question 9 requests people to rank the food quality in restaurants. Through the results, we realized that the quality directly influenced the choices of customers, especially among white-collar. Mr.

Pizza is a high-quality restaurant and meets the expectation of high standard. For example, when you are eating in Mr. Pizza, the server will kneel down to record your order, which is the indication of ??? customers first???. And it is also an outstanding competitive advantage. Next question is about the source you hear of Mr. Pizza. It belongs to the aspect of promotion. From our research, it reveals its weak promotion.

Mr. Pizza mainly relies on word of mouth. Word of mouth is the most reliable and cheapest way, but it is too narrow, that is to say, there still are many people who cannot be reached.

Therefore, it causes the fact that many people do not know this brand. So the promotion is the big problem. Question 11 is about the marketing. It asks people in which place should Mr. Pizza be opened. The chart shows that our assumption of the problems in marketing is not accurate. Most people selected office building??” the workplace of white-collars.

Besides, residential and shopping areas also should not be ignored. Mr. Pizza should pay more attention on these two areas. So the marketing is not the main problem. The final question is about the expansion in people??™s minds. This is the core question. One represents the most favorable and five represents the least favorable.

Most respondents considered it necessary to build more stores in China. Customers have expectation and they reflect that it is hard to find Mr. Pizza in crowded areas because of the limited numbers of its stores. In addition, the result also shows that our research is meaningful to help Mr. Pizza in solving its expanding problem. After analyzing the results of our entire questionnaire, we agreed on our initial assumption partially. Firstly, we knew that marketing is not the main problem. The target market of Mr.

Pizza is really white-collar. Among our respondents, most people are white-collar and would like to see Mr. Pizza in office building. However, the problem lays on the promotion. Mr.

Pizza has no advertisements in China, and other aspects such as newspapers and magazines are also weak. These factors directly influence the spreading degree of Mr. Pizza. There is another problem that People who eat at Mr. Pizza like its service and good quality food very much, while those who do  
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not know this brand will not realize its excellent advantages. In Promotion is very important.

In conclusion, promotion is the biggest problem of Mr. Pizza. Therefore, we will focus on this problem and process further study in future. Conclusions SWOT analysis of Mr. Pizza Strengths 1. The location of Mr.

Pizza makes it possible to attract a large number of consumers who like pizza. Mr. Pizza always locates its restaurants in the business center in order to capture more customers and its influence circle. 2. The handmade pizza is more nutritious and healthy. The flour used in making dough comes from western Canada, whose protein content is higher than the others. Thus, Mr. Pizza's dough is much mellower and more elastic.

And the dough hit and kneaded in a special way, would be baked at a very low temperature of 150° for a long time. All the processes above finally create the most flavorful pizza in Mr. Pizza and the way they made pizza show their official slogan “ Love for Women”. 3.

The 8th day of each month is the “woman's day” in Mr. Pizza. That day female customers can get discounts of their product.

And sometimes during holiday like “the golden week”, the company would hold activities which would attract a lot of consumers. These activities would create the image of loving women and do a lot of advertising and promotion for the restaurant. 4.

Mr. Pizza aims to create a homey and harmonious ambience to the consumers. Dining in Mr. Pizza, consumers are not only embraced by neat and royal ambience but also at home full of love. 5.

With a small scale, Mr. Pizza could successfully control its food and service quality to become more competitive in the market. Maintaining quality is a 64 dollar question Mr. Pizza needed to deal with all the time since the restaurant announced the specialty and difference of their handmade pizza.

Weaknesses 1. The size of the restaurant is not big enough and there are not enough seats, so Customers need to wait there. What??™s worse, there is no waiting areas in the store. It shows that the restaurant is very popular but the waiting problem will decrease the sales because consumers are not patient all the time. 2. Mr.

Pizza has very little advertisements in China and they promoted themselves mostly by attending and holding public relationship activities and by word of mouth. Mr. Pizza holds activities like ??? woman??™s week??? in order to gain more attention.

However, the week promotion in China results in low awareness. 3. The limitation of delivery service considering areas and time results in the fact that plenty of customers could not be able to enjoy the dinner at any given time or without the delivery range. 4. No matter how good quality the food and service of Mr.

Pizza is, Mr. Pizza cannot change the fact that it originated from Korea. Most customers would not regard the pizza of the restaurant as the genuine Italian

handmade pizza at their first sight, which results that the brand influence of Mr. Pizza is still low.

Opportunities 1. Mr. Pizza, known by limited small group of people, develops well but in small scale. Mr.

Pizza has the opportunity to develop a large and famous franchise company in China according to the good economy outlook in China. 2. Many young people have changed their eating habit. The young have accepted western food and most of them like it. The changing of eating habit would bring a spring for the development for the western food restaurant. 3. There not many Pizza restaurants in China, which means that Mr.

Pizza have great opportunity to expance its region. Threats 1. Western food is getting more and more popular in China.

More and more western food chain restaurant entered China market. On the other hand, the competition would become fiercer. 2.

Other restaurant could introduce new product like Mr. Pizza themselves. Mr.

Pizza needs to keep its customers to maintain its market share. 3. People??  
™s eating habit changes all the time. Mr. Pizza should cultivate the perception and culture of eating handmade pizza, just like what KFC did. In this way, the company could seize more customers and keep a high customer loyalty. Brief comparison with Pizza Hut Items| Pizza Hut| Mr.

Pizza| Publicity| Very famous| Known by small group of people| Scale| Very large scale, international chain| Small scale and larger potential in

development| Management| Hard to manage such a large company| Easier to manage the company| Limitations of our research

There are kinds of limitations when we did this marketing research. First, we could not get the internal information of the company because that is regarded as trade secret. And it is hard to evaluate the influence caused by the macro-economy environment. Second, the sample of our research is limited because the limited respondents and the survey only implemented in Tianjin. Third, our members of the marketing group lack professional knowledge in marketing research and the research is time limited.

Recommendation 1. Mr. Pizza should open more restaurants in China in mature business center where the transportation is more convenient. 2. Mr. Pizza should cultivate people's habit of eating handmade pizza in to gain more consumers and keep higher consumer loyalty.

3. Promotion is a big problem to Mr. Pizza. With more promotion, the company could attract more eyesight. With stronger promotion, the company could improve the brand value and brand influence step by step.

4. Facing such a larger and prosperous market, only 20 franchises in China are far more than enough. Mr. Pizza should open more restaurants to expand its region and get larger market share. References P. K.

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Your gender is 1. Male 2. Female Q2. You are 1.

Foreigner 2. Student 3. Blue Collar 4. White Collar 5. Others Q3. You go to Mr. Pizza at least once a 1.

Week 2. Month 3. Quarter 4. Year Q4. Please write down the reason why you go to Mr.

Pizza in that frequency. Q5. How do you like Mr.

Pizza according to your preference Place an ??? X??? on the Applicable Blank Space: Most Least Favorable 1 2 3 4 5 6 Favorable Q6. Explain why you like or dislike Mr. Pizza according to the previous question Q7. Please rank the restaurants in below. 1.

Pizza Hut 1. 2. Pizza Hill 2. 3. Mr. Pizza 3.

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4. Barbera. 4. Q8. Based on Q8, what is the reason for choosing your favorite restaurant 1. Price 2.

Quality 3. Service 4. Environment 5. OthersQ9. Please rank the food quality in these restaurants.

1. Pizza Hut 1. 2. Pizza Hill 2. 3.

Mr. Pizza 3. 4. Barbera. 4. Q10. From which source were you aware of Mr. Pizza 1.

Magazines or newspaper 2. TV programs 3. Friends or relatives 4. News 5.

Advertising 6. I didn't know before Q11. Mr. Pizza should open franchise stores 1. In shopping mall 2. Around school 3. Near office building 4. In resident area 5.

In other placesQ12. Do you think Mr. Pizza should have an expansion in China market Place an X on the Applicable Blank Space: Most Least Favorable 1 2 3 4 5 6 FavorableThank you for your participation!