

A case study on kentucky fried chicken marketing essay



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KFC Corporation, based in Louisville, Kentucky, is the world's most popular chicken restaurant chain. It primarily sells chicken specializing in Original Recipe®, Extra Crispy®, Kentucky Grilled Chicken™ and Original Recipe Strips with home-style sides, Honey BBQ Wings, and freshly made chicken sandwiches.(www.kfc.com) KFC was founded by Colonel Harland D. Sanders in 1964, KFC operates restaurants in 109 countries and territories around the world. KFC operates more than 5, 200 restaurants in the United States and more than 15, 000 units around the world. KFC is part of Yum! Brands, Inc., the world's largest restaurant company in terms of system restaurants, with more than 36, 000 locations around the world. The company is currently ranked 239 according to Fortune 500 List, with an excess of \$11 billion revenue in 2008.(<http://www.kfc.com/about/>) PRODUCTS AND SERVICES

KFC's main product is pressure-fried pieces of chicken made with the original recipe. The other chicken offering, extra crispy, is made out of garlic marinade and double dipping the chicken in flour before deep frying in a standard industrial kitchen set machine. It also serves potato chips and wedges, coleslaw, zinger burger, depending on the international location. (www. wikipedia. com)

MISSION STATEMENT

To sell food in a fast, friendly environment that appeals to pride conscious, health minded consumers (www. KFC. com) KEY SUCCESS FACTORS

-Quality

-Service

-Cleanliness

satisfying the customers' needs.

COMPETITORS

KFC competitors are pizza hut, macdonalds, and dominoes.

MARKETING ANALYSIS OF KFC

SEGMENTATION

Market Segmentation is a way by which an organization or firm divides its target market into different homogenous groups in order to identify and

meet the needs of its target customers.. They are four bases of market segmentation.

KFC has divided its market into distinct groups of customers to meet their needs.

Geographic Segmentation

KFC has over 20, 000 outlets all over the world and it segments its market geographically by regions KFC offers different varieties of chicken depending on tastes in a certain country. In north India, chicken is their primary product while in the north, vegetable is usually preferred to chicken. KFC also segments its market based on size of the population. In India, KFCs outlets are found in urbanized areas that are densely populated. Geographic se

For instance In north India, chicken is their primary product while in the north, vegetable is typically preferred to chicken.

Demographic segmentation

In demographic segmentation, the market is divided into different groups based on age, sex, nationality, income etc KFCs segments its market according to

Age(7-60)

Sex(Both Males and Females)

Income(for high income earners and average income earners)

Also, segmentation may be based on ethnicity; an example in China, some ethnic groups in China prefer hot and spicy food while others like it plain. It is therefore necessary to meet the needs of these clients differently if one owns a chain of restaurants in those different regions.

Physographic segmentation

Psychographic segmentation refers to the use of consumer lifestyles as a basis for classifying ones' customers. Since different people have different interests and activities, then such an approach would be feasible in marketing. In this approach, companies may classify their consumer on the basis of their values. In Psychographic Segmentation, segments are divided on the basis of social class,

lifestyle and personality characteristics.

Psychographic variables include: Interest, lifestyles, opinions,

KFC market is tailored to satisfy the needs of the wealthy or classy customers.

Social Class

Middle class, Upper class and Lower class

Life Style Not Specific

Personality Authoritarians and Ambitious

MARKETING MIX

Marketing mix is referred to as the set of controllable tools that the firm blends to generate the response it wants in the target market, so it consists of everything the firm can do to determine the demand for its product (Kotler and Armstrong, 2004)

PRODUCTS

KFCs main product is fried chicken. its chicken comes in different flavours. It also serves burgers, beverages like drinks and snacks. In other countries it sells mashes hamburgers and pork ribs depending on the region or location. KFCCHINA.

Menu

CHICKEN BURGER SIDEDISHES

Chiken loaf Triple Crunch Zinger Sandwich

Twisters

Roasted Chiken wings Crispy chicken pastoral burger Soup

Chiken stripes Beef burger Corn salad

Chiken popcorn Cheese egg burger Porridge

Source: (www. kfc. com. cn)

KFC AUSTRALIA

CHIKEN BURGERS SIDE DISHES OTHERS

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Popcorn chicken Fillet burgers potato Kentuck nuggets

Roasted chicken Zinger burger Coleslaw Wicked wings

Bacon and cheese burgers Seasoned chips Crisp strips

Source: (www. kfc. com. au)

KFC INDIA

KFC primary product in India is pressured fried chicken,

CHIKEN Burgers SIDE DISHES Others

Original chicken Veg zinger burger Corn Crushers

Boneless chicken Chiken zinger burger Colesaw Twisters

Hot & crispy chicken Corn on the cob sundaes

Source: www. kfc. co. in

PRICE

KFCs adjust their prices according their market segments. It could be family size, income, and customer behavior towards its products. They also adjust their prices depending on the location. In highly posh areas, prices may be higher than that of medium or semi urban areas.

KFC products are highly priced because they target the medium income and high income earners.

Family size: KFC targets family with its family pack offer

Consumption Behaviour: KFC adopts its pricing strategy according to consumer behavior in a particular region. eg taste differences eg halal chicken is preferred in the muslim countries.

Income: KFC adjust its prices according to the income of individuals in a particular target area.

Location: It adapt its pricing strategy geographically according to the size of an area. Eg Urban and semi Urban areas like Melbourne, London, Delhi etc

PLACE

KFC uses the push strategy to due to high completion in gast food business

KFC locates most of its outlets in commercial areas. The commercial areas are highly populated thus generating more revenue for the company. They provide their products directly to the customer. KFC distributes its products by using a delivery van in selected countries. KFC also places its outlets in schools, cinemas, sports centers to attract the young ones. They aslo provide outlets to cater for non vegetarians

PROMOTION

This is a method whereby KFC utilizes a wide range of promotion tools in marketing its products to its target audience. Promotion is an essential marketing tool used by KFC in attracting chicken lovers. IT uses public relations, Tv and radio adverts, Organizing events, discounts or sales

promotion depending on its target audience. The company's anthem "finger licking good" is very common term seen or heard when KFC chicken is being advertised through Tv, radio or billboards. The company also uses sponsorship as a way of promoting its chicken. It is the official sponsor of the Australian cricket team. In America, KFC has a programme called pride 360 which promotes black college expo, black history, and black music in Louisville community of United states. (<http://www.kfc.com/promos/>)

MARKET ENTRY METHODS

The primary method by which KFC penetrates the international market is through international franchising, other methods could be through a joint venture and wholly joint subsidiary depending on the country. This is to reduce financial risk and cost of operations. Yum group develops KFC restaurants throughout the world through franchising. (www.yumfranchises.com)

KFC CHINA (EAST ASIA)

KFC was the first fast food chain to open its restaurant in china. The restaurant was opened in 2004. KFC encountered problems in 1999, when its store were wrecked angry protesters who protest against the mistaking bombing of the Chinese embassy in Yugoslavia during the NATO air campaign. KFC had to discontinue serving new Orleans roasted chicken an American chicken because of its health issues.

KFC AUSTRALIA

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TASKTWO

UNDERSTANDING CULTURAL DIFFERENCES IN INTERNATIONAL MARKETING:
A CRITICAL DISCUSSION ON THE IMPACT OF CULTURE ON THE THINKING OF
INTERNATIONAL MARKETING.

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1. 0 INTRODUCTION

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The past few decades has witnessed a growing number of businesses expanding their operations internationally. This expansion has led to a number of marketing strategies been adopted by international marketing managers regarding marketing internationally. For business to operate an international market successfully, they must understand cultural differences in their target countries respectively. “ Managers need to broaden their perspective, adapt to other cultures, and make decisions that reflect the needs and desires of those cultures.” (Rugman & Hodgetts 2003 p 126). This discussion critically gives an insight into cultural differences, conceptualization

1. 1CONCEPTOFCULTURE

Culture is a complex term that composes of different definitions. Several Authors have given various definations of culture. Hofstede (1980, p87) defined culture as the “ collective programming of the mind which distinguishes members of one human group from the other”. Leung et al(2005) also defined culture as the “ values, beliefs, norms, and behavioural patterns of a national group”. According to Yaprika (2008), Nakata and Huang’s(2002) definition of culture as “ that complex whole which includes knowledge, beliefs, arts, morals and habits acquired by man as a member of a society” defines culture from an international marketing perspective. He further said that these beliefs, customs and habits influences an international marketing managers thinking when adopting marketing strategies and adapting marketing mix.

Thus Understanding culture is critical to International marketing mangers when developing marketing policies to suit a particular target market in a

country. Earlier studies on culture research focused on Gert Hofstede's four cultural dimensions and Hall's High and low context culture (Yakram 2008). According to Yakram (2008) article, Nakata and Sivakuman (2001) developed a conceptual framework of how the concept of marketing can be applied in multinationals through Hofstede's cultural dimensions. Similarly, Rutson et al (1997) suggested that national culture plays a huge impact on work values. He further stressed that international managers must understand that the determinant of the success or failure of a product depends on how marketing decisions made interact with the culture of a country. For example, Kentucky Fried Chicken must realize that the way it prepares its chicken in USA for instance may not work in Islamic countries due to religious beliefs and customs.

1.2 CULTURAL FACTORS THAT AFFECTS INTERNATIONAL MARKETING

Terpstra & Sarathy (2000) stated that understanding the cultural environment of a country would assist marketers to adapt their marketing strategies if they take the ingredients (elements) of culture into consideration. The elements comprise of language, religion, values & attitudes, education, social organizations, law politics, material culture and aesthetics. These elements are essential ingredients that affect the international marketing managers' thinking.

1.2.1 Language

According to Terpstra & Sarathy (2000, p95) Language is a distinct cultural difference that must be dealt with. Therefore for international businesses to interact with employees, consumers, customers they must understand the

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local language. (Terpstra & Sarathy 2000) Studying a foreign language is an essential tool for obtaining information about a country. If a foreign country that has several spoken languages it therefore has several cultures. In Nigeria, they are 3 main languages, and over 50 local languages. These languages are attributed to different cultures. However, language could pose a barrier for international marketers if they are several languages spoken in one country. For instance, marketing is highly dependent on communication so it would be difficult for marketers to advertise, brand and package their products. If managers cannot speak and understand the local language it would be difficult for them to promote their products to their target audience. Another problem could arise in wrong interpretation. Taking a look at KFC in China where English is not spoken, Management need to train and employ the locals of China in order to successfully establish their market.

1.22 Religion

Religion is another aspect of culture that multinationals handle with caution. Various religions have impacts on consumer behavior and purchasing patterns of a country. In the middle east and Arabic countries Islam is the religion. According to Terpstra & Sarathy (2000) Introducing new products in the Islamic environment could be difficult. Religious holidays or festivals such as Ramadan are strictly adhered to. Religion is important to Managers because it influences lifestyles, beliefs, values and attitudes. It also affects work and societal customs as well as politics and business in general. According to Wind & Douglas (2007) in their article on International marketing segmentation,"

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Difference in belief systems between cultures may affect consumer behavior and purchasing patterns” Dietary laws associated with one religion could affect marketing of food products and service delivery. (Wind & Douglas 2007) For example, According to Islamic religion, a chicken must be drained of blood before it is cooked or prepared(Halal). It is believed that eating a chicken with blood could affect your spirituality and deeds in Islam. This affects the marketing mix of Fastfood companies that are based in Islamic countries because they have to abide by the Islamic law. Hence religion affects international marketing in a number of ways. The economic role of women in Islamic countries could affect advertising. 1. 23 Aesthetics

. According to Rugman& Hodget (2003 p. 131), Aesthetics refers to artistic taste of a culture. This taste could in forms, colours, music, design or packaging. Aesthetics values vary depending on the country. International companies need to be aware of the different taste in culture. This is because what is generally accepted in one country may be a taboo in another country. Aesthetic values have an impact on the production and packaging designs of manufacturing industries that operate abroad. International managers need to be aware of taste in colors and symbols when packaging and distributing their products. In 2006, KFC was heavily criticized in china for dishonouring culture by advertising an old Taoist surrounded by his followers holding a chicken burger and claiming it as a master piece. This caused KFC to change its advertising method. Source(www.newsgd.com)

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1. 24 Customs and manners

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Customs and manners have a significant impact on consumer behavior, consumption patterns and product packaging. In the United States and Europe black is used for mourning the dead, while in Japan and the Far East white is the color used for mourning. In countries where status quo is highly regarded, Multinationals have to send a delegation of senior staff to carry out a business negotiations. Morality is another thing that differentiates cultures. What is viewed as moral in country may be viewed as highly immoral in another country. For instance, USA it is permitted for Man and woman to dress half naked on the beach whereas in Arab countries, women are not permitted to reveal their faces when going out.

1. 25 Values and Attitudes

Values are shared beliefs or group norms that have been internalized by individuals.(Czinkota, M et al 2001, p45) An attitude is a persistent tendency to feel and behave in a particular way towards an object(Rugman &Hodgetts 2003, p129). Values and attitudes vary between and within countries. In that case International marketers need to adjust their promotion methods or brand messages.

1. 3 CULTURAL DIMENSIONS

Over the last two decades, several researchers discovered different dimensions to culture. Geert Hofstede proposed four dimensions to culture, which comprised of collecting data(questionnaire) from over 40 countries. Halls also developed the high context culture which is characterized by less verbal communication, family ties, long term relationship(collectivism) and the low context culture which is characterized by more interpersonal

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relationship. (Hall&Hall 1986) In this discussion, Hofstedes cultural dimensions and Hall's high and low context will be analyzed in four countries, namely United kingdom, Australia, china and India because of the cultural similarities and differences between these countries. 1. 4

HOFSTEDES CULTURAL DIMENSIONS

Geert Hofstede, a dutch scholar discovered four cultural dimensions which is now used as a framework for understanding differences in national culture in different countries of the world today. In my research, I discovered his dimensions to culture had strengths and weaknesses. Hofstedes cultural dimesnsions did not focus different cultures that exist within a country. In countries like Italy, Canada, and Nigeria, different norms, values, and languages are present. This dimensions to culture only analzed people of a particular country not people within a country. To further buttress my argument, Galit Alion(2008) critized hofstedes observations. He argued that analyzing and gathering results of research on culture from a single multinational(IBM) cannot be applied to the national level.

He further refuted hofstedes methodology by saying it was invalid. Hofstedes research was carried out from an organizational perspective rather than a country level perspective. Similarly, Professor Benden mcsweeney in the article " Hofstedes model of national cultural differences and their consequences.. A triumph of fate, A faluire of analysis" critized Hofstedes cultural dimensions. He argued that IBM as a micro- location in a nation is not typical of a nation itself. According to him, Surveys are not an appriopate way of determining cultural differences and every individual in a nation cannot share the same national culture.(www. geert-hofstede.

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international-business-center. com) Regardless of the weakness of Hofstede's models, it is still an important framework in determining cultural differences. We will now look at the five(5) cultural dimensions of Hofstede 1.

1.1 POWER DISTANCE

According to Hofstede (1980) Power distance is the extent to which the powerless members of organizations and institutions accept that there is inequality in power. In Hofstede's model, he revealed that in countries characterized by high power distance cultures, social status or status quo is very significant and privileges are expected for people in authority. On the other hand, in low context cultures, the interdependence between people in power and the less powerful. High power distance includes countries like France, India, Nigeria, China and Arab nations while low power distance countries include USA, UK, Sweden etc. Looking at figure 1.1 (Australia) and figure 1.2 (UK). Both countries have a low power distance of 30 which implies that the gap between those in power or authority and the ordinary citizens is little compared to China (75) and India (72). For example, for KFC an American company to be successful in India, there must be a high gap difference in power, respect or authority between management and subordinates.

1.2 UNCERTAINTY AVOIDANCE

This deals with a society's tolerance for uncertainty and ambiguity. (www.geert-hofstede.com). This dimension indicates how people in a particular culture are willing to accept change. It also shows the extent to which people of a culture feel uncomfortable

or comfortable circumstances. Hofstede (1980) stated that uncertainty avoiding cultures always are not receptive to change and strictly adhere to laws, rules and safety measures. On the otherhand, Uncertainty accepting cultures are more receptive and open to change or new ideas. In Hofstedes Uncertainty avoidance index(UAI) china scored 60, while UK scored a low score of 30. This implies that International marketing managers in china, will avoid making risky marketing decisions otherwise it might adversely affect their employees. It is therefore expected that Chinese employees work effectively under a formal setting as against an informal setting. In contrast, the UK employees would work better in an informal setting with less strict laws and will readily accept change and risks. Therefore marketing managers need to be careful not to impose rules or laws unnecessarily when dealing with low UAI countries and plan , prepare, and focus on strategic and tactical part of a project.

1. 43 MASCULINITY AND FEMINITY

Masculinity refers to the distribution of roles between men and women and how much a society sticks with gender roles.(www. geert-hofstede. com). His studies further revealed that women roles differ less among socities than mens roles. He also revealed that mens values from various countrues have an assertive approach in business which differentiates it from womens norms and values which is having a caring or modest attitude in work,(www. geert-hofstede. com) In hofstedes Mascuniity index, Australia scored a highscore of 55 while UK sored 60. This means that they share similarities in work values. They both have a moderate masculine culure where men and women work equally in many preferences.

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1. 44 INDIVIDUALISM AND COLLECTIVISM

This dimension focuses on the relationships between individuals and groups. Collectivism is the degree or extent to which individuals are integrated into groups while individualism on the other hand focuses on individual taking care of himself. (Hofstede 1980) In comparing two countries that have high individualism and low individualism, Figure 1. 2 and Figure 1. 3 we will look at Australia and China. According to Hofstede, China has a low score of 10 which makes it a highly collectivist country while Australia has a high score of 90 which makes it a highly individualistic society. The former fall under a low context culture while the latter falls under a high context culture. For International managers , this implies that in China (collectivist) society, hiring and promoting an employee must be ingroup based while In Australia, employee recruitment and promotion must be based on individual skills.

HOFSTEDES CULTURAL DIMENSION

Figure 1. 2 Australia and United Kingdom

Figure 1. 3 China and India

Source: <http://www.geert-hofstede.com>

SUMMARY

This discussion has been able to look at how culture could affect International marketing.

For international marketing managers to succeed in an international market they must

Respect the culture of their target country

Understand that differences exist within each culture

Understand the importance of language when marketing internationally

Acknowledge the differences in religion, attitudes and customs when making marketing decisions.