

Kfc is a major quick serving restaurant marketing essay



**ASSIGN
BUSTER**

KFC is a major quick serving restaurant (QSR) serving over 12 million customers on a daily basis through its 21, 400 restaurants in 109 countries. This assignment views the marketing strategy that KFC implements. Prior to that, the assignment gives an introduction about KFC, its establishment and history. Throughout the years, KFC has lost a large number of their market share to other healthier fast food restaurants due to the fact that consumers have become more health conscious. In response to the consumer's demands, KFC introduced a healthier product that is mainly targeted at health conscious people.

KFC faced a variety of problems and issues in 1994. Still the world's largest chicken chain and third largest fast food chain, it continued to grow at a healthy rate worldwide. It also continued to control one-half of all chicken chain sales in the U. S. and had one of the world's most recognized brands. In addition, its new rotisserie chicken and buffet had been tremendously successful in those markets where they had been introduced. However, while prospects for continued growth internationally were bright, continued growth within the domestic markets was threatened by a number of industry and societal trends. Competition from sandwich chains and new chicken chains, as well as consumer demand for a wider variety of menu offerings, forced KFC to reanalyze its product strategy. At the same time, KFC and other fast-food competitors were forced to improve product offerings and to serve their product faster and with better service to consumers who increasingly demanded greater value for their money.

Furthermore, the assignment provides an insight into the organizational purpose of KFC. Current strategies and recommendations include the <https://assignbuster.com/kfc-is-a-major-quick-serving-restaurant-marketing-essay/>

analysis of the strategies that KFC is using to expand and maintain its market share.

INTRODUCTION

KFC Corporation originally known as Kentucky Fried Chicken was founded by Harland Sanders in Louisville, Kentucky was owned by PepsiCo, Inc in 1986.

KFC is the world's most popular and third largest fast food chicken developer and franchiser. KFC is globally famous for its Original Recipe® fried chicken.

It has 5200 units in US out of which 60 percent are franchised. KFC is well known for its fried chicken and has 15, 000 outlets in the world so it is

globally well known. Company participates in many joint venture operations as well and always tries to find out alternative venues to increase market share to gain better position in the competitive fast food market and

establish a stable position. KFC is a part of Yum! Brands, Inc. which is world's largest restaurant company possessing revenues of \$11 billion. KFC is part of

the two PepsiCo divisions, which are PepsiCo Worldwide Restaurants and PepsiCo Restaurants International both based in Dallas. David Novak is the

president of KFC. KFC restaurants are located in 109 countries and territories around the world and serves 12 million customer everyday generating sales

of nearly \$10 million per year. KFC is able to provide employment to more than 24, 000 people globally. (Jain, 2009)

MISSION

KFC is committed for customer satisfaction by giving them excellent quality of food and best services beyond par excellence and best value for the

money that they spend. KFC believes in serving both customer and society

by continuous improvements. The main mission of KFC is to sell food in fast
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and friendly environment and to establish as leading WQSR (western quick service restaurant) chain serving good value and innovative chicken based products. (KFC Holding, 2007)

VISION

KFC is all about food, fun and festival. KFC provides ultimate chicken meals every bite brings a YUM on customers face. The vision of KFC is to be the leading integrated fast food restaurant delivering consistent quality products and excellent customer focused services globally.

VALUES

KFC's passion is always to satisfy customers and do better than competitors.

The values of KFC lie in CHAMP principles which mean:

kfc_champs_logo. png

C : Cleanliness is maintained all times

H : KFC is always hospitable and courteous at all times

A : Orders are taken accurately

M : Maintain the best standards

P : Products are of the highest quality

S: Service is very speedy at KFC.

MARKETING STRATEGIES

Marketing strategies of KFC is based on Product quality. KFC uses push strategy for marketing to create awareness and be different. KFC targets young generation in the market segment as they are more energetic and prefer more eating out at the fast food restaurants. It targets early single segment that is the upper class. It offers combo meals as focused on Niche marketing.

Market Share

KFC is most renewed brand in chicken with 50% market share giving tough competition for companies like Chicken planet, Mc Donald's, Dixie or the new entry in fast food market. The underlying theory for examining market growth rate is the product life cycle. The BCG considers the life stages of products and implies their influence on the company's financial data.

Placing products in the BCG matrix results in 4 categories in a portfolio of a company.

KRUSHERS

Veg Thali

Chicken Bucket

Boneless ChickenC: Documents and Settings\heta\Desktop\00 (2). jpg

Source: http://www.mrdashboard.com/BCG_Matrix.html

1. Stars = high growth, high market share.

The star product of the company is its crispy Boneless Chicken. It has a high market share and brings in high revenue. But it also has high developmental expenditure involved. The profit therefore is generally not very high brought in by this product. This product is CASH NEUTRAL for the firm. The company is trying making this product a cow as well, by reducing the expenditure.

2. Cash Cows = low growth, high market share

KFC's Chicken Bucket is the most successful product of the company. It has the highest market share amongst all the other products. It has good demand in the market and brings in huge sales revenue. The development and other expenses are also low and thus this product is a CASH SURPLUS for the company.

3. Dogs = low growth, low market share

KFC's Veg Thali comes under this category. Although company had launched this product much earlier, it has still failed to become a success. As KFC is known more for its non-veg food, this also results in low demand for this item. It has a low market share and although low on expenditure (as company does not spend on its promotion), it does not bring in much revenue as demand is low. The product is mostly CASH NEUTRAL.

4. Question Marks = high growth, low market share

Currently KFC have launched a new product in the market. They have also tried to come into the beverages market by launching its new brand of shakes called KRUSHERS. As it is a fairly new product it comes in the

category of the Question Mark in the BCG Matrix. It has a low market share
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thus brings low revenue. KFC is advertising a lot to popularize this product so there is a lot of expenditure on it. This product is individually not bringing any profits and is a cash drain for the company. Company may decide to completely remove this product from the market if it does not do well soon and start bringing in revenue.

Marketing Mix

Price

-List price

-Discount

-Allowance

-Payment

-Period

-Credit term

Product

-Variety

-Quality

-Features

-Brand name

-Packages

-Services

“ Marketing mix is the set of controllable tactical marketing tools, product, price, place promotion that the firms blend to produce the response it wants in the target market”

Place

-Channels

-Coverage

-Assortment

-Locations

-Inventory

-Transportation

-Logistics

Promotion

-Advertising

-Personal

Selling

-Sales

Promotion

-Public

Relation

Target Customer

KFC 4 P's

Source: <http://www.marketingindianbiz.com>

Competitive Analysis

Main Competitors of KFC are:

McDonald's Corporation- the McDonald's Corporation is the world's largest quick service restaurant chain. There are over 30, 000 McDonald's restaurants in more than 100 countries serving an average of 50 million people daily. From humble beginnings in 1955, the first McDonald's franchise restaurant in Des Plaines, Illinois, USA took in US\$366. 12 on its first day of business. (Arches, 2010)

Popeye's Chicken and Biscuits-sometimes named Popeye's Louisiana Kitchen or Popeye's Chicken & Seafood; often referred to as just Popeye's is a chain of fried chicken fast food restaurants, owned since 1993 by the Sandy Springs, Georgia-based AFC Enterprises, which was originally America's Favorite Chicken Company. According to a company press release dated June 29, 2007, Popeye's is the second-largest " quick-service chicken restaurant group, measured by number of units", with more than 1, 800 restaurants in more than 40 states. (Cajun, 2010)

A brief comparison between McDonald's and KFC and Popeye's chicken is as follows:-

Feature

KFC

McDonald's

Spicy products

Arabian rice and zinger burger

Big Mac and French fries

Delivery

Free delivery

Charges for delivery

Community

Chicken eaten by every community

Beef banned by some community

Staff

Local staff

Mixed cultural people

Management

Top to bottom approach

Bottom up approach

Co branding

KFC cobranded with walls

No such case

PORTER's FIVE FORCES

http://www.emeraldinsight.com/fig/12_10_1016_S1048-4736_07_00007-0.

png

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Source: emeraldinsight. com

Threat Of Entry

In the current competitive fast food restaurants it is not difficult to enter but major difficulty is to take over already present restaurants, KFC holds the advantage in non veg section of the market. KFC has established its brand name in a well manner and has got good stability and is famous for its secret recipe and fried chicken so entry of some new small restaurant would be considered as low barrier and won't affect KFC much.

Buyer/Supplier Bargaining Power

For individual customer there is no bargaining power as individual customer won't affect KFC because for one customer KFC is not going to change its price and the same is applicable for suppliers. KFC helps supplier by its latest technologies and giving them innovative ideas to improve their products. So the suppliers are available domestically and KFC can depend upon the local suppliers in case of emergency. As in Mexico the labor is unskilled set of people so labor cost is low. Hence the buyer and supplier have very little bargaining power and KFC can control prices and expenses very easily.

Substitutes and Complement

The major competitors of KFC are McDonald's, Pizza Hut, Domino's and Subway. Although they are in competition being in the same fast food industry but they are having different primary products. KFC have decided to choose prime tourist places so to increase sales in the great competition.

Many ready to eat food can be substitute for KFC but the general price and variety that KFC offers keeps customer stick to it. Mexico's small restaurant

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supports and complement the food industry along with KFC a minor example is Taco bell.

Rivalry

KFC has very negligible rivalry in the market as it has got its own market position and brand name and the core products are very different. The target customer is also very different and addicted to the fried chicken and wide range of food stuff offered by KFC. Just increase in price won't shift its customer.

PEST ANALYSIS

<http://img224.imageshack.us/img224/9120/competitiv1cp7.png>

Source: biz-development.com

Political :

Being in fast food industry KFC is regulated by government policies because of health issues. The license and franchisee business is also controlled by government therefore KFC has maintained good relation with government by giving ample of employment and paying regular taxes which is supportive for KFC to gain success in the competitive foreign market.

Economic:

The economy globally was very slow in last year but KFC was not much affected. The estimated GDP was 3 trillion US dollars. KFC has got potential economic capacity.

Socio cultural:

There is a continue increase in inclination of people towards fast food industry which helps in increasing the sales. The social and cultural aspect is of great importance and affects a lot of market share. The positive trend in KFC can be seen by analyzing the increase in sales in BRIC branches of KFC. India showed 90%, Brazil showed 20%, Russia showed 50% and china showed 60%.

Technological:

Lot of foreign players is entering the Mexican market thereby heating up the fast food industry in Mexico. The developed technology is giving better compete in the economic prices and wide range of variety in food stuff is biggest center of attraction for youth segment in the market as they are given various combo meals and other price saving deals.

KFC integrates technology in managing overall operations and increasing the profit. Implementation of new technology in KFC is making it more cost effective and better customer satisfaction, price reduction and many promotional campaigns.

Environmental:

KFC is always criticized from economical point of view we it is worlds largest beef and chicken consumer that causes green house effect so vegetarian environment people criticize KFC for slaughtering and being cruel to animals. Along with it the paper used for packing meals by KFC is not eco friendly. Therefore KFC has joined many environmental campaigns and have helped in keeping environment clean. KFC has started animal welfare program and

another is packaging and environment program that do humane treatment with animals and keep concern for environment.

SWOT ANALYSIS

STRENGTH

WEAKNESS

KFC's secret recipe.

Name recognition and reputation.

PepsiCo's success with management of fast food chains.

Traditional employee loyalty.

Improving operating efficiencies by reducing overhead and other operating costs can directly affect operating profit.

1. The many sales of KFC lead to a confusing corporate direction.
2. KFC has a long time to market with new products.
3. Conflicting cultures of KFC and Pepsi Co.
4. Turnover in top management.
5. Recent contractual disputes with franchisees in the United States.

OPPORTUNITY

THREAT

The Mexican market, which offers a large customer base, lesser competition, and close proximity to the US.

Peso devaluation has made it less expensive for US to buy assets in Mexico.

“ Dual branding” helps to appeal to the wider customer base and also provide higher profit.

New franchise laws in Mexico give fast food chains the opportunity to expand their restaurant bases.

New distribution channels offer a significant growth opportunity.

1. Saturation of the US market.
2. Increasing competition and rising sales of substitute products.
3. Changing preferences of consumers.
4. Obstacles associated with expansion in Mexico.

PROBLEMS

By doing SWOT analysis of KFC the following potential problems for KFC were recognized:

No defined target market.

KFC lacked long term approach and was not sure about the target market segment as the advertising campaign was not specific for any market segment there were drastic changes in demographic factors of every market but KFC did not considered those factors.

Saturation of the U. S. Market.

Due to increased competition and rapidly growing fast food chains access to restaurant is now very quick and easy. Now they are constructed at convent places like airports etc which are easily approachable.

Health Conscious Consumers.

With the increase in health awareness among people. Now all in America want to have a healthy diet thereby avoiding fried products which was the greatest disadvantage for KFC as it offers fried chicken both nutritious and calorie gaining.

Increased Start Up Costs.

Now KFC wanted the prime locations for its location which are costly and thereby expenses were increased exponentially. Because of implementing new technology efficiencies are increased but costs have also risen.

Low profitability and high risk of doing business in Mexico.

The major problem in Mexico market is highly unskilled labor that gave very little stability in the market. Employees had a strong cultural behavior that was inclined towards punctuality, absenteeism and job retention. So to train the employees high amount of money was spending overall impact was low profit margin and high expenses.

Franchisee Problems

KFC's ability to expand its distribution base was limited by an on-going feud with its franchisees. Through the mid -1980's, KFC's franchisees had been allowed to operate with little interference from kick management. This “

hands-off “ approach could be traced back to the 1950’s when Harland sanders sold his first franchise, and resulted mainly from the colonel’s lack of interest in franchise affairs . over time , franchise independence became a deeply rooted part of KFC’s corporate culture. When PepsiCo acquired KFC in 1986, one of its first step was to renegotiate a new contract which would give it more control over franchises menu offerings and operations , allowed it to close unprofitable franchises, and allowed it to take over franchises that were poorly managed. Such actions were viewed as critical to improving product and service consistency and improving KFC’s QSCV (quality, service, cleanliness, value) image.

The last contract between KFC and its KFC’s franchisees, prior to KFC’s acquisition by Pepsi co, was negotiated in 1976. This contract stipulated that KFC would not build any KFC unit within 1. 5 miles of an existing franchise including Mexican market. The 1976 contract also gave franchises power over supplier sourcing and the right of automatic contract renewal. The new contract would eliminate the 1. 5 mile protection zone, eliminate automatic contract renewal, and increase PepsiCo’s control over supplier sourcing in the Mexican market as well. In December 1993, KFC guaranteed that they would adhere to the 1. 5 mile limit for seven months and Kyle Craig personally pledged not to open new full service restaurants, home delivery, or take-out units within 1. 5 miles of an existing franchise.

Strategic Alternatives

The strategic alternatives for KFC are as follows:

1. Re-franchise all company owned Mexican units into franchises

Advantages

Low risk and increased cash flow.

Less administrative costs

New legislation promoting franchises and protecting patents and technology in Mexico.

2. Completely divest KFC of Mexican operations

This alternative includes canceling all franchises and selling off all company units in Mexico.

Advantages

Eliminate risk in foreign markets.

Reduced currency rate exposure in Mexico

Protects brand integrity

Increased cash flow/capital for other investments

save operational and administrative expenses

Disadvantages

Forgoing potential profits from the 2nd largest international market (Mexico is second behind Australia)

Ill will from franchises and Mexico consumers

3. Leave Mexico as is and grow other foreign markets.

Advantages

Focus investment on strongest growing segment in Australia

Less political and financial risks in other foreign markets

Still maintain a minimal presence in Mexico for further growth in the future when stability is greater

Disadvantages

Still have not mitigated risk in Mexico

Forgoing potential growth at profitable market

Still have brand exposure

Still have to service Mexico units with no increased economy of scale.

RECOMMENDATION

After analyzing KFC closely, I have come up with some recommendations for KFC to

Gain a better market share.

The KFC Grilled Chicken is a great idea to gain more market share. Many individuals, including myself, avoid eating KFC because of health and calorie

count issues. I recommend that KFC should introduce this new KFC product in vegetarian. In my opinion, this new product would attract new customers leading to a higher market share and increasing profits.

KFC should decrease their prices in order to gain consumers from all the class segments. This could be achieved by introducing a cheaper meal to target the lower classes.

KFC should also include more vegetarian meals to target the vegetarian consumers.

The quality of the product should be the major concern of the management. Special care should be given to make sure that the quality of the product late at night remains consistent.

KFC should introduce more outlet options such as malls, universities, amusement parks etc to increase their market share in quickly growing markets

CONCLUSION

KFC is having a very good atmosphere for its employee to work and the corporate culture is also good to deal with but there is little problem with the management issues that should be solved. The food quality and services offered by KFC are excellent. KFC always keeps introducing new variety of chicken and edible products that helps in continuous improvement and growth in the profit margins. Today's generation is very health conscious and prone to hypertension was thinking what if KFC offers or add fresh produced products such as fruits and vegetables in their menu it can increase their

sales as even vegetarian people can enter KFC and can enjoy the delightful ambient. In terms of 4 P's KFC is doing exceptionally excellent.

Product- KFC in terms of product is doing well it just need bit improvement in their Hot menu which should be more dynamic and new innovative meals should be added to address local taste as well to increase market share.

Price- KFC as compared to other fast food restaurants is very reasonable but to attract the customers KFC should introduce discount packages for all age groups and membership card should provided extra credit points.

Placement-KFC should have more outlets at prime commercial areas to target potential customers and increase market share in addition KFC can think of having mobile outlets.

Promotion-KFC is a market symbol with large customer equity it should focus on gaining solid market department by organizing and running various advertisement campaigns. KFC can also use the brand promoters for various promotional campaigns.