

# The history of pizza hut and existing marketing mix assignment

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It will be the largest pizza on the market, with double the cheese and double the toppings. We will target the X and Y Generations, which is the fastest growing segment in America. This segment has been successfully targeted before using the "extreme" angle. This segment has been a segment that hasn't been targeted to the level that they should in this industry and we plan on changing that. We have used past financial data to establish reasonable goals for the product and have set limits on promotional spending. We will be using a high/low pricing strategy, pricing this new pizza at \$9.99. Our main sales promotions will be offering the Extreme Pizza bundled with Mountain Dew to target Generation X and Generation Y. We will be using direct channel distribution as well. This pizza will be available through dine-in, carry-out, delivery, and ordering on the Internet.

Illuminati Pizza Hut was started in 1958, by two brothers in Wichita, Kansas. Frank and Dan Carney had the idea to open a pizza parlor. They borrowed \$600 from their mother, and opened the very first Pizza Hut. In 1959, the first franchise unit opened in Topeka, Kansas.

Almost ten years later, Pizza Hut would be serving one million customers a week in their 310 locations. In 1970, Pizza Hut was put on the New York Stock Exchange under the ticker symbol PIZZA. In 1986, Pizza Hut introduced delivery service, something no other restaurant was doing. By the 1980s, Pizza Hut sales had reached \$4 billion worldwide. In 1998, Pizza Hut celebrated their 40th anniversary, and launched their famous campaign "The Best Pizzas under One Roof." In 1996, Pizza Hut sales in the United States were over \$5 billion. Out of all the existing pizza chains, Pizza Hut had the largest market share, 46.4%.

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However, Pizza Hut's market share has slowly eroded because of intense impotently from their rivals Domino's, Little Career's and newcomer Papa John's. However, this forced competitors to look for new methods of increasing their customer bases. Many pizza chains decided to diversify and offer new non-pizza items such as buffalo wings, and Italian cheese bread. The current trend in pizza chains today is the same. They all try to come up with some newer, bigger, better, pizza for a low price. Offering special promotions, and new pizza variations are popular today as well. For example, chicken is now a common topping found on pizzas.

In the past, Pizza Hut has always had the first mover advantage. Their marketing strategy in the past has always been to be first. One of their main strategies, that they still follow today is the diversification of the products they offer. Pizza Hut is always adding something new to their menu, trying to reach new markets. For example, in 1992 the famous buffet was launched in Pizza Hut restaurants worldwide. They were trying to offer many different food items for customers who didn't necessarily want pizza. Another strategy they used in the past and are still using is the diversification of their pizzas.

Pizza Hut is always trying to come up with some innovative way to make a pizza into something slightly different - different enough that customers will think it's a whole new product. For example, let's look at some of the pizzas Pizza Hut has marketed in the past. In 1983, Pizza Hut introduced their Pan Pizza, which had a guarantee of being ready to eat in 5 minutes when dining at Pizza Hut restaurants. In 1993, they introduced the "Bigot," which was

two square feet of pizza cut into 21 slices. In 1995, they introduced “ Stuffed Crust Pizza,” where the crust would be filled with cheese.

In 1997, they marketed “ The Edge,” which had cheese and toppings all the way to the edge of the pizza. Currently, they are marketing “ The Big Mineworkers,” trying to bring the famous New York style pizza to the whole country. Lastly, Pizza Hut has always valued customer service and satisfaction. In 1995, Pizza Hut began two customer satisfaction programs: a 1-800 number customer hotlist, and a customer call-back program. These were implemented to make sure their customers were happy, and always wanted to return. In our plan, we will first give a situation analysis of current and relevant environmental conditions that affect our plan.

Next, we will give a brief analysis of the current fast food industry, and any trends or changes that might occur in the future. Also, a SOOT analysis of Pizza Hut will be included. Identification of current and potential competitors will be discussed in the SOOT analysis as well. Next, we will list our marketing objectives for this plan and our rationale for the selection of these objectives. 2) Situational Analysis increased demand for food prepared outside the home. The divorce rate is almost 50%, and there is a growing trend showing that people are choosing to get married later in life.

Because of these factors and many others, the single-person household represented about 25% of all U. S. Households in 1998, up from 16% in the 1980's. There has also been a trend in the 1980's showing that individuals are choosing to eat out more often than eat at home. Another factor to consider is the increased number of women working outside the home. In 1998, 59%  
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of all married women had careers. As a result of more women in the workforce, household incomes are now combined and are much higher than previously. According to Restaurants and Institutions magazine, more than one-third of all households had incomes of over \$50, 000 in 1996.

The combination of higher incomes and dual-career families result in less time! N the home, therefore less time to cook food at home. Also due to higher incomes, consumers have more disposable income, allowing them to eat out more often. However, in the early sass's, the growth of traditional fast food restaurants slowed down because the U. S. Market had become saturated. The slowdown in growth intensified competition for market share and lead to consolidation. Many chains found that their market share could be increased by buying an existing company rather than building new units.

Mergers and acquisitions had a powerful effect on the fast food industry. The top ten fast food restaurant chains controlled veer 60% of fast food sales in the U. S. 3)laundry Analysis' According to the National Restaurant Association, food service sales were \$320 billion for the 500, 000 restaurants in the U. S. In 1997. The U. S. Restaurant industry grew 5. 2 percent in 1997. Six major segments make up the fast food segment of the food service industry. Sandwich chains, like McDonald's and Wend's are the number one segment, followed by dinner houses, such as Applause's and Red Lobster.

Pizza chains are ranked third. Out of all the pizza chains, Pizza Hut has the largest market share, 46%, followed by Domino's with 21 . 7%. International sales have become more ND more important to the fast food industry. In 1998, Pizza Hut was the number one global chain with units in 88 different

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countries. In 1990, Pizza Hut opened two restaurants in Moscow where 20,000 customers were served a week, about the amount serviced by 10 American Pizza Huts. As profitable as the fast food industry is, there has always been one problem that many fast food companies cannot seem to overcome.

Because of America's large aging population, greater awareness and interest in health issues have resulted. Nutritional value of fast food is a huge problem. For many people, fast food automatically means low nutritional value. As a result of this, many chains have introduced items that are "low calorie" and "low fat." Despite their efforts, many critics and consumers feel that their efforts were not satisfactory in providing a healthy meal.

4)SOOT Analysts Pizza Hut. Pizza Hut has been around for a long time, and consumers know the name well.

Another big strength and even a competitive advantage is the fact that they have a full service restaurant as well as delivery services. Most of Pizza Hut's competitors do not have restaurants. Because of the restaurant, Pizza Hut can market to many different segments that other pizza chains cannot. For example, Pizza Hut an market to families much easier than Domino's or Little Career's. Pizza Hut offers a sit-down, conversational type restaurant where families can take their children for birthday parties for example. Pizza Hut's broad selection of products also makes it easier for them to market to different market segments.

However, the fact that Pizza Hut does have a restaurant to run is also a weakness. Pizza Hut has higher overhead costs, due to the restaurant that

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other competitors don't have to deal with. Another result of higher overhead costs is higher prices Pizza Hut must charge. Obviously, Pizza Hut is not the low cost producer. They rely on their quality pizza and good service to account for their higher prices. An indirect weakness that Pizza Hut has is that they have lost a lot of their customers and market share due to such intense competition with competitors. Pizza Hut's opportunities are almost endless.

They can increase revenue with their new innovative pizzas, and increase brand loyalty with good customer service. Another opportunity that Pizza Hut has is their new ordering online system. Anyone with Internet access can order whatever they wish and get it delivered to their house without even speaking to someone. This program has just been started, so we do not have any numbers to support whether or not it will be a success. Pizza Hut's number one threats are from their competitors. Currently, their closest competitor is Domino's Pizza. Domino's main competitive advantage over Pizza Hut is their price. It is generally lower than Pizza Hut.

Also, Domino's was very profitable when they ran the promotional deal of delivering a pizza within 30 minutes. However, many lawsuits have been filed against Domino's in the past for reckless driving by their drivers, so Domino's withdrew the promotion. Little Career's is another one of Pizza Hut's competitors, right behind Domino's in market share. Little Career's is famous for offering large quantities of pizza for less money. Other competitors include Papa John's, Isobar, and Pizza Inn. A problem facing all of

the pizza chains is that each of their individual competitive advantages are pretty much everyone's competitive advantages.

Most if not all the top pizza chains offer free delivery, and always have some sort of promotional deal offering large ! Pizzas at reduced prices. Other competitors to take into consideration are frozen pizzas and make-it-yourself pizzas that are purchased in grocery stores. Some examples of these are Tombstone Pizzas, Boils, and Disgorging pizzas. 5)Marketing Objectives quality and service of the company will help to ensure a better than average chance at a successful introduction of a new product.

The pizza industry firms are famous for introducing new products to spark short-term sales. Pizza Hut as stated earlier has been very successful at accomplishing this. The introduction of a product that keeps with today's trends is also important to reduce the risk of failure. In recent years there has been an increase in the marketing of products with an extreme twist to them. Mountain Dew, which is a brand name owned by Pizza Huts parent company, Pepsico, has been very successful at repositioning itself to this segment of the market, which has sparked new interest in the soft drink.

Many other imitators have followed in there footsteps and have been successful as well. Pizza Hut has the resources available to research and implement a new product with great success. Pizza Hut is the leader in innovative products and this new product that we are proposing will surely be a success, given Pizza Huts track record. With high competition from the other top firms in the industry, the introduction of a new reduce is necessary

to keep one step ahead of the competition. We propose that Pizza Hut introduce the Extreme Pizza.

This pizza will be larger than the competitors at twenty-inches and have twice the toppings that the competitors have. Pizza Hut will market this product along side other extreme products such as Mountain Dew, to help Pizza Hut capture part of this new segment of the market. The selection of pizza's offered by the competition have been significantly less creative than that of Pizza Hut in the past and Pizza Huts reputation of offering high quality, new products will allow this new product to move into the market as other new offerings have in the past.

With the introduction of a new product, one of our main objectives is to create recognition for our product. Our goal is to reach 85% recognition of the new product in our target market. As with all businesses, the most important goal of a company is to increase revenue and profits. With the introduction of this new product we hope to increase the overall sales of the company by 7%. If we can in fact reach our goal of 85% recognition of the product, through a successful promotions mix, then the increase in sales should be easily acquired. )Target Markets With the introduction of the Extreme Pizza from Pizza Hut, the name itself is an indication of the target market sought. In today's world of adrenaline Junkies and extreme sports, a products affiliation with the world of the extreme has grabbed the attention of the younger generations. These generations range from the age of 12 to 30. These generations are affectionately referred to as the Y and X generations. For many years marketers ignored this segment and simply

stereotyped them as slackers or losers. However, this has not been the case in recent years.

With extreme sports aging an entrance into pop culture in the early ass's, many companies have realized In America today, there are 71 million Americans that fall between the ages of 12 and 30, making generations X and Y the two fastest growing segments of society. The overall spending power of this segment is 300 billion dollars a year, with a large percentage of that money spent on non-essential items. The reason for the high amount of spending in this segment has been associated to the times that they have grown up in. Unlike the baby-boomers, there has been no times of risk or economic depression in their lives.

This is a generation with a " spend now, pay later" attitude, which has made for high spending averages on a per person basis. In 1997, The National Longitudinal Survey of Youth, found that the median amount of cash that children receive from their parents for auxiliary spending is \$50 dollars a week. This kind of spending money that children are given is what Pizza Hut wants to target with the Extreme Pizza. However, children living at home are not the only ones to have extra money to burn. A study on the spending habits of college freshmen also indicates a high percentage of money being spent on non-essential items.

The results showed that an average of \$56 is spent monthly on eating out. This information on this segment of the market, gives Pizza Hut a window to offer a product that will attract these customers who not only have the money to spend on such things as pizza, but who have done so in the past.

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In the past Pizza Hut has not specifically targeted the younger generations with products. They have created a more generic marketing plan, to attract a wide variety of customers. In order for this marketing strategy to work, Pizza Hut needs to target this one segment of the market.

The advertising and promotion needs to be very pacific to their needs, in order for the money spent on advertising to be worthwhile. Many products have failed in this segment because they have tried to treat the segment as one group. This segment is made up of many groups and many individuals. This is part of the reason for society labeling generation X and Y members as loser's and slackers. So with this in mind our advertising campaign must follow the same ideas by realizing that even within this segment there are many other segments.

One characteristic of these two generations, that makes them a prime target for our new Extreme pizza, is the amount of time that these age groups Penn with friends in groups. With the lack of responsibilities that teenagers have, and the lack of home cooked meals while away at college, pizza is a quick alternative for dinner, and a fun way for friends to eat together. Pizza has long been targeted to families, because of the convenience that is present when serving pizza to a group. Teenagers and young adults spend quite a bit of time with friends in groups, whether it be in a dorm room or at parties.

This gives Pizza Hut an outlet to sell a pizza that will fulfill the needs of this younger generation with a product that is designed just for them. With the total number of Generation X and Y members being so high and the money they spend on non-essential items being as much as it is, this segment could

make this product a huge success. However, this is a hard market to target since everyone is so different, but they all have one thing in common, there love for pizza. The most important factor in making this a success will be to design advertising that is able to attract all of the individual segments of these generations.

A)Product Pizza Hut should offer a new product called “ The Extreme” pizza. “ The Extreme” is a twenty-inch pizza with twice as much cheese and toppings as Pizza Hut’s other pizzas. This new pizza will have many different competitive advantages. The first competitive advantage of “ The Extreme” is that it is the largest pizza on the market. No other pizza restaurant offers a twenty-inch pizza. The second competitive advantage is that it has more cheese and toppings than any other pizza on the market. Another competitive advantage is the Pizza Hut brand name. Pizza Hut has built a brand name that means quality products and services.

Since Pizza Hut will be introducing “ The Extreme,” customers will automatically think this is a high quality product. The final competitive advantage is that this product will be the first pizza to target America’s youth. “ The Extreme” pizza will target Generation X and Generation Y or people between the ages of 12 and 30. This market purchases a lot of pizza each year, but very few pizza restaurants actually target them. “ The Extreme” will be introduced on Super Bowl Sunday, 2001. During the introduction stage of the product life cycle, Pizza Hut will try to establish a market for the product and persuade early adopters to buy.

During the growth stage, Pizza Hut will try to build sales and develop a preference for the product. Pizza Hut will try to seek differentiation during the maturity stage. “ The Extreme” is expected to begin to decline after one year on the market. B)Price In the past, Pizza Hut has successfully used the high/low pricing strategy when setting the retail price of its products. The high/low retail pricing strategy allows Pizza Hut to charge a price that is above the competition, but also promote frequent sales to lower the price below them.

The retail price of “ The Extreme” pizza should be set at \$9. 99, which is higher than Pizza Hut’s competitors. Several sales promotions and coupons will be used to lower the price below those competitors. Since both Pizza Hut and the beverage Mountain Dew are Pepsi subsidiaries, bundle pricing will be used. Customers can purchase “ The Extreme” for \$9. 99 and receive a two-liter bottle of Mountain Dew for free. Pizza Hut will be able to sell two products together at a single price to suggest a good value.

The high/low pricing strategy has several advantages. First, this pricing strategy will help segment the market. Different groups of customers are willing to pay different prices for the same product. Pizza Hut can sell “ The Extreme” to the customers who will pay the higher price to be the first to buy and also to the bargain hunters. The high/low pricing strategy will also create excitement. Customers will be able to try something new when they purchase “ The Extreme” and this exciting experience may bring those customers back to purchase other products.

Finally, this strategy will emphasize product and service quality. Pizza Hut sets a high initial price for its products to send a signal to customers that its products are quality and the service is excellent. C)Promotion The main theme that will be used to promote “ The Extreme” is youth. Fun, excitement, danger, and even the term “ extreme” all appeal to our target market. Included in “ The Extreme” promotions. The main promotion will be a coupon to purchase “ The Extreme” for \$9. 99 and receive a free two-liter bottle of Mountain Dew.

The objectives of this promotion are to introduce a new product, stimulate demand, change the short-term behavior of the customers, and encourage repeat or greater usage by current customers. This promotion will be distributed mainly by mail, but also by fliers on college campuses around the country in order to reach the target market. “ The Extreme” will be introduced on Super Bowl Sunday, 2001, in a television commercial. Although Super Bowl television ads are expensive, Pizza Hut has enough financial resources for one. This commercial will be similar to the current Mountain Dew advertising campaign.

Several young people will be performing exciting, high-risk activities such as snowboarding, rock climbing, and bungee jumping. The young people will then eat “ The Extreme” and drink Mountain Dew. There will also be similar ads in magazines that are popular with the target market such as Surfer, Snowboarding, YAM, and Maxim. This advertising campaign will create awareness of the new product in our target markets. D)Distribution The type of distribution channel used by Pizza Hut is the direct channel. The direct

channel is successful when there is an extremely large market that is geographically dispersed.

The direct channel is also useful when there are a large number of buyers, but a small amount purchased by each. Pizza Hut uses three different methods of selling its products directly to the market. The first method of distribution used by Pizza Hut is delivery. Customers can call Pizza Hut ahead of time, place an order, and the order is delivered to the customer's home. Another method of distribution is for customers to dine-in. Customers can go to the nearest Pizza Hut, place an order, and either leave with the order or eat at the restaurant. One of Pizza Hut's largest competitive advantages is its restaurant style facility.

Pizza Hut offers a clean place to sit down and enjoy the variety of pizzas, salads, and sandwiches in a fun, family atmosphere. The third method of distribution is! Online ordering. Customers can now go on the Internet and place an order. This method is useful because it allows customers to view the entire menu, download any special coupons, and order without having to disclose any credit card numbers. The market coverage for " The Extreme" will be nationwide. Customers all over the country will be able to order " The Extreme" by one of the three distribution methods. )Control Stage First, we will address who will be responsible for the control measures we plan to take. The Marketing Vice President in the Corporate Headquarters, the local/regional Marketing Vice Presidents and the Pizza Hut restaurant managers will all play a role in being responsible for the control. Our success or failure will be determined in a couple of ways. One main way is to

compare results to our objectives. If our objectives are not met, steps to meet them will be taken in the future. We will also look at profits, sales revenue, unit volume of the “ Extreme Pizza” promotions used.

If our budget allows, perhaps we could give a survey to our customers and get some Since our plan is for one year, we feel that every 3 months we should do some type of evaluation and control to see how we are doing. Also, during the maturity state of the product life cycle, we will improve the quality and distinguish ourselves well from competitors. Hopefully, this process of control will be monitored on a monthly basis. )Summary and Conclusion Pizza Hut has a successful history of introducing new products to increase sales and reach new customers.

This introduction of new products to the market on a regular basis is what makes Pizza Hut the leader in their industry. The level of success that the “ Extreme Pizza” will bring Pizza Hut depends heavily on the correct promotions mix. As we had stated earlier, the segment of the market that we have targeted is a very diverse group. This means that the promotion of the product must be done in a diverse fashion. This will result in a more expensive advertising campaign than in cast campaigns, but the potential for a successful product will cover the costs and bring in substantial profit.

The advertising campaign is going to be budgeted to use 8% of projected sales. We are forecasting that the introduction of the Extreme Pizza will increase sales by 7%. This forecast is based upon other new products that Pizza Hut has introduced and the impact that they have had on Pizza Huts revenues. A 7% increase in sales for Pizza Hut will bring a total of \$547

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million dollars in revenue, making the advertising budget \$43.76 million.

This kind of advertising budget will allow for a mass media list of promotions featuring our new "Extreme Pizza".

Our target market spends many hours a day in front of the TV and computer, so the constant messages being played will allow our product to generate a high level of awareness. The advertising of the product is very important but the promotion of this product along side Mountain Dew will help to put our product in a more specific category. Mountain Dew has targeted our target market for several years and is by far one of the leaders in this market. With this in mind promotions with Mountain Dew will be crucial to the success of the "Extreme Pizza".

With competition being so strong in this industry the threat of imitation products will surely be a problem to be dealt with. Pizza Hut will however have the first mover advantage with this product. With the entry of imitation products into the market, Pizza Hut will have to adjust its mixes to accommodate change. The promotions may have to be bigger and better than the competition, or the product may need to be altered to give it that little bit of an edge over the competition. For example stuffing the crust with cheese or giving a free topping with the purchase would help give Pizza Hut an edge over the competition.