

# Pizza hut study

Business



The Economy 1. What are the implications of Pizza Hut's big price cuts for its brand image? As stated Pizza Hut's brand image is neither fast food nor full-service. It delivers average quality products for average prices. Previously, it was marketed as a "more for the same" value proposition (Kotler & Armstrong, 2012). Yet, it has done something that shocked the whole market.

It has cut the prices up to 50%. Doing that, Pizza Hut is fully reforming its brand image. They are implementing a "Same for less positioning" (Kotler & Armstrong, 2012).

In a commercial, an actress playing a restaurant employee says, "We've changed just about everything, except how your favorite pizza tastes" (ELLIOTT, 2010). This move is due to a weakened economy and a drop of customers. But initiating a price change is not riskless.

Customer may think that the quality has been reduced and Pizza Hut could lose its loyal customers. All this being said, I would say that Pizza Hut's price cuts may tremendously increase its revenues and remodeling its brand image making good products for a really cheap price. . Can customer loyalty be generated through low prices? Customer loyalty can be generated in many ways such as good product quality, extra features, or cheap prices. Some ways can be very effective for some products while other are effective for different products. For example, what would you think if Rolex cut its prices in order to generate loyalty? It would not work because loyal Rolex customers are wealthy and would rather have extra feature than a cut in prices.

On the other hand, would you pay much more to have a better pizza?

The perfect example of a company who cuts its price is Wal-Mart. For this case, I do think customer loyalty can be generated through low prices. And so does Mr. Nicole - chief marketing officer at Pizza Hut- " We want to build loyalty beyond the price. " Indeed, with the crisis people tend to be more cost-conscious.

Thus, Pizza Hut's approach to deliver a good product for a cheap price is a good way of attracting customers. 3. Can Pizza Hut sustain such dramatically lower prices and still remain profitable?

From my point of view, cutting prices by up to 50% is a real challenge. To remain profitable the company will have to manage its production costs, its marketing channel, and its extra costs. Moreover, as it is said in the text the new pricing mechanism will require some time before it proves itself.

That is to say that at the beginning Pizza Hut may become barely profitable, but hope to gain more market share that will further cut costs through larger volume and increase its revenues.

Finally, I strongly believed that a company like Pizza Hut would not have done such a thing if it were not fully thought out before. ELLIOTT, S. (2010, August 18). Pizza hut cuts prices again to counteract the slow recovery. Retrieved from [http://www.nytimes.com/2010/08/19/business/media/19adco.html?\\_r=0](http://www.nytimes.com/2010/08/19/business/media/19adco.html?_r=0)

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