

# Kfc china and its marketing assignment

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Analysis Product: Cuff's products include a large variety of mainly food-items which have been localized ND diversified to differentiate from its competitors (Yum! 2012). China's mass- consumer market encapsulates traditionalist-tastes (Chessmen) for which, taking into account the calculators-factors, KEF includes a larger menu, consisting of western and Chinese dishes such as rice pudding and custard tarts (Be112011). Presumably to ensure Cuff's products meet the changes to consumer-tastes, it frequently undertakes new product-development to enhance its localized product-line, which in turn creates product-differentiation.

This is evident in the fact the KEF introduces up to 50 new localized-items to its menu annually (Be112011). Nevertheless there are high- costs associated with the research and development and the opportunity-cost of not using the money for (example) expanding operations (Cricketer 976). Those who argue against Cuff's strategy recommend it to start focusing more on the ' pricing of the food-items rather than the frequency of new product-introduction' as high prices may encourage consumers to purchase a substitute (Choices), a component of Porter's five-forces.

However critics cannot disagree that KEF-China contributes roughly 40% of Yum! Groups' profits (BBS). Furthermore, KEF-China is a well- established brand thus has an existing brand-loyalty with a strong-reputation and brand-equity. In fact, by adding new items on the menu, KEF encourages repeated sales and widens its appeal to a larger consumer-market thus increasing market share (Be112011). Furthermore, because it already has high markups on its products, it is able to easily fund for the research needed.

Thus Cuff's regular amendments to its localized-menu ensure its success over its competitors.

Promotion: KEF-China uses a variety of promotional tools in its integrated marketing communication (CM) to promote its localized products. Two tools used include advertising and public relations (PR). Advertising assists KEF-China with informing local customers of new products, persuading potential customers to choose its products over substitutes and reminding consumers of KEF as a quick service restaurant which maintains quality and hygiene (Newsweeklies) through mass communication mediums such as television and billboards; usually depicting traditional Chinese values such as a family gatherings (Forebear's).

Concerning PR, according to Taylor (2010), KEF has tended to focus more on Chinese youth, which are entering the mass consumer market. The China Youth Development Foundation was established by KEF to help Chinese students with their cost of education by offering a share of \$5. Million. Taylor suggests that this program enabled KEF-China to showcase its Corporate-social-Responsibility (CARS) as well as have a more personal means of communication with its younger consumers. Through Cuff's CARS, good publicity was generated which resulted in increased sales (Titan et al 2011) – evidenced by the 7. % increase in Hum's 2011 quarterly -profit to \$million (Patagonian). Nevertheless critics of KEF-China's current promotional strategy could argue that it should focus advertising more on the growing seniors market as these are usually people with higher incomes and greater marginal propensity to consume (Orr et al 2004). However because Cuff's main target market include young individuals and families (ionizing) its

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promotional strategies should be customized to fit their interests and hence should appeal to them. Since KEF is already doing this, its seen profits increase 30% in 2012 (Commanding).

Thus the current customized promotional strategy is being implemented effectively. Price: Cuff's localized pricing strategy allows it to successfully reach its objectives. Its current pricing incorporates the value added approach evidenced by the fact KEF charges at a price point of approximately \$3. 50, significantly higher to its closest competitors (Be112011). However because KEF China has positioned itself as a high price, high quality restaurant (Be112011), its prices need to be kept higher than its competitors to ensure image preservation.

Nevertheless, Stein (2012) suggests that due to the recent economic slowdown in China, consumers are conscious of their purchases, so, a market-based pricing should be used where price is based on supply and demand. However, whilst market based pricing can ensure greater amount of people being attracted to KEF, presumably not all consumers would be in its target market hence these customers cannot be satisfied from KEF-China. Dissatisfied customers can spread negative word of mouth, tarnishing Cuff's image.

Moreover, KEF is in the position where it's able to set higher prices rather than match its competitors, whilst still maintaining its market leadership. Its brand image and intensive new product introduction strategy (which helps satisfy existing consumers' needs and wants) make consumer demand price inelastic (Lie). By charging Geiger mark-up on its existing customers, it's

able to make the same profit it otherwise would with a greater population of consumers hence increasing Cuff's profit margin per unit sold.

Therefore the current value added pricing strategy is effective for KEF regardless of external factors. Place: Placement is a vital function within KEF-China that ensures its products are delivered to its customers. Because KEF provides a service, its main marketing channel is downstream BBC. This increases customer contact with the business, which helps build relationship marketing (Adjective). It also saves costs as minimal money is spent on intermediaries. Lack of intermediates for KEF have allowed for greater time utility (Brighteners).

As a fast-food chain, KEF needs large amounts of raw materials to create its output. Most of KEF-China's supply chain management deals with supplies sourced locally in China (Marinating) hence, sourcing this strategy has lower logistics costs involved and a shorter lead time. Opponents of Cuff's strategy attack the overbalance on Chinese suppliers, pinpointing the recent case of toxic' chicken case, where chemical were added to were found to be harmful (Wholesaler). Media coverage of this incident created significant negative publicity and had tarnished

KEF-China's public relations to such an extent that it saw a 13% sales decline (Brandenburg). Nevertheless, whilst a supplier accident has occurred, it is irrational to believe that all Chinese suppliers will be acting in the same unethical way. Presumably after this incident, KEF will take a stronger stance in relation to the quality of its inputs. Moreover, Its BBC channel allows a

stronger contact with its customer, allowing KEF-China, in the short-term, to make improve its image through in-store interaction with customers.