UNIVERSITY OF ESWATINI

FACULTY OF COMMERCE

DEPARTMENT OF BUSINESS ADMINISTRATION

MAIN EXAMINATION

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**TITLE OF PAPER:** Applied Entrepreneurship

**COURSE NUMBER:** BUS 304; BA304 (FT/IDE/Bed)

**TIME ALLOWED:** Three (3) hours

**INSTRUCTIONS**

1. THIS PAPER CONSISTS OF SECTION (A) AND (B)

2. THE CASE STUDY SECTION (A) IS COMPULSORY

3. ANSWER ANY **THREE** QUESTIONS FROM SECTION B

NOTE: You are reminded that in assessing your work, account will be given of the accuracy of language and the general quality of expression, together with the layout and presentation of your final answer.

THIS PAPER MUST NOT BE OPENED UNTIL THE INVIGILATOR HAS GRANTED PERMISSION.

SECTION A

## KFC – Finger Lickin'Good

KFC Corporation, based in Louisville, Kentucky, is the world's most popular chicken restaurant chain. It operates more than 5,200 restaurants in the US and over 15,000 around the world. But by 2005 KFC had lost its way, with a lacklustre reputation on the high street and slumping sales. So in-depth research was carried out to find a way to revitalise the brand's fortunes.

1. Category challenges

The consumer's attitudes to food changed significantly over 2005. The 'health agenda' that had been brewing for a few years, reached critical mass. Quick-service restaurant (QSR) brands became public enemy number one. For example, according to a 2006 study by the Food Standards Agency (FSA), by the end of 2005, 67% of people believed they should eat fewer fatty foods, 64% fewer sugary foods and 58% less salt. Moreover, new competitors were challenging the category, offering healthier alternatives. Service stations, supermarkets, chemists and coffee shops were all selling ready-to-eat food — significantly fragmenting the market. McDonald's and Burger King followed suit by attempting to become health-focused in response to public pressure

2. Brand challenges

There was an abyss between how the brand projected itself and customers' experiences. Advertising portrayed an appealing and sexy image, but the reality was tired stores and underwhelming products. There were two key audiences for these quick-service restaurants: 'families' and 'teens and young adults'. These groups accounted for 89% of KFC's sales. In 2005 KFC's new product development was aimed at the youth market, with snacking items developed to increase their frequency of visits. The problem was that KFC then became the place for snacks with low ticket prices and margins, not a meal destination. Attempts were also made to create healthier food with a range of non-fried chicken, salads and a response to new competitors with sub sandwiches. Meanwhile, families were leaving the brand. Despite eating more meals together they weren't choosing KFC (a food trends study in 2006 showed 57% of people ate one meal a day with all family members compared to 52% in 2004. Families did not feel the brand was for them any. This was particularly damaging for sales because families' average spend was almost three times that of young adults.

3. Learning from research

A new direction was badly needed. An in-depth qualitative study was launched to improve the understanding of consumer attitudes and inform brand repositioning. Fast food tastes good. The obesity debate gave consumers a new awareness that 'fast food was not healthy'. However, this didn't mean total abstinence from their favourite food. Consumers choose fast food because it tastes good, not because it's healthy. As one said, "You've decided to go to McDonald's. Why would you buy chopped-up apple?" KFC tastes especially good. There's something especially compelling about the taste of KFC:. Once the desire for KFC lodged in consumers' minds, there was nothing else that would satisfy the urge. The thought of the taste quickly turned to a craving that had to be satisfied. What the KFC taste means to each audience. As well as seeking an economic way to feed hungry mouths, they wanted the reassurance of 'real food'. KFC was the only high street fast food outlet that served freshly-prepared whole chicken, not reformed or reconstituted chicken products. This authenticity was seen to be a crucial benefit. Teens and youths also craved the taste of KFC. They were seen as impulsive eaters followed their cravings and weren't brand loyal, but constantly looking for variation and new tastes. If they got the urge for KFC, they followed it.

4. Devising a ground-breaking new strategy

The brand platform chosen for all communications was 'That chicken urge can only be satisfied with the irresistible, indescribable taste of KFC'. This was indeed a radical step — doing the exact opposite of competitors and in the face of popularly-accepted consumer trends. While competitors attempted to embrace healthy eating trends, KFC repositioned itself around the fact that its product tasted delicious. In other words, KFC became proud of its chicken again, reminding people about the heart of its brand and simultaneously connecting with what consumers sought from the fast food market. Families were identified as the primary audience for reviving the brand, with mothers as the key decision-makers at dinner, deciding whether to take the night off or treat the family. Youths became the secondary target, with separate products and communications developed specifically for them. Nor was there any repeat of the previous mistakes where KFC sought to introduce healthy salads or 'sub' sandwiches.

The year was instead divided into eight promotional periods in each of which one family and one youth product were promoted. Four new meals were introduced which either made mothers' lives easier, or offered greater variety or better quality for the family. For younger consumers there were five new products offering variations of taste. The introduction of individual box meals also raised spend among this value-conscious group.

(a) Advertising

In all channels the core message was irresistible taste. To target mothers, prime-time TV was used in the run-up to the evening meal. Commercials used insightful truths about everyday family life to illustrate the relevance of new products and KFC began to feel like a mainstream, accessible, family brand again. The youth target was more likely to be out and about. Above-the-line spend was transferred from TV to posters within close proximity of stores. The product was made the hero of the ads, with appealing food photography in order to spark that unique KFC craving. In order to inform customers about provenance and nutritional details, a number of actions were taken. For example, the website was updated to contain all such information, and in-store leaflets about the food's sourcing were produced. This was to provide reassurance, not to claim the food was 'healthy'. The new pride and energy in the brand was also reflected in the stores and customer experience. Staff training was focused on teamwork and education in new products.

(b) Revolutionising brand performance

The results were dramatic. KFC demonstrated immediate growth as the new marketing plan was implemented. Sales rapidly improved. By April the brand was experiencing sustained growth for the first time since 2003, peaking at 30% year-on-year growth. Despite losses in the first quarter the year ended in significant growth. The brand's increased penetration was a key factor behind the sales growth: shifting from a low of 31% in December 2005 to 49% a year later. Ticket price, which had been in continued decline, also rose steadily, partly as a consequence of the increased number of family meals but also because the brand was now able to sell products at a price premium based on the new positioning of superior taste. The average expenditure rose by over 60p per ticket over 2006.

© Standing out from the competitive crowd

While other fast food brands continued to lose share of total eating occasions. KFC defied this trend, demonstrating continued growth at the expense of its competitors such as McDonald's and Burger King. Perceptions of the KFC brand increased compared with its two major competitors. This measure combined perceptions of 'value', 'experience' and 'food' for each brand. KFC went from being considered the same or worse than these competitors to being superior in every area. Significantly, KFC's food was its leading brand strength. As well as a superior image, KFC also found a new salience among consumers. While awareness of its competitors declined, KFC reached an all-time high level of brand awareness. The communications strategy was clearly reaping its rewards. However, KFC didn't simply 'purchase' these improvements. The brand's advertising spend increased only marginally between 2005-6, while it continued to be consistently outspent by McDonald's. KFC's proud new tone of voice was reflected in consumer attitudes. While other brands were losing their fans, KFC retained its popularity. By the third quarter of 2006, the gap between KFC and McDonald's was at an all-time low. The greatest success was among the new core target audience. KFC's penetration and frequency among families improved radically, restoring KFC's penetration to over 50% (a 20% change). This clearly demonstrated the fundamental role the marketing strategy played in the brand's revival.

https://www.marketingsociety.com/sites/default/files/thelibrary/marketing%20excellence%202%20KFC%20case%20study.pdf

**Questions**

(i) Analyse the marketing strategy adopted by KFC to mitigate the challenges that resulted in poor financial performance in 2005, paying particular attention to the manner in which they manipulated the marketing mix. (25 marks)

(ii) Comment on KFCs target market segments and the manner in which they were engaged and enticed by KFC to buy more products. (15 marks)

## SECTION B

### Question 1

Production involves the transformation of inputs into outputs and the task of an operations manager to ensure that the process runs as smoothly and as efficiently as possible. Discuss the components of operations management. (20 marks)

### Question 2

It is important for small businesses to recruit appropriate personnel as the business budget is often limited. Discuss the possible sources of employees from which businesses can recruit staff and further the methods by which they can select the most appropriate employees . (20 marks)

### Question 3

Small businesses often fail to manage adequately manage inventory. Give reasons for managing inventory in a business and the tools by which it can be managed. (20 marks)

### Question 4

In today's dynamic economic environment stagnant businesses are often a step away from failure. It is important for a small business to continuously engage business growth strategies. Businesses can use internal and external growth strategies. Identify and discuss the potential internal business growth strategies that businesses can employ. (20 marks)