

Research on the Marketing Process of a Typical Enterprise based on SWOT and STP Marketing Strategy

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Abstract

As leaders of their respective market segments, KFC and Starbucks have both similarities and differences in marketing strategies, attracting different consumer groups. This paper makes a comparative study on the marketing strategies of Yinchuan KFC and Starbucks, with the help of STP marketing strategy and SWOT marketing strategy, analyzes the similarities and differences in pricing, promotion and channels between KFC and Starbucks, and summarizes their differences and marketing effects, which is helpful to put forward reasonable and targeted cosmetics marketing strategies for Starbucks and KFC.

Keywords

KFC; Starbucks; Marketing Strategy; SWOT; STP Marketing Strategy.

1. Introduction

As a service industry, the catering industry has been expanding in recent years with the development of China's economy[1] and the improvement of people's income level. According to data provided by the National Bureau of Statistics (Figure 1), the turnover and operating income of the catering industry have shown an upward trend in the past decade.

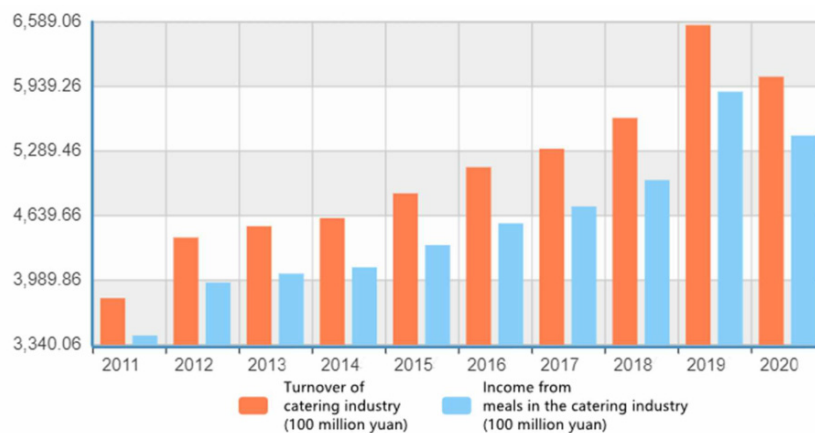


Figure 1. Revenue of Chinese catering industry from 2011 to 2020

While China's catering industry is developing steadily, some obvious characteristics and trends have emerged. Firstly, digital development. Under the common influence of COVID-19 and technological development, the integrated development of "internet +" and the industry[2] brings the catering enterprises better risk resistance and market recovery ability, and it will gradually become an important force to support the sustainable development of the catering industry and a new economic growth point[3].

Second, the awakening of brand awareness. China's catering industry has low concentration, low added value of products, low customer viscosity, short life cycle and other common problems. The 2020 China Restaurant industry Annual Report points out that 60% of catering enterprises realize the importance[4] of brand, and regard it as an important strategy of enterprise development.

Third, green development. Green development has always been a concern of the government. With the continuous improvement of relevant standards of China's green catering system and the gradual improvement of the consensus of green consumption in the whole society[5-7], how to save energy consumption, reduce kitchen waste and develop green catering will also be the industry trend that catering enterprises need to face. The current trends of China's catering industry will have a great impact on the formulation and transformation of marketing strategies of the research object.

Analyzing the research targets themselves, after entering China in 1999, Starbucks successfully opened up the previously blank coffee market in China with outstanding strategies such as "third space", and its unique Starbucks culture has also become its biggest advantage compared with other restaurants. However, a large number of Starbucks store closures due to COVID-19 in 2019 have taken a huge toll on its sales performance, with same-store sales falling by 50 percent in the first quarter and 19 percent in the second quarter of 2020, according to Starbucks Group's financial report. In addition, Starbucks' online delivery platform is still immature. The rise of Luckin coffee and other brands makes the industry increasingly competitive, and the drastic changes in the external environment bring challenges to Starbucks. Starbucks needs to adjust its strategy in time to respond to external changes and maintain its leading position in the industry. KFC, by contrast, is a multinational restaurant chain that focuses on fried chicken and fast food. The speed, convenience and taste of the product, namely the food, are its core competitiveness. However, at the same time, the development of third-party online catering service platforms also makes the catering industry more competitive. How to adjust the marketing strategy to maintain the leading position in the Chinese market is the challenge KFC needs to face. Therefore, the two research objects in this paper are representative in the catering industry. By studying their marketing strategies, I can provide experience for the development of local catering enterprises.

2. Introduction of Relevant Theories and Concepts

Marketing strategy is related to the survival of an enterprise, so it must be based on a large number of research and clear, accurate as well as comprehensive analysis of the current situation and future trend of the company, in order to avoid decision-making mistakes and resources wasting. Based on this, this part of the paper will focus on the 7Ps, STP, SWOT, PEST and other related theories, to lay a good foundation for subsequent research.

2.1. Marketing

Philip Kotler, "the father of modern marketing" defined the concept of marketing: collective and individual use the created products and values, exchange products and values with others and obtain what they want.

2.2. 7Ps Marketing Strategy Theory

7Ps marketing theory is produced on the basis of 4Ps marketing theory. 4Ps marketing theory was put forward by Jerome McCarthy, which contains four basic elements: Product, Price, Promotion and Place. 7Ps marketing theory was put forward by Booms and Bitner in 1981, adding three Ps on the original basis, namely personnel, physical evidence and process.

(1) **Product:** From the perspective of marketing, products refer to the things that are sold in the market and consumed and used by the masses to meet their needs, including both tangible

objects and intangible services (SQA, 2013). in order to make the product gain the advantage in the competition, in addition to having certain functions, the product should also be given sufficient selling points.

(2) **Price:** Price is the number of values a customer has to pay for a product. Pricing methods include cost - oriented pricing, demand - oriented pricing and competition - oriented pricing. Pricing strategies include psychological pricing, regional pricing, differential pricing, discount pricing, combination pricing and so on. Enterprises need to conduct in-depth investigation and analysis of the market, and implement appropriate pricing strategies for different markets.

(3) **Place:** Place refers to the whole process in which the products of an enterprise circulate from the manufacturer to the consumers in the whole marketing process. Enterprises should pay attention to the cultivation of dealers and the establishment of sales network.

(4) **Promotion:** Promotion is the most direct strategy for enterprises to stimulate customers to buy, which needs to consider various comprehensive factors such as product type, customers' purchase stage and enterprise's own positioning.

(5) **People:** People refers to all the people directly or indirectly involved in the consumption of a service, including consumers and service personnel of the company. in catering and other service industries, service personnel of enterprises are very important, and they can greatly affect consumers' satisfaction with service quality.

(6) **Physical Evidence:** Physical evidence, including context, tools and effective guidance. Through tangible display can make consumers experience the quality of service provided, make the promotion process closer to consumers.

(7) **Process** It refers to the process by which services are realized through certain procedures, mechanisms, and activities. Process management ensures the stability of service quality. This theory will be used to analyze and compare the marketing strategies of KFC and Starbucks, and put forward specific suggestions based on this strategy in the future.

2.3. STP Strategy Theory

STP marketing is the core of modern marketing strategy. STP is an acronym of Segmenting, targeting, and positioning. The market is divided into several sub-markets based on the different needs and purchasing power of consumers. Enterprises choose appropriate groups from the sub-market by analyzing their own situation, attract consumers and acquire theories through systematic marketing activities, so that the differentiation of product positioning function features has a clear position in the minds of consumers. Market segmentation is the first step of STP , and the consumer market segmentation mainly considers geographical, demographic and personality factors. An appropriate market target is to meet the target with corresponding products and services after market segmentation. Choosing the right market target, based on the consideration of the enterprise's own conditions and external factors, can enable the enterprise to better provide products and services.

And positioning refers to the design of the company's products and image, on the basis of the same type on the target market, according to customer demand for the enterprise to shape different from other competitors' differentiation image, make the customers for products and services have clear awareness and understanding, in the target market consumers occupy a unique position in the heart, thus in the competition to gain competitive advantage. The significance of this theory lies in the selection and definition of target consumers. It not only provides some analytical ideas for this study, but also puts forward possible suggestions for research objectives based on this theory.

2.4. SWOT Analysis

S is strength, W is weakness, O is opportunity and T is threat. Through SWOT analysis, enterprises can have a profound understanding of their own strengths and weaknesses,

competitiveness and development potential, which can help enterprises strengthen their strengths, avoid weaknesses, seize opportunities, cope with challenges, and make their strategies more directional. Through SWOT analysis, this study will obtain effective information from four aspects and summarize the organic combination, so as to carry out more scientific and comprehensive research and provide suggestions.

3. SWOT Analysis

3.1. KFC Analysis

	Helpful	Harmful
Internal	Strengths 1. Successful localization strategy. 2. Strict standardization system. 3. A mature online marketing channel and delivery platform. 4. Brand and word of mouth advantages. 5. Strong financial resources.	Weaknesses 1. High price. 2. Food safety concerns consumers. 3. Fried food does not conform to the consumption concept. 4. Adverse Social reputation.
External	Opportunities 1. Tremendous market potential. 2. Government policy support. 3. The development of the Internet and science and technology.	Threats 1. Fierce market competition. 2. Negative impact of COVID-19.

Figure 2. KFC's SWOT Analysis

(1) Strengths

1. Successful localization strategy. After entering China, KFC has been pursuing the concept of "based on China, into life" and implementing the localization strategy. On the basis of maintaining the original taste, combined with Chinese people's eating habits, its products continue to bring forth the new. Such as old Beijing chicken roll, egg tart and so on are the representative of its successful localization strategy. Successful localization makes KFC not only increase profits, but also establish a corresponding brand image in the hearts of consumers.
2. Strict standardization system. As mentioned above, KFC has promoted the "CHAMPS" plan globally. The detailed and specific operation provisions of this plan guarantee KFC to achieve good performance.
3. A mature online marketing channel and delivery platform. KFC launched its delivery service in 2008. and actively cooperate with food delivery platforms Meituan and Eleme. KFC consumers are familiar with and accustomed to its delivery model. Meanwhile, KFC uses a variety of social media platforms to carry out marketing by means of celebrity endorsements and joint brand names.
4. Brand and word of mouth advantages. KFC is a world-famous fast-food chain enterprise, enjoying a high brand awareness. Besides, McDonald's, one of KFC's favorable competitors, has not opened restaurants in Yinchuan and the competition is less intense, so KFC has relatively strong brand competitiveness in Yinchuan.
5. Strong financial resources and sufficient fixed assets and current assets can support the benign promotion of KFC marketing activities.

(2) Weaknesses

1. The price is high. KFC's product price is higher than other fast-food restaurants and fried chicken shops, so it does not have a price advantage in the face of homogenization competition.

2. Food safety concerns consumers. KFC has had several product quality problems, including the "Sudan Red" incident and instant chicken, which have damaged the company's reputation. When these incidents affect consumers' impression of KFC, its operation will have problems.
3. The composition of fried food-based products does not conform to the current consumption concept. KFC food cooking method is still fried, high calorie. Does not accord with the current "green and healthy" consumption concept.
4. Adverse Social reputation. In early 2022, the joint name of KFC and Bubble Mart blind box caused the Chinese Consumers' Association to name it for inducing consumption and food waste, which attracted public attention. From the perspective of social impact, this incident will have a negative impact on KFC's reputation and also restrict its marketing and operation mode.

(3) Opportunities

1. The market potential is huge. The economic situation is stable, the consumption level of Yinchuan residents is rising gradually, so the consumption market has huge potential.
2. Government policy support. Yinchuan city and Ningxia Hui Autonomous Region government adopt active policies to create a fair operation and regulatory environment, providing a good environment for KFC to operate.
3. The development of the Internet and science and technology has provided new opportunities for KFC's online marketing and takeaway platform.

(4) Threats

1. The market competition is fierce. Chinese catering is on the rise. Compared with KFC, although these companies are not mature in management and service, their tastes are more in line with Chinese people's eating habits and occupy a considerable market share. Moreover, all kinds of homogenized fried chicken stores and fast-food restaurants on the takeout platform are also competing for market share.
2. Negative impact of COVID-19. Although KFC's online sales and delivery platform has become mature, its in-store consumption is still suppressed under the impact of the epidemic, resulting in a loss in operating performance.

3.2. Starbucks Analysis

	Helpful	Harmful
Internal	<p>Strengths</p> <ol style="list-style-type: none"> 1. High-quality products and excellent dining environment. 2. Obvious brand advantages. 3. Excellent geographical location and large passenger flow. 4. Strong financial support. 5. Successful localization strategy. 	<p>Weaknesses</p> <ol style="list-style-type: none"> 1. Expensive product. 2. Experience dilution and service level decline. 3. Immature delivery platform and online marketing. 4. Negative social news affects brand image.
External	<p>Opportunities</p> <ol style="list-style-type: none"> 1. The stable development of economy provides a good marketing environment and potential market. 2. Government policy support. 3. The development of the Internet and science and technology. 	<p>Threats</p> <ol style="list-style-type: none"> 1. Fierce market competition. 2. Negative impact of COVID-19. 3. Product positioning is inconsistent with the demand of the Chinese market.

Figure 3. Starbucks' SWOT Analysis

(1) Strengths

1. High-quality products and excellent dining environment. The core competitiveness of Starbucks comes from its unique corporate values. It creatively introduced the concept of a "third space," where customers have their own space in the store.
2. Obvious brand advantages. Starbucks has successfully opened up the coffee market in China. When it comes to coffee, people always think of Starbucks.

3. Excellent geographical location and large passenger flow. On the contrary, there is no distribution in Xixia District with less population and lower development level in Yinchuan. Such location can make it close to the target consumer groups, to attract customers.

4. Strong financial support. As a listed company, Starbucks has more convenient fund-raising channels and more abundant funds, which provide support for Starbucks to maintain highquality services and normal business activities.

(2) Weaknesses

1. Expensive product. Starbucks mainly targets middle and high-end consumer groups. However, this means that it will lose a tremendous part of customer from the very beginning, and although Yinchuan is the capital city, it is located in the northwest, where the economic development level and residents' consumption level are relatively low.

2. Experience dilution and service level decline. The rapid expansion and growth of Starbucks has brought many negative problems. Some Starbucks stores choose to serve customers after simply training their employees, which degrades product quality and customer experience.

3. Immature delivery platform and online marketing. Compared with KFC's more mature online marketing channels and delivery services, Starbucks' transaction volume largely comes from customers' in-store consumption. The lack of publicity and online marketing on its food delivery platform will affect its future development, as can be seen from its sales performance 28 during the COVID-19 pandemic.

(3) Opportunities

1. The stable development of economy provides a potential market. Yinchuan residents' consumption level and income increase, people are more in pursuit of high-quality life, Starbucks concept is in line with this requirement.

2. The development and wide application of Internet technology has brought new business opportunities for Starbucks' marketing activities.

3. Government policy support provides a stable operating environment. Ningxia and Yinchuan governments are committed to creating a fair operating environment and providing stable growth opportunities for foreign companies like Starbucks.

(4) Threats

1. COVID-19 has seriously affected sales performance. Due to the immature online sales channels and the majority of consumption coming from offline, Starbucks suffered a severe decline in profits.

2. The coffee market is highly competitive. More and more coffee brands are emerging, and coffee chains led by Luckin coffee are rapidly gaining market share with lower prices. Yinchuan's local coffee shops are also serious competitors.

3. Product positioning is inconsistent with the demand of the Chinese market. According to the 2018-2019 Blue Book on China's Coffee Consumption, the rigid demand for refreshing the brain is still the main purpose of most Chinese consumers to buy coffee.

4. STP Strateg

4.1. KFC

Segmentation: Before KFC entered the Chinese market, according to the results of research, the market was segmented according to the age class, mainly divided into children, teenagers, adults, family and others. In the group of family consumption, KFC once again subdivides the customers who consume every week into heavy consumers, accounting for 30 to 40 percent of the total.

Targeting: KFC chooses the family consumer group as its target customers, focusing on teenagers who are easy to accept foreign new things and cultures (QIAN,2017) and heavy consumers.

Position: KFC has grasped the characteristics of Chinese family culture in market segmentation and selection. Chicken is the main product of KFC, and its localized products such as old Beijing chicken roll also reflect the success of its market positioning. It also adjusted store design, product development and other aspects according to the needs of target consumer groups. In order to attract children, KFC not only launched children's meals, will give small toys, some KFC stores in Yinchuan also have a special children's area. This approach mainly promotes household consumption by appealing to children. Besides, KFC also maintains the characteristics of traditional fast food: convenient, fast and standardized production to meet the needs of some adult consumer groups.

4.2. Starbucks

Segmentation: Starbucks divides the market by psychological and behavioral factors as well as demographic characteristics, and divides the market into those who have received higher education and those who haven't. According to the psychological factors, it can be divided into the social upper class: these people pursue taste and enjoy the symbolic meaning of brands, and the middle class who pursue fashion and have distinct personalities but are easily influenced by the herd mentality. (JIA,2008) According to behavioral factors, coffee lovers are divided into: they have high requirements on coffee quality and consume coffee frequently; Random coffee consumers: do not reject coffee, but do not love coffee, occasionally drink coffee; Coffee abusers: People who rarely drink coffee at all.

Targeting: Starbucks' target market in Yinchuan is highly educated, high-income people or coffee lovers and random coffee consumers.

Position: Starbucks implements differentiated marketing strategies for different consumer groups. For coffee lovers, provide high-quality fresh ground coffee; For the fashion-conscious young, drinks like Starbucks Frappuccino's satisfy their aspirations; Random coffee consumers tend to pursue the experience of Starbucks, so Starbucks not only provides coffee, but also provides exquisite decoration, wireless network and music to create a comfortable environment. This differentiated marketing strategy has helped Starbucks expand its sales.

5. Conclusion

2019 with the continuous growth of coronavirus diseases, China's economy continues to grow, and consumer demand continues to increase, China's catering industry still has great potential. As the leaders of their respective market segments, KFC and Starbucks have both similarities and differences in marketing strategies. Through the comparative study of the marketing strategies of Yinchuan KFC and Starbucks, according to the results of the above two studies, with the help of STP marketing strategy and SWOT analysis, summarize the differences and marketing effects between them.

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