

KFC's Internet Marketing

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With the development of technology, the Internet became a crucial part of people's daily life. With more people using the Internet, the Internet has become a crucial part of the marketing and advertising industry. After a quarter century of success in the Chinese fast-food market, Kentucky Fried Chicken(KFC) faced a marketing disaster after officials discovered a tasted sauce contain Sudan I which was cancer-causing. KFC turned to Internet marketing to rebuild its reputation and trust from consumers. Internet marketing growth has been expanding more rapidly than anybody can imagine. Internet has already changed the people's lifestyle. More people spent time on Internet. People can stay at home just by a click on the website and can do shopping and researching. Many companies used the technology to get information on the Internet. As an international company, they have a business in worldwide. It has to solve issues which will affect its business. Now, some companies use Internet marketing to rebuilt their reputation or to solve the problem which they have made in their business. For example: KFC uses to rebuild its reputation and trust from consumers.

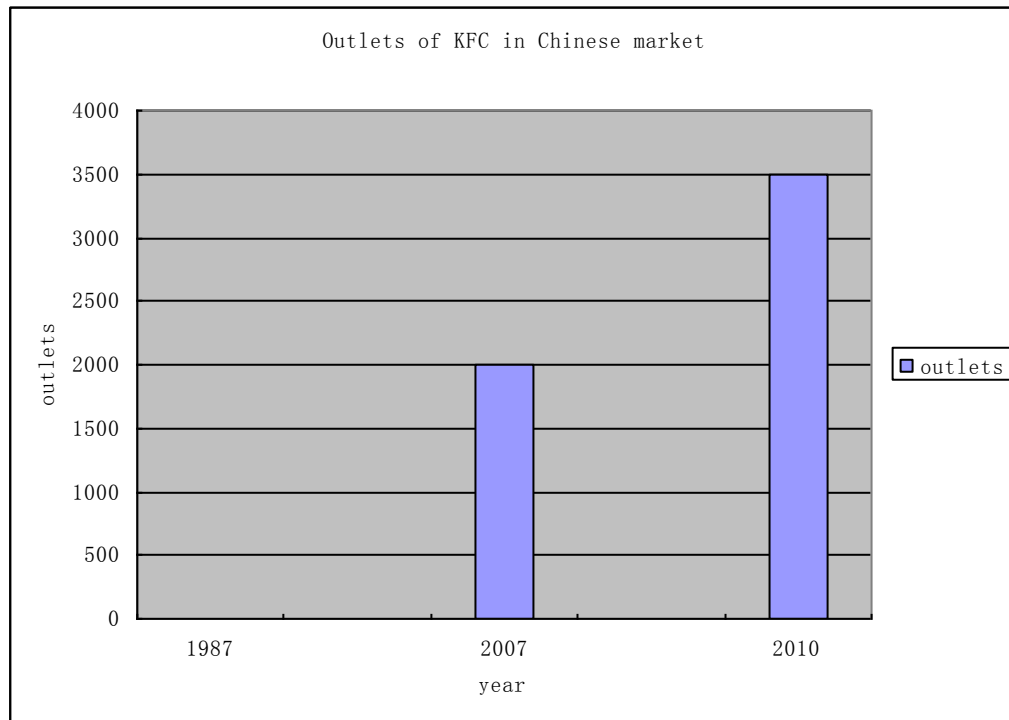


figure1: KFC's growth in China

Since the 1990s, the development of China's economy and international trade become fast. In the most potential Chinese food and drink market, two global fast-food restaurants McDonald's and KFC, compete on the Chinese market . The Chinese market becomes significant for their global business. "If there were just a few things that China has wholly embraced from the West, it would be their love for Kentucky Fried Chicken, or KFC as it is more commonly known. In 1987, the fast-food operator opened its first outlet near Tianamen Square in Beijing. Then came 2,000 other outlets, which sprung up across China within the next 20 years – a phenomenal achievement by any standard. The improbable success of KFC China can be attributed to a few key ingredients: context, people, strategy and execution, so says Warren Liu, a former vice president of business development and a member of Tricon Greater China Executive Committee. Tricon was the predecessor to KFC China's parent company Yum! Brands."(Cho) KFC have made its success in Chinese market.

To keep their leader ship in Chinese fast-food markets, they have to solve the crisis in its business. Also from the other side, Internet marketing has been used to solve the crisis in its business to keep its advantage in Chinese market.

In 2005, all KFC shops in China stopped selling New Orleans roast chicken wings and chicken hamburgers Wednesday after Sudan I which was cancer-causing food coloring, was found in the sauce . According to a statement released by Yum, KFC's parent company, the remaining "unsafe" sauce will be destroyed. Yum did not release the name of the sauce supplier. The statement also said KFC have already found new sauce supplier and the New Orleans roast chicken wing was expected to be back on sale next week. Sudan I is a red dye used for coloring solvents, oils waxes, petrol and shoe and floor polishes. It cannot safely be used in food as it can increase the risk of cancer. " The Sudan I scare was insightfully described by The Economist as "the biggest food scare since the last one." Over 400 products containing Sudan I have been recalled due to the purported "human cancer risk" they pose. Sudan I is approved for use in polishes, waxes and solvents--but not in foods. The alleged problem began when a very large batch of chili powder somehow was contaminated with Sudan I and then was used widely in the preparation of Worcester sauce, which, in turn, was used in as many as 600 prepared food products--everything from shepherd's pie to salad dressing. "(Whelan) Kentucky Fried Chicken (KFC) first stepped in the Chinese market in 1987. At that time, it had 1,200 shops in 260 cities nationwide.(Romualdez) If KFC can not solve the safety of its food, it will affected its business in China. Also it need to rebuilt its reputation to make people trust in its food's safety. KFC not only

solved the problem officially, but also it responded the public's question on the Internet. First, on its website, KFC answered the question about its safety of food. KFC made sure the Internet surfer can get direct information about how KFC can ensure the safety of its food. Also, in Chinese famous Tianya Internet communities, KFC responded the questions about Sudan I which was found in its food. With this hard time for KFC, KFC changed its advertisement. Compare to the KFC's normally advertisement, KFC will not advertised the new product's price or the test of its food. Instead of that, KFC advertise how they make their food. For that advertisement, KFC let more people to know it's clean and safe to eat KFC's food. KFC respected the customer and used Internet marketing to communicate with customer which helped KFC to get through its hard time for safety of its food.

KFC was successful in using Internet marketing to solve crisis in business, because Internet has more advantage in interactivity and feedback. Internet marketing messages come directly from consumers. Because of lack of technology, traditional advertising only provides one-sided messages. "Consumers have always been powerful marketers, but their toolbox has been significantly upgraded, and the new digital tools for expression have dramatically expanded their power of voice. Their needs and behavior are now more transparent. Leading marketers are taking advantage of this shift and turning it into a competitive edge. More than half of the survey participants agree that advocacy is a more important marketing objective than awareness"(Rasmussen). Because of consumer's core position marketing, companies should satisfy consumer's demand. Companies began to marketing their products and

services on the Internet. To satisfy consumer's demand on the digital marketing, new form company began to appear on the Internet. " The balance of power has shifted—consumers are the new marketers. The message is only one input to a conversation that consumers conduct 24/7 in digital forums, on blogs, in social networking, through YouTube, via mobile phones, and elsewhere. This shift in control makes traditional strategies, channels, relationships, and metrics less useful, and in some cases irrelevant. But it also presents enormous opportunities. When consumers use digital media to search, shop, blog, socialize, or seek entertainment, they create opportunities for marketers to gain immediate insights. Now, marketers can have real-time conversation with consumers."(Landry) Marketing have become a conversation between consumers and marketers. Also, display ads becomes a online media which is different from traditional media. We can see that the people trend to get information about the new products through display ad. Even though radio, newspaper, and television have made it possible for advertisers to capture people's attention, traditional advertising provides one-sided messages in a passive format have limited feedback. The environment of marketing have already changed. The consumer became a major position of marketing. The new environment of marketing also led the KFC to find a direct way to communicate with the consumers. With in this communication, KFC found the right way to solve its crisis. With the evolution of Ad networks, Companies began to find a scientific way attract consumers. "In the early days, and networks started out as outsourced sales team. they would often setup exclusive selling relationships with websites to sell their ad space, similar to hiring a

real estate agent to sell your home, today, very few website agree to fully exclusive relationships with ad networks. With ad spend being diversified to so many places, combined with a plethora of ad inventory, no one ad networks can effectively sell 100% of the ad space on any one website. Therefore, website typically work with multiple ad networks to sell their ad space. Ad networks in turn work with multiple advertisers and multiple websites."(Addante)

KFC can use Internet marketing to solve crisis in its business, also because the number of Internet surfers increased in China. "The number of Internet users in China has reached 298 million, nearly equal to the population of the United States, according to official figures. Although only 23 percent of Chinese use the Web -- compared with 73 percent in the United States and 22 percent worldwide — about 88 million people went online in China for the first time last year, a 42 percent increase over 2007, the official China Internet Network Information Center said on Tuesday. China surpassed the United States as the biggest user of the Internet last June. In 2008, there was also a spike in mobile Web surfing, with 117.6 million users, a 113 percent increase over the previous year." (Jocabos) The development of Chinese economy also led to rapid growth of the Internet. With this increase of the Internet user, digital marketing became a way for companies to win a part of Chinese marketplace. With the evolution of Ad networks, companies begins to find a scientific way attract consumers.

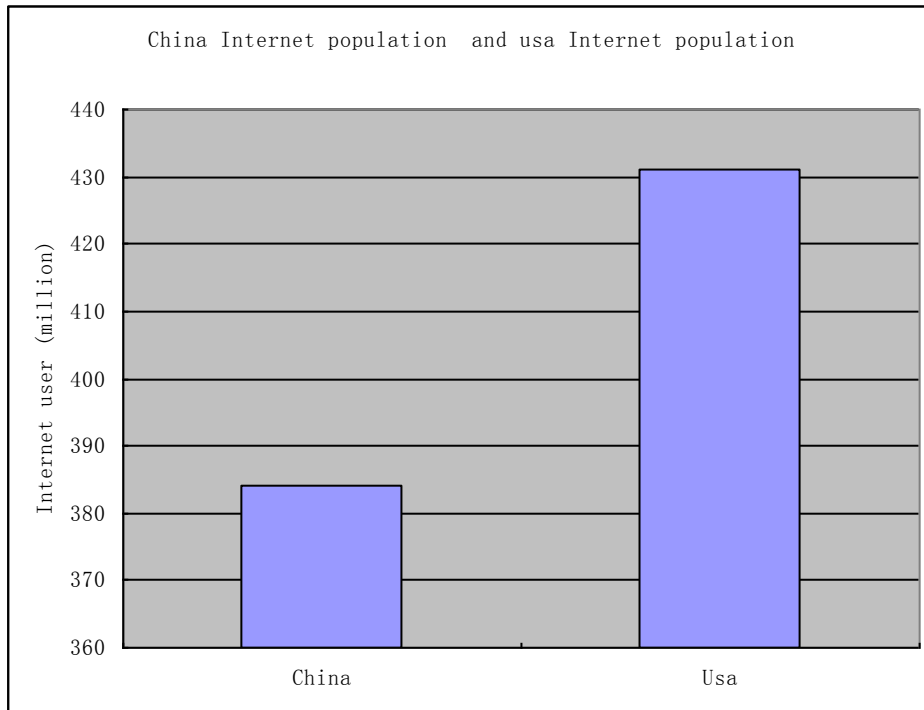


figure 2: China Internet population and USA Internet population

With Ad networks works in variety way, Internet marketing has its creative style on Internet. For example: "Facebook launched the program three weeks ago and calls the ads "Sponsored Stories,". Basically Facebook's software inserts the profile pictures of individuals who 'like' an advertiser into its advertisement. " Levi's, 1-800-Flowers.com, Amnesty International, DonorsChoose.org, The Nature Conservancy, charity: water, and Malaria No More are among the early brands to leverage the format. Indeed, nonprofits seem to be testing the ad offering in considerable numbers"(Heine). Facebook launching this program can let more people to see its advertisement. It can attract more companies to put their advertisement in the Facebook. Facebook's "Sponsored Stories," can be a new kind of advertisement. That also shows Internet advertising have its creative on the Internet. Traditional

advertising only can make creative advertisements to be creative ways on but it can not to contact with individual person.

Like how Facebook launched its ads "Sponsored Stories", KFC launched Chinese Taobao.com to attract consumers. KFC have already posted its money-off coupons in Taobao.com. The money-off coupons became the companies sales promotion. In marketing, the money-off coupons worked rather than high-profile advertising campaigns. Normally, companies will give consumers the money-off coupons or send money-off coupons to consumers home. With the development of Internet, the new environment of advertising has emerged. With more people using the Internet to shop, research, work, companies began to advertised their products or service on the Internet. For that, KFC launched Chinese Taobao.com to post money-off coupons on Internet. KFC posted the money-off coupons in a different form from other companies. KFC's money-off coupons can be downloaded in a specific time of the day, and it only can be accessed on Taobao.com. Posting money-off coupons on the Internet can let KFC advertizing and promote their food in a nationwide. KFC used creative Internet advertizing to keep the lead of Chinese fast-food industry., but in 2010 it brought KFC a big problem. "Money-off coupons were made available to download in small batches at highly specific times of day, and were only accessible via KFC's page on Taobao, the ecommerce platform. However, copies soon spread virally across the Internet, meaning that the overall level of demand greatly outstripped expectations. Some KFC outlets began to turn away customers, arguing that their vouchers had been acquired from illegitimate sources and were thus not valid. The China Daily, the

newspaper, reported that 20 branches of KFC in Nanjing were "besieged" by dissatisfied customers, while 30 people refused to leave a restaurant in Shanghai. Similarly, the Global Times said consumers in one store in Beijing started "flipping chairs and tables and refusing to leave after their coupons were denied, the branch's manager said". In a statement, Yum Brands said: "KFC has reported the case to local police, and we'll cooperate with the investigation."(McDougall) KFC's creative Internet marketing also brought risks. The system of posting money-off coupons on Internet used by outlaws not only affected KFC sales in Chinese market but also destroyed the reputation of KFC. However KFC did not stop advertise in the digital marketing. For now, we still can see KFC's money-off coupons on the Taobao.com.

The Internet's has already affected traditional marketing. "Until the turn of the century, most companies never considered advertising anywhere but in traditional media. The Worldwide Web – as a medium for entertainment and news – has challenged traditional media"(Conlin) Internet marketing has more advantages in competition than traditional marketing. Internet advertising has mass information of consumers, interactivity and feedback to the consumer, and it has creative advertisement on the Internet. It will develop for several decades because of its huge potential. Traditional marketing has to face the competition from the Internet and change itself to become suitable to compete with Internet ads market. Now, TV shows are not only on the television but also on online. The Internet has a large part of consumer that let traditional media to find out a new way to get their share of market,

but neither Internet advertising nor traditional advertising could completely replace each other. They may coexist for a long time until a new technological revolution comes out. Thus, traditional media need to work with Internet marketing to find out the new way of advertising, and some of traditional media already moved to online.

Now, Internet marketing is still growing." Internet marketing remains in its infancy. That will probably not remain for long. With the new tools and media being developed, advertisers will find more cost effective ways of reaching their potential audiences. To attract these potential audiences, Web sites and search engines will find new ways of attracting viewers. In the process, they will create "new" forms of providing information and entertainment, altering the way Americans use their leisure time, more than the Net already has. "(Conlin) Internet marketing continue to grow also because consumers drive the marketing. Because of the consumers' demand on the online, Internet marketing grow rapidly. From now, most people have changed their traditional model for shopping and searching. It is easy for people to click the website to buy anything they need, and search for anything they want. People will be spending more time on the Internet. Internet marketing's growth has created the new environment of advertising market which have affected the traditional marketing . Internet marketing will become a crucial way for companies to win the part of marketing.

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