CONCEPT OF GLOBAL PRICING STRATEGY WITH REFERENCE TO KFC

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ABSTRACT.

This research paper is based on analysing the concept of global pricing strategy and how KFC strategies its prices globally. Pricing is an important factor in the marketing mix for a brand. Pricing is the act of determining the value of a product or service. Pricing determines what cust omers pay, but it may or may not relate to what a business pays to produce a product or service. The overall pricing strategy should be aligned with the organization's mission and values and be part of the organization's long-term strategic plan. There are various factors, both internal and external, which influence the pricing strategy of a brand. Kentucky Fried Chicken also known as KFC is a restaurant that specialises in fried chicken and was founded by Colonel Harland Sanders in North Corbin, Kentucky, United States in 1952. It is a successful global brand that has franchise all over the world. KFC is owned by Yum! Brands. This brand also owns Pizza Hut, Taco Bell, etc. KFC is amongst the largest restaurant chains in the world with around 41,000 outlets in more than 125 countries (kfc.co.in,2023) because of its advanced management experience, advanced supply chain, high quality product, high supplier quality, advance technology, high restaurant quality, strong financial support, etc. The fried chicken at KFC is made up of 11 herbs and spices. KFC considers various factors while deciding and using its pricing strategy. Currently KFC is using geographical pricing strategy because it tends to set menu prices differently in every country. KFC also finalise its price lower than its competitors to captivate more customers.

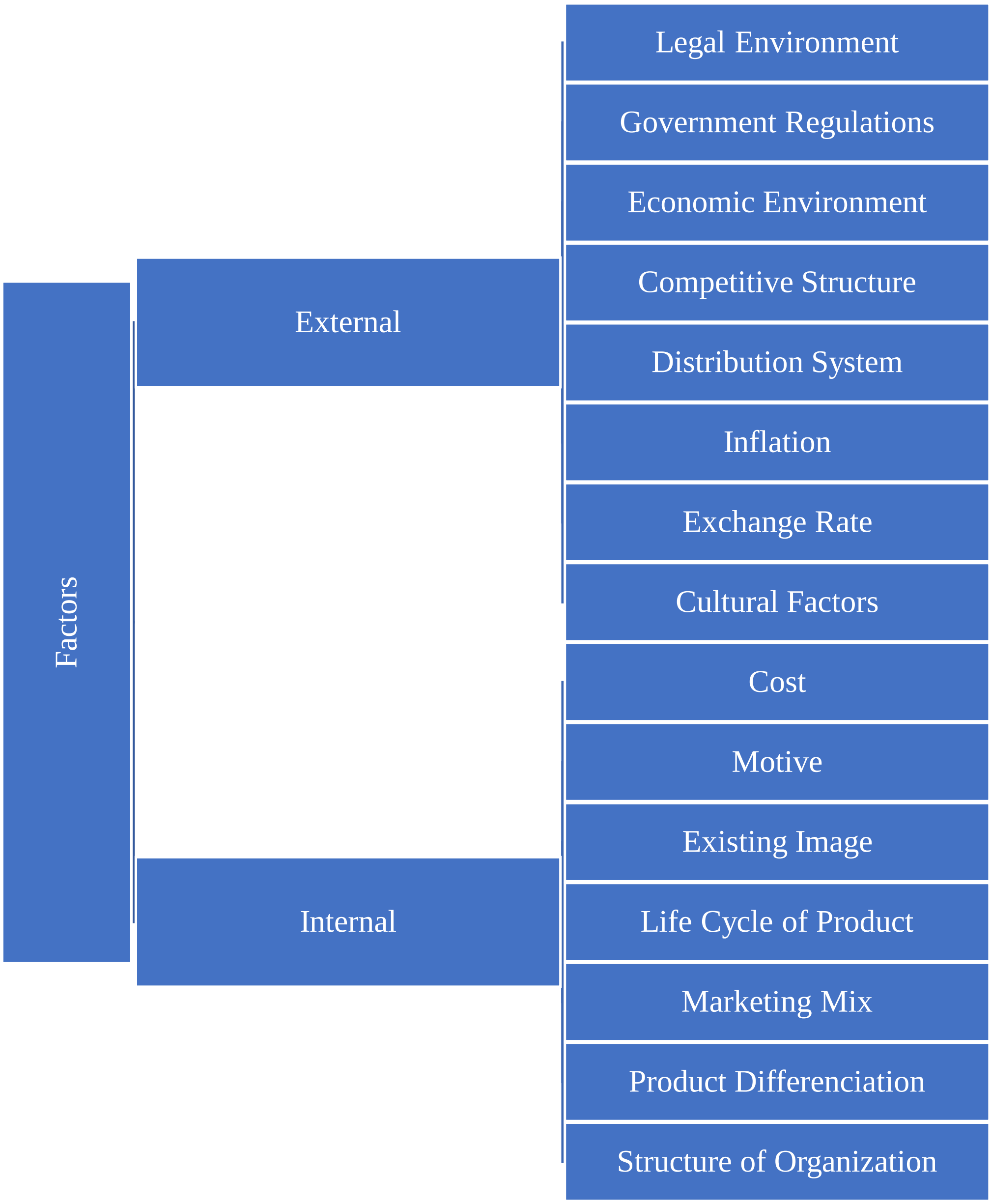
INTRODUCTION TO GLOBAL PRICING STRATEGY.

The rise of new trade barriers and changes in technology and industrialisation has affected the way many international companies work. On the effect of these changes is that the international business have to reduce costs or increase production quantities, keeping in mind to maintain profit margins. Therefore, its high time that international businesses focus on more comprehensive pricing strategy to maintain profits and liquidity.

Global pricing strategy is where international business should give a thought to a handful of factors that affect pricing decision in the international markets. The main aim of global pricing strategy is to maintain balance between organization and its environment. The paper discussed various determinants which are to be considered while setting up pricing strategy for an international business.

FACTORS AFFECTING INTERNATIONAL PRICING STRATEGY.

Since the aim of the pricing strategy is to maintain the balance between the organisation pricing and the environment, it is important for the organisation to understand the factors affecting the business and make necessary changes to their pricing strategies in order to maintain its position in international markets. If the organization deals across borders, then external factors become important to be understood for the development. Additionally, there are also internal factors that affects the international pricing policies of an organization. This shall be kept in mind that because pricing strategies are composite and various factors are to be considered. These individual factors also affect each other and cannot be ignored in order to attain acquire outcomes.



- **Legal Environment:** Laws and regulations of both countries plays an important role for deciding prices of a product or service. Many countries have specified laws to control and regulate unfair trade practices. The aim of these laws is to protect customers from exploitation. Marketers have to keep in mind the tax laws also and import tariffs while setting prices for the customer in different countries.

- **Government Regulations:** Government of different countries also influences the decision making of the organisation. Government of every country tries to prevent monopolistic market. Government can also impose price control on products and services to regulate and control the product or service in the market.
- **Economic Environment:** The economic system of a country determines the potential of demand of product and service. This factor also influences the decision making of the organization and its cost structure. This factor determines how much are the people of the country are willing to pay to purchase a certain good or service which ultimately defines the demand of the product or service.
- **Competitive Structure:** It is very important to evaluate competitors' prices and the method it uses for setting prices in the market. The competition in the international market is often linked to the stage of life cycle of the product in different countries.
- **Distribution System:** Since the information like type, costs, etc. of the intermediaries involved in the transfer of the product or service plays a significant part in finalising the cost of the final product, organizations generally rely on already existing channels for distribution of their products to the end-users. Distribution also affects the duration of transit which may affect highly in perishable goods.
- **Inflation:** inflation means increase in the average price level of the product in the given period of time. Inflation in a country indicates less buying power of money which means people can buy less with the money in the market. Organizations usually have to adapt a price in such a way that inflation does not affect its working. Thus, reading inflation rate of the international market is very important for deciding prices of the product.
- **Exchange Rate:** Exchange rate is a rate at which currency of one country will be expressed in terms of currency of another country. International companies enjoy the cost advantages created because different exchange rates of different countries.
- **Cultural Factors:** People of different countries follows different cultures which could be evidently seen in their choices. These cultural factors also affect the pricing strategy of an organization. Cultural factors may include religion, status, gender, etc which severally effects the decision making of the customers.
- **Cost:** Cost means the amount involved in production of the product or service. Marketers should keep in mind the cost involved in the whole process of making a product. This may include from cost of raw materials to the transit cost and both variables and fixed costs. The aim is that the organization could earn a profit after all the transactions.
- **Motive:** Motive of the firm means the objective of the organization. It is important to keep in mind the predetermined objective of the organization so that it could be fulfilled by correct pricing of the product. For instance, if an organization want to capture huge target audience, then it will keep its pricing relatively lower.
- **Existing Image:** Image of the organization in the market plays an important role in determining the pricing of the product and services. The organization can charge higher price rates because they have existing goodwill in the market which will let the customer buys products and services at any given rate.
- **Life Cycle of the Product:** the price of product and service also gets affected by the stage of life cycle they are at. During the initial stage when product or service needs a boost for growth, organization tends to charge lower prices than once the product or service is at its growth stage

or peak, organization may or may not charge higher prices of the product according to the demand in the market.

- **Marketing Mix:** Marketing mix includes 4 P's, i.e., price, product, promotion and place. Each factor effects the pricing decision of the product as they are closely related to each other. In fact, each factor varies according to different conditions of the market. So the marketers have to do researching over and over again to finalise the appropriate pricing of the product and service.
- **Product Differentiation:** A higher prices of product or service could be charged if the product or service is different and has new feature from that of the competitors. The product can be differentiated in packing, labelling, design, etc.
- **Structure of Organization:** Organizational structure is another important factor that affects pricing strategy. This specially helps if organization has variety of products or services. The top management of an organization is responsible for deciding prices of the products and service, but various organization let if workers contribute in the decision making process and consider their suggestions and views for deciding the price.

VARIOUS GLOBAL PRICING STRATEGY.

There are numerous global pricing strategies which organization and marketers could use to attract customers and get ahead of their competitors. Some of the popular strategies used by various existing brands to increase the demand of their products or services are listed down. Marketers can also use any other strategy which could help them to promote their business.

1. Competitive Pricing Strategy: In this strategy, marketer set prices of products and services similar to that of competitors. This strategy is used specifically where the products are homogenous and when the organization is working in highly competitive market.
2. Economy Pricing Strategy: Economy pricing strategy is buying the product in bulk so that the product could late be sold at a low price. This helps in making profits as the buying of product is done in bulk.
3. Penetration Pricing Strategy: Penetration Pricing Strategy is using lower introductory pricing than the competitor to attract new customers. This is often used when a new product or service is trying to enter a competitive market. A good example of such tactic is of Disney+ streaming platform when it entered the market. It started with very minimal price for yearly subscription to attract new customers.
4. Premium Pricing Strategy: This strategy enables customers to pay higher prices in the name of premium. Customer in this strategy believes that higher prices means higher quality of the product or service. For example: Apple. People buy expensive apple products as they believe that it is of great quality.
5. Price Skimming Strategy: In this strategy, marketers charge higher prices for goods and services in the very beginning, i.e., immediately when they enter market. Later with time, according to target market or competition, they reduce the prices of the product or service.
6. Promotional Pricing Strategy: This strategy is to provide lower price or additional offer in the beginning for a limited period of time. This is done to increase the sale of the product or service. The promotion of such offers is done usually by marketing campaigns.
7. Psychological Pricing Strategy: This strategy combines sales and pricing tactics of the products or services. It is used to create an impact which is psychological and cognitive in nature on

consumers. Some tactics marketers use to attract customer to purchase are time limitation, charm pricing, etc.
8. Sandwich Pricing Strategy: This strategy involves "sandwiching" competitors' prices between our product or service. The idea is that there is a more expensive version with more benefits, a cheaper version with fewer features, and a mid-priced offering. This tactic is designed to drive customers towards your mid-priced products.
9. Value Pricing Strategy: In this strategy, pricing of product or service is based on your customer's needs, perceptions and preferences. Here the marketer ignores competitors' prices and its own profits.
10. Versioning Strategy: This strategy is used to offer different versions of product or service at differential prices. Marketers create a versioning of product or services as premium high quality, lower quality and etc. Best example of such strategy is trains having first, second, third and sleeper classes.

METHOD OF PRICING USED BY KFC.

Kentucky Fried Chicken (KFC) is a global brand which considers various factors before finalising and implementing its prices. KFC considers economic factors, demographic factors, etc, to finalize its pricing strategies. KFC targets all the genders and all the ages categories of the market to create more and more demand and fulfil the demand. The majority of customer base of KFC is younger generation, and the major target of KFC is whole families instead of individuals. Earlier KFC used to target upper class of the population but later it included economical meals to target the lower middle class of population as well. The pricing of KFC is based on value-based pricing as KFC tries to create a sense for value of money for the customers.

Recently, KFC is using price skimming strategy as the major market has shifted to developing countries. Skimming pricing strategy is a strategy where marketer sets the price of products higher to attract certain class of people to purchase the product or service and then subsequently reduces the prices either when the competitor enters the market or to attract the new target market. Because of KFC’s advanced resources like supply chain, technology, quality, etc. it has become the top brand and serves customers of middle- and higher-income level. Using skimming pricing strategy, KFC has become more competitive in the market than its competitors. Initially, KFC’s products were priced higher to attract the market, which is not price conscious, later it tricked down its price to attract the middle class and increase its demand.

Since KFC is a global brand, it uses various other pricing strategy also to attract customers and fulfil their demand because of different market situations.

- Fixed Price Strategy: this strategy means that a customer cannot bargain for the pricing of the product or service as its prices are fixed. The price of the product or service does not change for any individuals which helps in fair trade and quick transactions. KFC uses this strategy all around globe and has a fixed menu according to each country which also includes the tax and is not open for bargaining.
- Competitive Pricing Strategy: Before finalizing any prices KFC examines its competitor’s pricings. Earlier KFC had a monopoly in the market for its fried chicken in fewer countries but later McDonald’s also introduced fried chicken, but KFC still kept offering cheapest fried chicken. Even if the price for same products in KFC than McDonald’s are little higher, they added

free add on dips to attract customers. For some products KFC uses parity pricing strategy which means that some products are priced similar as that of their competitors.

- Bundle Pricing Strategy: This strategy means bundling several products or services together as a single product or service and offer relatively lower prices than the addition of all products or service individually. KFC has implemented bundle pricing strategy and has combined together different type of products together at lower price. This helps KFC to provide different variety of products to the customer and also attracts customers in the name of offer.
- Optional Pricing Strategy: This strategy is to provide customer options to add on different side products or services to their bill. This strategy is used by companies so that customers spend more amount as they purchase product or service. KFC also uses this strategy as when a customer buys an item on the basic menu, it offers to add on side products at a very minimal price. These side products usually are beverages, chicken nuggets, cheesy wedges, French fries, etc.

PRICING MODEL OF KFC IN DIFFERENT COUNTRIES

India: The first ever KFC was introduced in Bangalore in the year 1995. Today, KFC has more than 450 outlets across the whole country. KFC used price skimming strategy while entering the Indian food market to complete with the local market. KFC kept its prices as high in the beginning to target the upper class and eventually reduced the price to include the missile class people of the country as well. The aim of KFC in India was to cater quick food with pleasant atmosphere with good quality products for cost-conscious people.

Bangladesh: KFC is operating more than 20 well established outlets in Bangladesh. Bangladesh being a country with lower average income and because price of KFC targets upper and middle class people of society, many Bangladeshi cannot afford KFC products. Also, there are variety of similar options available in local markets at relatively lower price. Since the market is small and per average income of the country is low. KFC has revenue- oriented pricing strategy to conquer the local settings. KFC also had to introduce beef in their menu to cope up with the demands of the country. But still KFC lacked as people of Bangladesh preferred price over the quality of the product.

China: KFC is one of the greatest food chains in Chinese market and have merged with the local business of China. KFC, in its Chinese market, has targeted the upper- and middle-class group of people, ranging its prices at medium and high. The products at KFC are considered to be affordable with good quality and is constant at all outlets across the country. Unlike, Bangladesh, revenue-based strategy works fine in the country.

Sri Lanka: KFC has around 39 outlets all over Sri Lanka and is serving various local food items like rice, chicken charger, etc. KFC entered the Sri Lankan market very successfully beating the existing international and local brands in the country. KFC has managed to capture the upper and middle class of the country because of its quality, recipes, pricing and valuation. KFC has maintained its monopoly in the Sri Lankan market, even though many local brands have tried to copy the menu and recipe.

CONCLUSION.

Pricing of product or service is one of the most challenging task a marketer has to perform to build the organization. To build an international business, organizations considers variuos global pricing strategy which are available in the books so that it can sound relatable to the people of the country they want to cater to. Marketers performs various market researches for the evaluation of the price range of the product or service. Prices affect the organization directly, and also is affected by various factors like demography, legal environment, culture, income, etc. Both qualities along with prices matter for people to purchase of product or service. KFC using various pricing strategy has maintained its monopoly in various countries for serving fried chicken. Some of the strategies may have worked in some countries for KFC but the same may not have worked in others. To attract the customer of such countries where the revenue-based strategy is not working well, KFC should lower its prices to provide the competitive price to the customers.

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