PROMOTIONAL PRACTICES OF SELECTED FOOD CHAIN STORES IN THE UNIVERSITY BELT IN MANILA

Dr. Marivic F. Flores
Faculty, College of Management and Entrepreneurship
Pamantasan ng Lungsod ng Maynila, Philippines

Abstract
This study paper was undertaken to know the management and customer’s perception on the promotional practices of selected food chain stores in the university belt. Generally, the research is concerned in identifying and comparing promotional practices adopted by the five (5) selected fast food companies. These fast food companies are: The Tropical Hut Hamburger or Tropical Hut Foodmart; Jollibee Foods Corporation; McDonalds or McGeorge Food Industries , Inc.; Kentucky Fried Chicken or Quick Service Restaurants (QSR) Corp; and Chowking Food Corporation. The research objectives are generally to determine the following: (1) the promotional practices implemented and the media most commonly use by the selected food chain stores? (2) the promotional practices that attracts most of the customers in patronizing the store? (3) the promotional practices problems that beset the food chain stores and their suggested solutions to these problems. Further, descriptive method of research was used in this study and the instrument used in gathering data is a researcher-constructed questionnaire. The respondents were three hundred (300) customers and nineteen (19) managers of the five food chain stores in Claro M. Recto Area. Findings revealed that the selected food chain stores used TV Program, Value/Combo Meal/Price Pack, Endorsement by Well-known Personalities, Billboards, Product Advertisement and Premium. Television is the most commonly used media by the food chain stores while the most attractive promotional practice is TV Program and Endorsement by Well-known Personalities. Lack of continuous program to effectively launch direct selling strategies is the most serious promotional problem that was given by the respondents.

Key words: Promotional practices, food chains stores, university belt in manila

Introduction:
The growth of fast food chains in the Philippines can be attributed to the increasing growth of population in the country and the changing characteristics of Filipino consumers.

The basic needs of individuals will continue to grow in terms of total outlets and a number of product concepts. Changing food habits among consumers, stimulated by the massive media advertising and the growing number of working classes, which include women, both single and married, young and old, have created more demand for food services away from home at affordable prices. Thus, fast food chains have expanded to cater to the needs of these working classes and their families.

According to the Fast Food Restaurants Survey dated 2003 there are about 20,000 fast food restaurants operating in Metro Manila. The number seems to indicate a food market that is already saturated.

However, in the consumer pulse survey conducted by the Consumer Pulse Incorporated in Metro Manila 2003, it was pointed out that most fast food chains have acquired gains in terms of patronage level. This increase can be attributed to the expansion undertaken by most fast food restaurants in terms of branch network. Thus, this indicates that the market has still room for expansion.

It is imperative therefore, for management to determine what effective practices can be applied for the promotion program of the firms. Many in the business, however, are not aware of the extent to which advertising or other promotional strategies can help to achieve the decision on how to fit the product, pricing, place and the promotion strategies into a marketing program.

The fast food industry is actually a sub-sector of the larger restaurant industry. Here, the researcher will review the promotional practices of five (5) selected fast food chains in the Philippines particularly their
operation in University Belt along Claro M. Recto Avenue. Data from the Fast Food Restaurant Association of the Philippines show that most of the fast food restaurants have customer ranging from A to D economic classes with a bulk of customers below 50 years of age. This market developed mostly in Manila with the change of urban lifestyles which has put a premium on convenience and time saving. The industry’s rational, in short, is efficient high quality products that have broad consumer acceptance supported by advertising and promotions. The success of the food industry in the Philippines can be attributed to the following factors:

1. Quality product;
2. Production technology;
3. Advertising; and
4. Properly trained staff.

Critical Success Factors

Advertising and Promotion. To maintain a competitive edge in the industry, players spend millions on advertising. There are different kinds of gimmicks like a toy in every set meal for kinds, discounted food items if you purchase two items, free gift items, raffle draws and a lot more. Some food companies even get celebrity endorsers to create brand consciousness and market loyalty. Proper Pricing. With the present economic slowdown, people eat out but with a limited budget. Price cuts and discounts are offered to increase sales. Food outlets that offer the most value for money (less than P100/meal) are the popular ones. Almost all eating places offer their own price cuts, discounted meals or combo meals.

Quality of Food Service and Facilities. Providing high quality food that conforms to the taste of the consumer coupled with fast and efficient service in a clean environment is a big incentive to growth. Consumers have become even more discriminating and quality-conscious.

Product Lines. Targeting the consumers’ taste buds means continually upgrading the menu. This is one key in capturing more customers.

Extensive Branch Network. To keep their share of the market, most of the players extend their service coverage by setting up other branches. Malls, university areas, and other places where there is heavy pedestrian traffic are the usual places where food outlets are highly patronized. It is a risk to take as malls charge high rentals. Due to the economic crisis, many are also closing their unprofitable outlets.

Availability of Raw Materials. The smooth operations of food outlets require a steady and adequate supply of raw materials. These companies must then establish tie-ups with reliable suppliers.

Franchising. For new investors, franchising is a good way to start. With franchising, there is already product identification.
Today, the rise of the fast food industry has changed not only what Filipinos eat but also how their meals are made, at every step from the farm, to the ovens in a commercial kitchen. Aside from the salad green tomatoes and some toppings, most fast food arrives at the restaurant frozen, canned, dehydrated or freeze-dried. A fast food kitchen is merely the final stage in a vast system of mass production. Filipino’s favorite foods, like its automobiles and television sets are normally manufactured by computerized, highly automated machines.

This study is concerned in identifying and comparing promotional practices adopted by the five (5) selected fast food companies. These fast food companies are:

1. The Tropical Hut Hamburger or Tropical Hut Foodmart;
2. Jollibee Foods Corporation;
3. McDonalds or McGeorge Food Industries, Inc.;
4. Kentucky Fried Chicken or Quick Service Restaurants (QSR) Corp; and
5. Chowking Food Corporation.

A brief description of the five (5) subject food chain stores is hereby given to provide information about the company and their historical background.

**Tropical Hut Hamburger or Tropical Hut Foodmart.** The company that claims that they are the original and pioneer hamburger chain in the Philippines. It was established 28 years ago as a section of Tropical Foodmart, the coffee shops, specializing in hamburgers of its sister company, the supermarket chain of Tropical Hut Foodmart, that was later acquired by the Mercury Group of Companies in 1972 and since then has spun off as a separate division in 1974. Twenty (20) branches and a variety of fastfood products such as fried chicken, French fries, breakfast menu, hamburgers, spaghetti and drinks.

Tropical Hut Hamburger has 29 outlets in the Philippines scattered in different strategic locations, mainly in Metro Manila area. Seven are located in Quezon City, two can be found in Mandaluyong, one in Alabang, one in San Juan, two in Parañaque, three in Manila, two in Makati, one in Tagaytay, and four in Cavite.

**Jollibee Foods Corporation.** This is a chain of fastfood restaurants which started as a partnership with two outlets in May 1975. It was originally named as “Cubao Ice House>” The business is exclusively-owned by the Ang and Tan families in the outgrowth of an original dealership arrangement for ice cream with Magnolia Dairy Products. Five months later, the simultaneous opening of the first two outlets in 1975, hamburger was served as a complementary product and acquired the brand name Jollibee Yumburger.

On June 17, 1978, actual operations of Jolly Foods Corporations (JFC) as a corporation with Mr. Tony Tan Caktiong as the Chairman and Chief Executive Officer of the company. The corporation commenced when the outlet at the Quezon Arcade in the Araneta Commercial Complex was opened. Formerly six other outlets operated as independent units that were each managed by a family member. These outlets were later bought into the corporation on December 1978. On December 24, 1978, the outlet in Virra Mall, Green Hills was opened for business.

Jollibee Foods Corporation (JFC) has been in the roster of the top 1,000 corporation since 1992. Its sales volume of P3,365 billion enabled it to become the first fastfood chain to enter the top 1,000 corporations in the Philippines. For the sixth straight year since 1997 to 2003 it was ranked as the Philippines leading company by the Far Eastern Economics Review. Jollibee store count closed to 988 stores nationwide.

**McDonalds or McGeorge Food Industries, Inc.** The local franchise headed by George T. Yang has been operating in the Philippines for over 20 years, since the opening of its store in Morayta, Manila in 1981 In 1987, local franchise registered an average sales per month of P2.1 million, with some 8,099,324 sandwiches sold with only 12 stores operating then. McDonalds says that this is enough to supply 1.1 sandwiches for every person living in Metro Manila.

**Kentucky Fried Chicken Inc. or Quick Service Restaurants Corp.** This was established in 1952 at a little country Kentucky, States of America in a name called Sanders Court. The secret of its product is the “original recipe” of chicken with a mixture of 11 herbs and spices which gives chicken a sensational new taste invented by Colonel Sanders. From 1952, the Colonel confident of the quality
and popularity of his Original Recipe Chicken, traveled around America to franchise his recipe. In 1955, Kentucky Fried Chicken Inc. was established.

KFC started its operation in the Philippines in 1967, it was managed by different franchisees. On June 1994, Manuel U. Agustines obtained the sole franchise over the sale and distribution of KFC products in the Philippines, under the corporate name of Quick Service Restaurants (QSR) Corporations. The secret of its flavor which had been an envy to many food chain stores was the main difference from its contemporary cooking of the chicken. At present, the management of KFC Philippines is working hard to maintain the standards and excellence that made KFC one of the fastest growing Quick Service Restaurants in the industry. It is embarking on a major expansions program not only in Metro Manila area but also in the provincial areas of the country to meet its growing customer demand.

**Chowking Food Corporation.** It gained entrance to the Philippines highly competitive fastfood industry in 1985, at a time when it was dominated by western-style burger joints. It positioned itself in a niche where it could be a strong leader, by adopting the best feature of two distinct restaurant personalities, first, the traditional Chinese restaurant, with its menu of delectable, sumptuous but easy-to-prepare and reasonably-priced dishes, second, the modern, western-style fastfood joint, with its eye-catching façade, bright interiors and young staff dispensing friendly and snappy service, and fused them into a unique concept: the Oriental quick-service restaurant.

In 1989, in an aggressive bid to expand its client base and capture a bigger share of the market, the company initiated its franchising operations and market its entry into the provincial market. The twin moves enabled the company to pursue ambitious expansion program that has made Chowking the largest Oriental quick-service (QSR) chain in the Philippines, enjoying high visibility in all the major cities and towns in the countries main island groups, Luzon, Visayas and Mindanao.

Emboldered by its success on the domestic front, the company ventured into the global market in 1995, with the opening of a Chowking store in California, USA. Today, Chowking outlets are operating in the US West Coast under a licensing agreement with a Filipino expatriate family. A similar agreement has been forged with a Dubai national for the operation of Chowking stores in the Middle East.

The turn of the millennium was a turning point for Chowking Food Corporation. On January 1, 2000, Chowking became a wholly owned subsidiary of Jollibee Foods Corporation, the largest most respected restaurant chain in the Philippines. With the merger came numerous changes in Chowking. Hand in hand with the new physical features is the renewed pursuit of high standards in Food Service and Cleanliness (FSC), the three pillars of the restaurant business. The goal is to serve consistently delicious and hot food in five minutes, amid sanitary and clean-smelling surroundings.

**Statement of the Problem**

This study aims to identify the promotional practices of five (5) selected food chain stores in University Belt along Claro M. Recto Avenue. The following questions were answered in this study.

1. What is the profile of the respondents with respect to the following:
   A) Company
      1.A.1 Forms of organization
      1.A.2 Ownership
      1.A.3 Number of Personnel
      1.A.4 Years of operation
   B) Managers and Customers
      1.B.1 Age
      1.B.2 Sex
      1.B.3 Civil Status
      1.B.4 Educational Attainment
      1.B.5 Family Income
      1.B.6 Employment

2.a. What are the promotional practices implemented by the selected food chain store?

2.b. What media is most commonly used by the food chain stores?
   b.1 Broadcast Media;
   b.2 Print Media; and
   b.3 Outdoor Media

3. What are the promotional practices that attracts most of the respondent customers in patronizing the food chain store?
4 What promotional practices problems beset managers of the selected food chain stores and their suggested solution to solve these problems?

Summary of Findings:

1. A. Company Profile

All the selected food chain stores under study are in a corporation form of organization and Filipino owned. Number of personnel for each food chain store varies such as; for Tropical Hut they have 36, Chowking with 55, Kentucky Fried Chicken with 32, McDonalds with 60 and Jollibee with 62. The food chain stores length of operations also varies, both Chowking and Tropical Hut have been operating for three (3) years, McDonalds for six (6) years, Jollibee for twelve (12) years, and the longest Kentucky which is operating for twenty five (25) years now.

1. B. Managers and Customers Profile

- Majority of the respondent customers are in the age bracket of 20 years and below, and they came from McDonalds (44) and Jollibee (40), they are in the age bracket of 26-30 years old with 63.20 percent of the total population. Most of the respondent managers are female numbering to 73.7 percent of the total. The respondent customers are single numbering to 73.70 percent of the total, while the respondent managers are single with 78.9 percent of the total. Most of the customers are college students consisting of 54.3 percent of the total while the managers are college degree holder with 94.7 percent of the total.

- In terms of family income, majority of the respondent customers are having family income of P15,001-P20,000 with 24.3 percent of the total while respondent managers are having family income of P25,000-P30,000 numbering to 36.8 percent.

- In terms of employment status, majority of the respondent customers are not employed with 50.7 percent of the total. With regard to Home Location, all respondent managers are living near the food chain store but not along Claro M. Recto.

2. a) Promotional Practices Implemented by the Selected Food Chain Stores

TV Program as a form of Advertisement stood to be the highest, being rank 1 with a frequency of 281, followed by the used of Value/Combo Meal/Price Pack, a Sales Promotion techniques with a frequency of 256. Coming in as rank 3 was Endorsement by Well-known Personalities, a Publicity or Public Relations form with a frequency of 237. Next was the use of Billboards as a means of Advertisement which ranked 4 with a frequency of 198. Coming in as rank 5 was the used of Product Advertisement as an Advertisement with a frequency of 191. Likewise, the least used was Premium, a Sales Promotion technique with a rank of 6. The ranking showed that all the promotional practices are used by the food chain stores.

2. b. Commonly Used Media by the Selected Food Chain Stores As Perceived by Managers and Customer

As perceived by the respondent customers, majority of the food chain stores utilized a “very great extent” of television as form of broadcast media in promoting their products with a weighted mean of 4.5. Majority of the food chain stores according to the respondent customers used a “great extent” of magazines and newspapers, a form of Print Media in promoting their products with a weighted mean of 3.9 and 3.8 respectively.

As further perceived by the respondent customers, the food chain stores used a “great extent” of Billboards, Store Signs and Neon Lights, a form of Outdoor Media in promoting their products with a weighted mean of 4.0, 3.8 and 3.4. As perceived by the respondent managers, the food chain stores used a “very great extent” of Television in promoting their products with a grand mean of 4.4.

Magazines and novelties are used to a “great extent” by the food chain stores in promoting their products with a grand mean of 3.4 and 3.3 respectively. Majority of the food chain stores as perceived by the respondent managers used to a “great extent” of Billboards, Neon Lights, Neon Signs with a grand mean of 3.8 and 4.0.
Endorsement by Well-known Personalities as a form of Publicity/Public Relations with a grand mean score of 1.5.

4. Promotional Practices Problems that Beset Managers of the Selected Food Chain Store

**Direct Selling**
As perceived by the respondent managers, food chain stores are confronted by direct selling problems to “great extent” with a grand mean of 3.8 for problem number two where staff assigned to direct selling program and activities lack necessary training and skills, for problem number three a grand mean of 3.8 also wherein there is a lack of continuous program to effectively launch direct selling strategies, for problem number four a grand mean of 3.4. Weak direct selling efforts does not improve the sales of many products and lastly to problem number five with a grand mean of 3.6. Direct selling is not consistent with other promotional activities of the company.

**Sales Promotion Activities**
The Manager respondents perceived that the food chain stores are confronted by Sales Promotion problems to “a great extent” in problem number one, poor monitoring of local and international events and opportunities with a grand mean of 3.6, problem number three, the company does not always make use of effective price reduction as sales promotion with a grand mean of 3.4, problem number four, the company does not use all the incentives that could boost sales with a grand mean of 3.8 and problem number five, the company lacks proper communication with the customers in promoting new products with a grand mean of 3.4.

**Advertising Activities**
All problems regarding advertising activities are evaluated by respondent managers to “a great extent” with a grand mean of 3.4 and 3.6.

**Publicity/Public Relations**
As assessed by the respondent managers, food chain stores are confronted by Publicity/Public Relations problems to “a great extent” to problem one, socio-cultural activities and programs not properly monitored and effectively chosen with a grand mean of 3.4, problem number three, the company is not concerned with government and private company activities related to the industries with a grand mean of 3.6, problem number four, funds are not enough to support its publicity activities with a grand mean of 3.8 and problem number five, the officers and staff are not sensitive to issues where effective publicity could be launched with a grand mean of 3.8.

**Suggested Solutions to Solve Promotional Practice Problems**
All the solutions affecting promotional practices of the food chain stores have strong effect based on the response of the respondent managers with a grand mean of 3.8 which means to a “great extent”. These are:
1. Initiate effective sales meeting.
2. Launch incentive program.
3. Periodic inventory control.
4. Initiate periodic audit.
5. Prepare report forms from sales activities.
6. Effective group monitoring.
7. Launch effective training seminars in promotion.
8. Implement development programs for sales staff.
9. Establish a research group department.
10. Periodic Survey on socio-cultural activities affecting the industries.
11. Monitor and keep records of promotional activities.
12. Awareness of local and international events related to the industry.
13. Communicate with other food chain store.
14. Promotional budget should be increased.

**References**

**Books**


29. Published and Unpublished Materials


**Journals/Reports**


7. Various Company Annual Reports and Industry Interview Center for Food and Business CFA-UA & F.