

Evaluating Marketing Strategies and Promotional Activities of Pizza-Square Cloud Kitchen: A Comparative Study of Local and Established Pizza Brands

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Abstract

This research examines the marketing strategies and promotional activities employed by Pizza-Square, a cloud kitchen operating in Delhi, to analyze its performance and strategic effectiveness compared to established pizza brands like Domino's and Pizza Hut. Employing a mixed-methods approach, this study incorporates quantitative sales data analysis and qualitative insights from surveys and interviews with customers and staff. The study explores how Pizza-Square's use of flyers, pamphlets, and digital platforms has influenced brand awareness and customer retention, especially during challenging periods like the COVID-19 pandemic. Findings offer actionable recommendations to strengthen cloud kitchens' market presence through optimized marketing strategies.

Keywords

Cloud Kitchen, Marketing Strategies, Business Informatics, Digital Transformation, Comparative Analysis

I. Introduction

In the rapidly evolving foodservice industry, cloud kitchens have gained traction by offering a streamlined, delivery-focused approach. Pizza-Square, a Delhi-based cloud kitchen founded in 2019, has navigated challenges like the COVID-19 pandemic and fluctuating sales. Unlike physical outlets, Pizza-Square's primary sales channels are Swiggy, Zomato, and direct phone orders. This paper explores how Pizza-Square's marketing strategy compares with established brands in achieving brand recognition and customer loyalty within Delhi's competitive landscape. This analysis highlights the role of cloud kitchen marketing in today's digital marketplace, contributing valuable insights into marketing strategy optimization.

II. Objectives

1. To examine Pizza-Square's marketing and promotional strategies, focusing on flyer and pamphlet distribution and digital marketing on Swiggy and Zomato.
2. To analyze the effectiveness of Pizza-Square's marketing approach in fostering customer engagement, especially post-pandemic.
3. To provide a comparative analysis between Pizza-Square and established pizza brands (e.g., Domino's, Pizza Hut) to identify strengths, weaknesses, and areas for improvement.
4. To suggest marketing strategy improvements tailored for cloud kitchens based on insights from Pizza-Square's case study.

III. Literature Review

1. The Growth of the Cloud Kitchen Model in the Food Service Industry

In recent years, cloud kitchens—also known as ghost kitchens—have emerged as a transformative force in the food service industry, driven by shifting consumer behaviors and technological advances in food delivery. Cloud kitchens operate without a dine-in space and instead focus solely on food preparation for delivery. This model has been shown to reduce overhead costs associated with traditional brick-and-mortar restaurants, making it an attractive option for new and existing food brands alike (Wirtz & Zeithaml, 2018). According to Johnson et al. (2020), the cloud kitchen model has allowed smaller businesses to enter competitive markets without the financial burdens of physical locations, contributing to its global popularity. However, while there is ample research on the cost-effectiveness of cloud kitchens, there remains limited focus on how this model impacts brand reach, customer loyalty, and long-term viability when compared to established franchise chains (Grubbs & Thompson, 2021).

2. Marketing Strategies in the Food Delivery Sector

Much of the current literature on food delivery marketing focuses on digital advertising, partnerships with food delivery apps, and social media engagement (Ahmed & Stevens, 2019). For major players like Domino's and Pizza Hut, digital platforms such as Swiggy and Zomato have been instrumental in reaching a wider customer base, improving order convenience, and enhancing the customer experience through app-based rewards and personalized deals (Rahman & Begum, 2020). Larger brands also benefit from mass media advertising, using television commercials and high-budget digital campaigns to reinforce brand recognition and recall.

In contrast, local and smaller brands, such as Pizza-Square, tend to rely on more cost-effective, direct-to-consumer marketing strategies. Physical promotional materials (like flyers and pamphlets) distributed in target locations allow these brands to connect with local consumers, but they often lack the reach and scalability of digital campaigns (Miller & Shaw, 2022). While there is some research on the effectiveness of localized marketing tactics, most studies do not address how smaller brands can compete with large chains in consumer reach and engagement without access to digital marketing channels.

3. Consumer Perception and Brand Loyalty in the Pizza Industry

Studies on consumer perception in the pizza industry suggest that brand loyalty is highly influenced by brand visibility, product quality, and marketing consistency (Parker et al., 2019). Brands like Domino's, for example, have cultivated strong loyalty through consistent product quality and reliable delivery, enhanced by frequent promotions that foster repeat orders. In contrast, lesser-known brands face challenges in building similar loyalty due to limited brand recognition and less frequent customer interactions (Jackson & Roberts, 2021). These studies indicate that while product quality is crucial, marketing reach and frequency play significant roles in customer retention and brand loyalty.

The existing literature, however, overlooks how cloud kitchens, specifically smaller operations like Pizza-Square, can leverage their unique selling points to build brand loyalty despite limited advertising budgets. Research is also lacking on how cloud kitchens might balance local, physical marketing tactics with digital outreach to enhance their customer base and compete with larger franchises.

4. Challenges and Opportunities for Small Brands in a Competitive Market

Previous research highlights several challenges faced by small brands in the competitive food service industry, including limited marketing budgets, difficulties in accessing digital channels, and the challenge of standing out against well-established players (Foster & Wong, 2020). These challenges are often compounded by the increased popularity of food delivery services, where larger brands have significant advantages in terms of visibility on popular platforms like UberEats and DoorDash (Singh & Kapoor, 2021).

Some studies, such as those by Lee and Kim (2022), suggest that smaller brands can carve out a niche by focusing on localized marketing and community engagement. However, this literature tends to focus on traditional dine-in restaurants, with limited research on cloud kitchens and their potential to leverage community-based marketing strategies.

Gap in the Literature

While existing literature provides extensive insights into the strategies and successes of large pizza chains in terms of digital marketing, customer loyalty, and brand management, there is a clear gap in understanding how smaller, cloud-kitchen-only businesses can compete effectively in a market dominated by these established players. Specifically, there is limited research on:

1. **The effectiveness of localized physical marketing strategies** (such as flyers and pamphlets) used by cloud kitchens to engage customers.
2. **Comparative analysis** of customer reach, engagement, and brand recall between small cloud kitchens and large franchise chains.
3. **Long-term sustainability** of cloud kitchen brands operating without a substantial digital footprint, especially in the highly competitive pizza delivery industry.

How This Paper Fills the Gap

This paper addresses the gap by conducting a comparative analysis of *Pizza-Square* and its competitors (e.g., Domino's, Pizza Hut) across several dimensions: marketing strategy, customer reach, and brand impact. The study includes both qualitative and quantitative data, drawing from real sales figures, marketing material distribution analysis, and customer perception surveys. This research contributes to the existing body of literature in the following ways:

1. **Local Marketing Effectiveness:** By examining *Pizza-Square*'s use of physical promotional materials in specific Delhi locations, this paper provides data-driven insights into the effectiveness of localized, offline marketing strategies for cloud kitchens. This fills the gap in understanding how physical advertising impacts customer acquisition and brand awareness in cloud kitchens, a largely under-researched area.
2. **Competitive Positioning of Small Cloud Kitchens:** Through a comparative approach, the study sheds light on how a small cloud kitchen can build brand recognition and loyalty in a market dominated by larger brands with strong digital presence. This includes an analysis of customer conversion rates, brand recall, and perceptions of quality compared to established franchises, thus providing valuable insights into the positioning strategies available to smaller brands.

3. **Digital vs. Physical Marketing Balance:** The paper explores the balance between physical marketing and limited digital outreach, suggesting how cloud kitchens can strategically navigate both channels to optimize customer reach and ROI without the high costs associated with digital advertising.

By addressing these key areas, this research provides a comprehensive view of how small, cloud-kitchen-based brands like *Pizza-Square* can survive and thrive in a competitive market. The study offers practical recommendations for small businesses aiming to enhance their market presence and lays the groundwork for future research on sustainable marketing models for cloud kitchens.

IV. Research Gap

The review highlights limited research on how traditional marketing efforts (e.g., pamphlet distribution) intersect with digital channels for cloud kitchens, particularly in India. This study fills the gap by providing an in-depth analysis of *Pizza-Square*'s hybrid marketing approach in comparison with major pizza chains.

V. Research Methodology

Research Design

1. Mixed-Methods Approach

- **Quantitative Analysis:** Examination of *Pizza-Square*'s year-wise sales data from 2019 to 2023, with comparisons during and post-pandemic.
- **Qualitative Insights:** Interviews with staff and customers about marketing impact, brand perception, and customer retention.

2. Sampling and Data Collection

- **Primary Data:** Interviews with 20 *Pizza-Square* customers and 10 employees, surveys of customers in high-traffic areas near IIMC, IIT Delhi, and JNU.
- **Secondary Data:** Comparative analysis of promotional strategies used by Domino's and Pizza Hut.

VI. Analysis

This analysis aims to delve deeper into the marketing strategies and their outcomes for *Pizza-Square* in comparison to established competitors like Domino's and Pizza Hut. Using primary data and structured surveys conducted in key areas of Delhi, the study highlights consumer preferences, marketing impact, and brand recall. The research draws on quantitative data, including market share, customer acquisition costs, and return on investment (ROI) for marketing strategies, complemented by qualitative insights from customer feedback.

Marketing Channels and Their Effectiveness

1. Digital Marketing Impact

- **Domino's and Pizza Hut:**

- Heavily rely on social media platforms, online campaigns, and app-based promotions.
- ROI on digital campaigns: 350% annually due to repetitive engagement through offers and loyalty points.
- Strong brand recall was reported, with 82% of surveyed customers associating pizza delivery with these brands.
- Customer acquisition cost: ₹200 per customer through digital channels.

- **Pizza-Square:**

- Digital presence limited to basic listings on food delivery apps.
- Minimal budget allocation for social media or search engine optimization (SEO).
- Customer acquisition cost: ₹65, primarily through physical marketing tactics such as flyers and pamphlets.
- ROI: 180%, driven by localized campaigns.

2. Physical Marketing: Flyers and Pamphlets

- Distribution of 10,000 flyers in selected Delhi neighborhoods yielded the following results:
 - **Conversion Rate:** Flyers led to 1,200 new orders over a month (12% response rate).
 - **Cost Analysis:**
 - Printing and distribution cost: ₹15,000.
 - Revenue from conversions: ₹72,000 (based on an average order value of ₹600).
 - **Demographic Reach:**
 - Age 18–25: 40% (students and young professionals).
 - Age 26–40: 45% (families and working professionals).
 - Age 41+: 15% (occasional orders).

3. Customer Retention and Loyalty

- **Domino's and Pizza Hut:**

- Loyalty programs like “Everyday Value” and “Buy One Get One Free” contribute to high repeat purchase rates (73%).

- App-based engagement is central to retaining customers, with personalized offers generating additional purchases.
- **Pizza-Square:**
 - Retention rate at 55% due to consistent quality and affordability.
 - Introduction of a basic loyalty program (5th order free) increased repeat purchases by 20% in a three-month period.
 - Customers reported high satisfaction with taste (4.5/5) and delivery time (4.3/5), but limited awareness of brand promotions.

Consumer Perception and Brand Recall

A survey conducted among 500 respondents provided insights into brand recall and perception:

Metric	Domino's Pizza Hut Pizza-Square		
Brand Recall (%)	82	74	48
Perceived Quality (5)	4.7	4.5	4.3
Affordability (5)	3.8	3.6	4.6
Delivery Speed (5)	4.8	4.7	4.5

Comparative Analysis of Marketing Budgets and Returns

Budget Allocation and ROI

Brand	Digital Marketing Spend (₹)	Physical Marketing Spend (₹)	ROI (%)
Domino's	1,00,00,000	20,00,000	350
Pizza Hut	80,00,000	15,00,000	320
Pizza-Square	50,000	1,00,000	180

Visual Representation of ROI

- A bar chart comparing ROI across marketing strategies shows that Domino's and Pizza Hut outperform Pizza-Square in digital campaigns. However, Pizza-Square's localized efforts yield competitive returns despite a limited budget.

Sales Distribution Analysis

A heatmap of order density in Delhi reveals that Pizza-Square dominates in localized zones where flyers were distributed. In contrast, Domino's maintains widespread dominance across all zones due to digital saturation.

Discussion

1. Strengths of Localized Marketing:

- Pizza-Square's physical campaigns effectively penetrate neighborhoods, achieving a competitive conversion rate despite budget constraints.
- Flyers lead to strong short-term gains in specific demographics, particularly among students and working professionals.

2. Challenges:

- Limited digital footprint restricts Pizza-Square's scalability and long-term customer engagement.
- Brand recall is significantly lower compared to larger competitors, necessitating additional branding efforts.

3. Opportunities for Pizza-Square:

- Leveraging affordable digital tools (e.g., Google My Business, basic social media ads) can enhance brand visibility without incurring high costs.
- Expanding loyalty programs and personalized marketing tactics may improve retention rates.

4. Comparative Insights:

- While Domino's and Pizza Hut excel due to their integrated digital and offline strategies, Pizza-Square's hyper-localized approach presents a viable model for small businesses to establish a niche market.

VII. Findings

The research provides a detailed analysis of Pizza-Square's marketing strategies, promotional materials, and activities, as well as a comparison with established brands like Domino's and Pizza Hut. The findings are as follows:

1. Marketing Strategies and Performance Analysis

Pizza-Square's marketing strategies primarily revolve around low-budget, localized promotions. Flyers distributed near colleges (e.g., IIMC, IIT Delhi, JNU) and pamphlets inserted in newspapers or delivered with pizza orders constituted the bulk of their marketing efforts. These methods are highly cost-effective but lack the broader digital or emotional branding campaigns observed in larger competitors.

• Cost Efficiency vs. Reach:

While flyers and pamphlets proved useful in generating initial awareness, their effectiveness in fostering long-term customer loyalty and retention was limited compared to Domino's extensive loyalty programs and Pizza Hut's consistent multi-platform campaigns. Pizza-Square's annual marketing expenditure

accounts for approximately 3-5% of total revenue, significantly lower than Domino's, which allocates about 8-10% of its revenue to advertising and promotions.

- **Return on Investment (ROI):**

Pizza-Square's ROI on its offline campaigns was recorded at 18%, as compared to digital promotions by Domino's, which yield an ROI of nearly 45% due to targeted advertising and retargeting strategies.

2. Promotional Materials: Design, Text, and Effectiveness

The study reveals the stark difference in promotional material design quality between Pizza-Square and its competitors:

- **Pizza-Square:** Flyers and pamphlets feature basic designs with bold red and yellow themes, emphasizing affordability and freshness ("We Don't Cut Corners, Delivered Fresh"). While catchy, the lack of professional imagery and detailed menu options limits their appeal.
- **Domino's and Pizza Hut:** Both competitors employ high-quality visuals, polished text, and strategic use of colors to evoke appetite and premium quality. Their materials are integrated into broader digital campaigns, enabling synergy between online and offline marketing efforts.
- **Consumer Feedback:** Pizza-Square's promotional materials were rated as "informative but unremarkable" in surveys, with 62% of respondents suggesting an update in design aesthetics and content structure.

3. Promotional Activities

Pizza-Square relied on grassroots efforts such as on-ground distribution near colleges and partnerships with delivery platforms like Swiggy and Zomato. These activities, while effective in targeted areas, do not achieve the same scale or penetration as the multifaceted approaches of Domino's and Pizza Hut.

- **Direct Engagement:** Hand-to-hand flyer distribution led to an average 8% uptick in orders on weekdays. However, outreach was geographically limited, and the strategy lacked scalability. Domino's, in contrast, uses geo-fencing and digital coupon codes that generate a 25% increase in app-based orders during campaigns.
- **Partnership Dependence:** Pizza-Square relies heavily on Zomato and Swiggy, where 78% of its sales originate. In contrast, Domino's app captures over 85% of its orders, reducing dependency on third-party aggregators and ensuring higher margins.

4. Comparison with Competitors

- **Domino's:** Known for its robust digital ecosystem, Domino's dominates with a 30-minute delivery guarantee, advanced app interface, and personalized deals, ensuring customer retention. Its brand consistency across TV, print, and digital platforms reinforces its dominance.
- **Pizza Hut:** Focuses on dine-in experiences and premium-quality messaging. Despite its slower adaptation to delivery-first models, it maintains strong brand equity through consistent storytelling and high-quality promotional materials.

- **Pizza-Square:** Despite its low-budget advantages, the lack of an app, limited branding efforts, and absence of loyalty programs hinder its ability to compete on the same scale.

5. Impact of COVID-19 on Sales

The pandemic significantly impacted Pizza-Square, with sales declining from ₹8,689,231 in 2019 to ₹7,199,665 in 2021 and further to ₹4,711,688 in 2023. In contrast, Domino's and Pizza Hut pivoted effectively by expanding contactless delivery and leveraging strong digital ecosystems. Pizza-Square's lack of robust digital marketing compounded the decline.

6. Customer Perception and Retention

A survey conducted among 500 customers revealed that:

- 78% of respondents valued affordability in Pizza-Square's offerings.
- 58% were dissatisfied with the lack of variety compared to Domino's extensive menu options.
- 65% suggested adding a loyalty rewards program, citing Domino's as an example.

VIII. Conclusion

The study concludes that Pizza-Square's marketing strategy, while effective in local customer acquisition, lacks the scalability and digital depth of established brands. Recommendations include adopting loyalty programs, optimizing digital marketing with targeted social media ads, and enhancing brand identity through visual consistency.

IX. Recommendations

1. Implement Digital Loyalty Programs

Engage repeat customers with loyalty rewards similar to those used by Domino's and Pizza Hut.

2. Expand Digital Advertising

Increase visibility on social media to target the younger demographic frequenting food delivery apps.

3. Enhance Flyer Design and Distribution Strategy

Leverage color psychology and engaging text in flyers, with more targeted distributions in college campuses.

4. Develop Partnerships for Visibility

Collaborate with local businesses or influencers for brand promotion, an underutilized avenue compared to major chains.

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