

MARKETING EXCELLENCE 2

KFC

Finger lickin' good



MARKETING
SOCIETY

AWARDS FOR
EXCELLENCE

in association with
Marketing

About The Marketing Society



INSPIRING BOLDER MARKETING LEADERSHIP

The Marketing Society is a not-for-profit organisation owned by its members, with over 2500 senior marketers. Over the past 50 years it has emerged as one of the most influential drivers of marketing in the UK business community.

The Society challenges its members to think differently and to be bolder marketing leaders by supporting the development of leading-edge thinking, and promoting the evidence of effective marketing. The Society does this through the Marketing Society Awards for Excellence; its publications Market Leader, Our Week and rich online Knowledge Zone; a national programme of world-class events; innovative professional development, such as the annual Marketing Leaders Programme; and extensive on-and-offline networking opportunities.

www.marketing-society.org.uk

Foreword

By Roisin Donnelly,
President of The Marketing Society

What is marketing excellence?



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Marketing excellence can drive breakthrough business results for the short and long term. Marketing excellence requires great strategic thinking, great creative thinking and perfect execution.

But how do we assess *marketing* excellence? First we choose brilliant industry judges who are all experienced and successful practitioners of excellence and we ask them to pick out the cases which they see as remarkable. We ask them to look for two key qualities from our winners: creativity and effectiveness.

But marketing continuously changes and evolves, as consumers become more sophisticated and demanding and the media for communicating with them ever more diverse. So the standards for marketing excellence change and in turn become more demanding.

We believe that The Marketing Society Awards for Excellence in association with *Marketing* set the standard of marketing excellence in the UK. They have established this reputation over a period of

more than 25 years, and they have always been based on the principle of searching out the best examples of different marketing techniques in action, that showcase great strategic thinking, great creativity and perfect execution.

In order to be a winner of one of the Society's Awards, marketers have to demonstrate that what they have done is outstanding in comparison with marketing in all industries not just their own particular sector.

If a marketing story has been good enough to impress our judges, then all marketers can learn from it – however senior they have become. The collection of case histories brought together in this book is the best of the best from the past four years of our Awards, and I am confident that it truly demonstrates *marketing excellence*. I have been truly inspired by these case studies and I hope you will be too.

KFC

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Snapshot

A powerful combination of product development and inspired marketing that was true to the brand restored KFC's fortunes on the high street.

Key insights

- A fresh business strategy, rigorously implemented through all aspects of marketing, transformed the KFC brand from sharp decline to category-beating growth.
- The strategy was based on the courageous decision to buck the trend among fast food outlets to talk about their 'healthy' options and instead stress the great product taste.
- This was accompanied by cleverly-timed new product development to reach both key target audiences of young people and families at the same time.

Summary

KFC Corporation, based in Louisville, Kentucky, is the world's most popular chicken restaurant chain. It operates more than 5,200 restaurants in the US and over 15,000 around the world. It is part of Yum Brands!, which had revenues of just under \$11 billion

in 2009. KFC reached Britain in 1965 (before either McDonald's or Burger King). It now has over 700 stores.

But by 2005 KFC had lost its way, with a lacklustre reputation on the high street and slumping sales. So in-depth research was carried out to find a way to revitalise the brand's fortunes. A new strategy based on taste not only set the brand apart from its competitors but it brought back both families and young people. A cycle of new product development carried out over the year also increased both frequency of visits and expenditure.

By April of 2006 the brand grew steadily for the first time in three years, peaking at 30% year-on-year (YOY) growth. Communication boosted the brand's popularity to the point that the average spend rose by over 60p per ticket throughout the year.

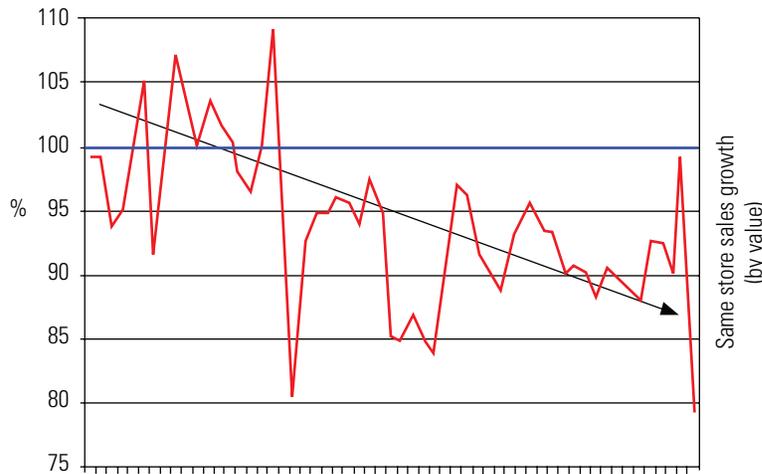
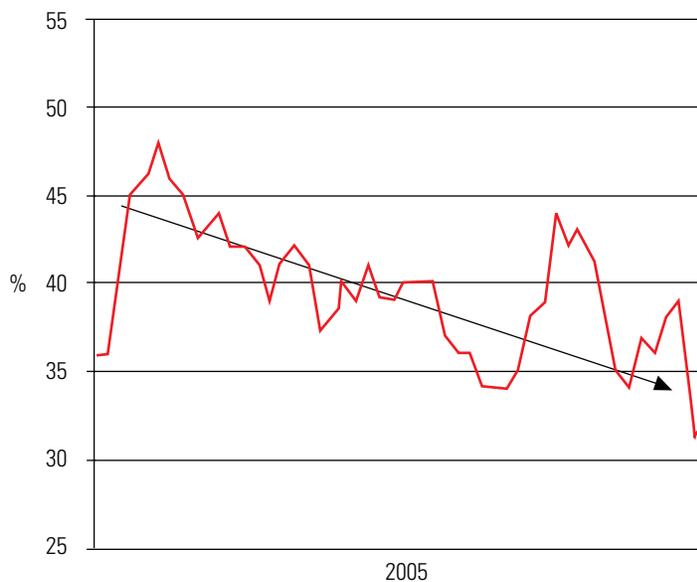


Figure 1. 2005 sales
Source: KFC



Market defined as all QSR users

Figure 2. 2005 Market penetration
Source: Conquest, Quantitative (BIT)

Headed in the wrong direction

By the end of 2005, KFC was in trouble. It had become a dinosaur on the high street. The brand remained as famous as ever, but now felt out of date and favour. KFC no longer seemed to have a role for consumers in modern Britain. Sales were in freefall, suffering ongoing and serious decline. Market penetration was also falling (as well as average ticket value). This poor performance was a result of a number of challenges facing both the category and the brand itself (Figures 1 and 2).

1. Category challenges

The nation's attitudes to food changed significantly over 2005. The 'health agenda' that had been brewing for a few years, reached critical mass. Jamie Oliver launched 'school dinners' (See Chapter 10) and Gillian McKeith became a household name among a host of food and diet-related programming. As a result, quick-service restaurant (QSR) brands became public enemy number one. This, combined with the relentless coverage and hype about obesity in the media, had a significant impact on consumers' dietary aspirations. For example, according to a 2006 study by TNS and the Food Standards Agency (FSA), by the end of 2005 67% of people believed they should eat fewer fatty foods, 64% fewer sugary foods and 58% less salt.

Moreover, new competitors were challenging the category, offering healthier alternatives. Service stations, supermarkets, chemists and coffee shops were all selling ready-to-eat food — significantly fragmenting the market. Branded sandwiches such as Subway and Prêt-a-Manger were stealing market share from KFC as they increased their number of stores and gained market penetration. McDonald's and Burger King followed suit by attempting to become health-focused in response to public pressure.

2. Brand challenges

There was an abyss between how the brand projected itself and customers' experiences. Recent advertising had given the brand a much-needed injection of credibility, youth and energy. However, while the advertising portrayed this appealing and sexy image, the reality was tired stores and underwhelming products.

The other challenge was new product development (NPD), an important element in this market. There were two key audiences for these quick-service restaurants: 'families' and 'teens and young adults'. These groups accounted for 89% of KFC's sales.

In 2005 KFC's NPD was aimed at the youth market, with snacking items developed to increase their frequency of visits. The problem was that KFC then became the place for snacks (with low ticket prices and margins), not a meal destination. Attempts were also made to create healthier food with a range of non-fried chicken, salads and a response to new competitors with sub sandwiches. As well as confusing consumers about what the brand stood for, these innovations were either failing or cannibalising regular sales.

Meanwhile, families were leaving the brand. Despite eating more meals together they weren't choosing KFC (an FSA food trends study in 2006 showed 57% of people ate one meal a day with all family members compared to 52% in 2004) and sales among families were suffering accordingly. Families did not feel the brand was for them any more — an image reinforced by poor service and stores frequented by 'youths'. This was particularly damaging for sales because families' average spend was almost three times that of young adults.

Learning from in-depth research

A new direction was badly needed. In the face of media pressure for healthy living and against fast food, what would motivate people to return to KFC? An in-depth qualitative study was launched to improve the understanding of consumer attitudes and inform brand repositioning.

- **Fast food tastes good.** The obesity debate gave consumers a new awareness that 'fast food was not healthy'. However, this didn't mean total abstinence from their favourite food. While still seeking 'better for you' cues, they didn't want fast food to be 'good for you'. Consumers choose fast food because it tastes good, not because it's healthy. As one said, "You've decided to go to McDonald's. Why would you buy chopped-up apple?"
- **KFC tastes especially good.** There's something especially compelling about the taste of KFC: "You can't make it yourself and competitors can't get close". KFC's singular taste unified all consumers. Once the desire for KFC lodged in consumers' minds, there was nothing else that would satisfy the urge. The thought of the taste quickly turned to a craving that had to be satisfied.
- **What the KFC taste means to each audience.** For families, KFC's strength was the product itself. The media's food obsession had made parents particularly aware of the authenticity of their food (in light of bad publicity surrounding products like Turkey Twizzlers). As well as seeking an economic way to feed hungry mouths, they wanted the reassurance of 'real food'. KFC was the only high street fast food outlet that served freshly-prepared

whole chicken, not reformed or reconstituted chicken products. This authenticity was seen to be a crucial benefit.

Teens and youths also craved the taste of KFC. They were seen as impulsive eaters who ate whenever they were hungry. They followed their cravings and weren't brand loyal, but constantly looking for variation and new tastes. Although their mealtimes were less formally defined than families, they were frequent purchasers of meals on the go. If they got the urge for KFC, they followed it.

Devising a ground-breaking new strategy

The brand platform chosen for all communications was 'That chicken urge can only be satisfied with the irresistible, indescribable taste of KFC'. This was indeed a radical step — doing the exact opposite of competitors and in the face of popularly-accepted consumer trends. While competitors attempted to embrace healthy eating trends, KFC repositioned itself around the fact that its product tasted delicious (Figure 3).

In other words, KFC became proud of its chicken again, reminding people about the heart of its brand and simultaneously connecting with what consumers sought from the fast food market.

The big challenge, however, was to take a single brand message and make it compelling for both audiences. So all marketing activities proudly put food at their heart. The brand's endline was changed to become: 'You've got great taste.'

Families were identified as the primary audience for reviving the brand, with mothers as the key decision-makers at dinner, deciding whether to take the night off or treat the family. Products, messages and media were all aimed at them. Youths became the secondary target, with separate products and communications developed specifically for them.

Nor was there any repeat of the previous mistakes where NPD sought to introduce healthy salads or 'sub' sandwiches. The year was instead divided into eight promotional periods in each of which one family and one youth product were promoted (Figure 4). As well as generating news, these products also encouraged current consumers to increase both



Figure 3. KFC brand identity

PERIOD	1	2	3	4	5	6	7	8
FAMILIES	Family Feast	Free Ice Cream	Mum's Night Off	Deluxe Boneless Box	Favourites Bucket	Family Feast	Zinger Chicken	Boneless Box
YOUTHS	Zinger Tower Burger	2 Piece Chicken Meal	Wicked Meal	Toasted Twister and Salsa	Blazin' Hot Mini Fillet	Fully Loaded Box Meal	Zinger Mix & Match	Buffalo Toasted Twister

Figure 4. Promotional calendar 2006

their frequency and ticket price per visit, with new 'layers' of products avoiding cannibalisation of existing products.

Four new meals were introduced which either made mothers' lives easier, or offered greater variety or better quality for the family. For younger consumers there were five new products offering variations of taste. The introduction of individual box meals also raised spend among this value-conscious group.

New products were not only rigorously tested in both qualitative and quantitative research, but were also trialled in test regions supported by above-the-line and in-store communications. Only after a sufficiently good test performance were they added to the national calendar.

Selling the great taste

Given the strategy of constantly giving both targets new reasons to buy KFC, the challenge was to support all promotions with communications without significantly increasing the media budget.

1. Advertising

Advertising followed the NPD strategy by using media to ensure each group was targeted as effectively as possible. In all channels the core message was irresistible taste.

- To target mothers, prime-time TV was used in the run-up to the evening meal. Commercials used insightful truths about everyday family life to illustrate the relevance of new products and KFC began to feel like a mainstream, accessible, family brand again.
- The youth target was more likely to be out and about. Above-the-line spend was transferred

from TV to posters within close proximity of stores. The product was made the hero of the ads, with appealing food photography in order to spark that unique KFC craving.

2. In-store communications

All messages were also carried through to the in-store environment which simplified the customer's journey to purchase and reinforced new purchase behaviour. There was a distinct synergy of communications.

3. Other channels

In order to inform customers about provenance and nutritional details, a number of actions were taken. For example, the website was updated to contain all such information, and in-store leaflets about the food's sourcing were produced. This was to provide reassurance, not to claim the food was 'healthy'.

4. In-store experience

The new pride and energy in the brand was also reflected in the stores and customer experience. Staff training was focused on teamwork and education in new products. In addition, 30% of the estate was refurbished, with a tangible impact on sales.

Revolutionising brand performance

The results were dramatic. KFC demonstrated immediate growth as the new marketing plan was implemented.

- Sales rapidly improved. By April the brand was experiencing sustained growth for the first time since 2003, peaking at 30% year-on-year growth. Despite losses in the first quarter the year ended in significant growth (Figure 5).

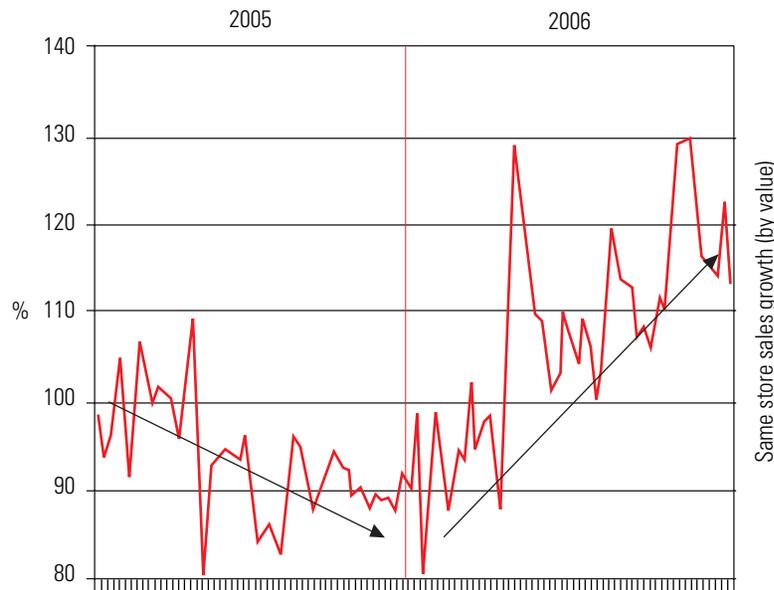


Figure 5. Sales growth
Source: Conquest, Quantitative (BIT)

- The brand's increased penetration was a key factor behind the sales growth: shifting from a low of 31% in December 2005 to 49% a year later. This would be a significant change in fortunes for any brand, but was unprecedented, given the adverse factors this category had faced.
- Ticket price, which had been in continued decline, also rose steadily, partly as a consequence of the increased number of family meals but also because the brand was now able to sell products at a price premium based on the new positioning of superior taste. The average spend rose by over 60p per ticket over 2006.

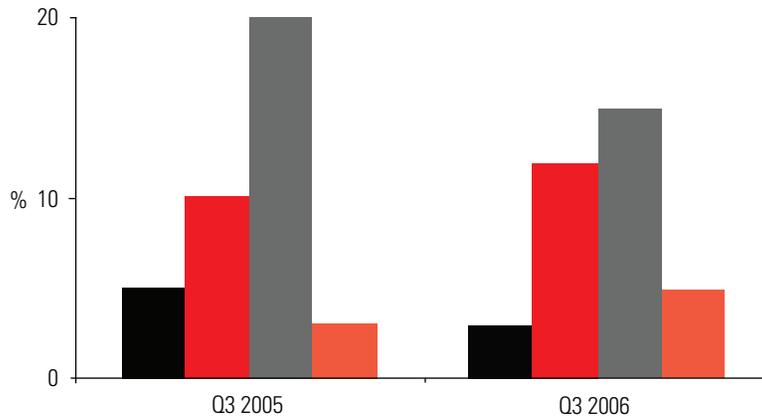
Standing out from the competitive crowd

While other fast food brands continued to lose share of total eating occasions, KFC defied this trend, demonstrating continued growth at the expense of its competitors such as McDonald's and Burger King. Perceptions of the KFC brand increased compared with its two major competitors. This measure combined perceptions of 'value', 'experience' and 'food' for each brand. KFC went from being considered the same or worse than these competitors to being superior in every area. Significantly, KFC's food was its leading brand strength.

As well as a superior image, KFC also found a new salience among consumers. While awareness of its competitors declined, KFC reached an all-time high level of brand awareness. The communications strategy was clearly reaping its rewards.

However, KFC didn't simply 'purchase' these improvements. The brand's advertising spend increased only marginally between 2005-6, while it continued to be consistently outspent by McDonald's. KFC's proud new tone of voice was reflected in

consumer attitudes. While other brands were losing their fans, KFC retained its popularity. By the third quarter of 2006, the gap between KFC and McDonald's was at an all-time low (Figure 6).



Base: Quarterly data

■ Burger King ■ KFC ■ McDonald's ■ Subway

Figure 6. Favorite QSR overall
Source: Conquest, Quantitative (BIT)

The greatest success was among the new core target audience. KFC's penetration and frequency among families improved radically, restoring KFC's penetration to over 50% (a 20% change). This clearly demonstrated the fundamental role the marketing strategy played in the brand's revival.

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leading provider of innovative communications products, services, solutions and entertainment products. BT's business customers range from multinational, multi-site corporations to SMEs and start-ups.

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BT has been a driving force behind the success of 'Broadband Britain'. Thanks to the company's investment, nearly every home in Britain now has access to broadband and in September 2009, BT announced plans to more than double the availability of its fastest fibre broadband service.

MARKETING EXCELLENCE 2

“A treasure trove of examples covering the whole waterfront, from launching new brands to revitalising, sustaining and extending established ones, and from insights to advertising and sustainability. Whatever your business, it should make you proud to be a marketer, shake up your thinking and inspire you to go the extra mile.”

Professor Patrick Barwise, London Business School, Chairman of Which?

“This exciting book demonstrates how great marketing can solve the most difficult problems, through analysis, teamwork and creativity.

It contains 34 fascinating case studies, selected from hundreds of high quality entries to The Marketing Society Awards for Excellence. Those involved had the determination to win, and the courage to think differently. An inspiring read.”

Professor Hugh Davidson, Co-Founder, Oxford Strategic Marketing

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Cilla Snowball, Chairman, AMV BBDO

“These cases are a great source to stimulate your thinking. Some will stimulate new thoughts, some will unlock ideas from the back of your memory. All of them however are great fuel for growth.”

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