

teaching note

Popeye's Recipe for a Turnaround! A Case Study

Teaching Objectives

This case study involves multi-disciplinary subject matter and so the teaching objectives will be based on the subject or course for which it is used. Emphasis can be placed based on the topic(s) under discussion. The objectives based on the contents that can be further explored or discussed are listed below under different headings:

Marketing Strategy:

- Developing sound marketing strategy during unusual times.
- Use of seven P's of marketing in defending brand image.
- Using the right response at the right time.
- Understanding the importance of core concept.
- Building consumer confidence through marketing.

Menu Planning and Adaptations:

- Points to consider in menu planning.
- Learning the importance of menu as the core of a brand.
- Understand the implications of changing menu.
- Importance of selecting complementary menu items.
- Consequences of improper menu decisions.

Brand Equity Management

- Awareness of the importance of brands and brand equity.
- Preventive measures to protect brand equity.
- Handling brand equity in crises situations.
- Understanding brand equity and customer loyalty.
- Realizing multiple factors that impact a brand.

Franchising:

- Understanding the importance of franchisor franchisee relationship.
- Franchisor' role in running a transparent operation.
- Franchisee involvement in decision making.
- Know the franchisees contribution in the success of a brand.
- Learn franchisee/franchisor/customer relationship.

Consumer relations:

- Maintaining customer loyalty and brand image
- Communication with consumers
- Using direct channels of communication
- Building consumer confidence
- Consumers as agents of brand support

Legal aspects:

- Points to consider in protecting brand image and brand equity.
- Show how legal proceedings can impact a business.
- Learn the importance of ethical standards of company executives.
- How to keep less transient operation for building consumer confidence.

- The importance of preserving legal aspects of brands and branding.

Teaching approach and strategy

The unique part of this case study is that it provides a current situation. This case study can be used in teaching higher level marketing, marketing strategy, finance, franchising, and/or management courses within hospitality or business programs. The answers to some of the challenges and dilemma are giving in this teaching notes section. In order to be effective it is recommended that the case study be followed using following steps:

Step 1. Assign the case ahead of time for reading and understanding by all participants. Use the case study by starting with a question which will lead to follow up discussion. Let the audience take the role of executives of this company. If possible divide the participants into two groups (a) Corporate Executives and (b) Franchisees.

Step 2. Use the answers provided in the questions listed below as fuel for further discussion and soliciting pros and cons of the actions. This can be done at the graduate level audience.

Thus this case study can be used in different ways depending on the audience. Some of the ways in which it can be used are listed below based on the audience:

This case can be used as a supplementary class teaching tool or can be given as an examination question.

If used as class teaching tool the case can be used for (a) group discussion by assigning it to a group of students who will present it to initiate class discussion; and (b) highlighting all events in the case after the last reported date in the case study.

This case can also be used as a role playing or simulation exercise. This can be done by dividing the audience into two groups. One group representing Popeye's Corporation and other group acting as franchisees. Both groups can come prepared with further analyses and research. Each group should be asked to defend their position giving all reasons behind their arguments.

Further references provided can be used as a research assignment for students to further explore the impact of the decisions taken by the CEO of the corporation.

Lastly, this case can be used for discussion via selected social media networks.

Discussion Questions with Answers

If you are assigned as the CEO of this company what are some of the basic decisions you will take based on theoretical underpinnings?

The basic consideration should be as follows (based on steps taken by the new CEO of Popeye's):

Understand the needs of the system. An informed data driven approach to understand the true needs of the system should be taken as the first step. In the absence of good data, good corporate decisions cannot be taken. Concept and cost-management strategies can only be implemented if pertinent data are available.

Creating an effective brand platform. Understanding brand performance and the impact of marketing campaigns is important. This would include all costs and profitability assessment.

Developing an effective marketing plan. Popeyes introduced a national campaign by bringing a new brand spokesperson in combination of changing brand name from Popeyes Chicken & Biscuits to Popeyes Louisiana Kitchen, and a new tagline, "Louisiana Fast." It seemed risky step for both franchisors and franchisees but they took the leap. This informed leap brought success by bringing in more traffic.

Resolving differences and building relationships. Many franchisor-franchisee disagreements are best resolved by using supporting data. Removing emotions from situation and discussing concerns using facts is the best approach. Franchisors should have an opportunity to demonstrate how data have shaped company policies and procedures. This kind of transparency creates a culture of trust. Franchisees should be adequately empowered to understand goals, policies and plans. This transparency results in trust in the organization and promotes brand loyalty.

What can be done to rebuild the brand image, considering all adverse changes that have taken place during the past several years?

In 2008, Popeye's brand reinvented itself based on its long-standing roots in Louisiana-inspired home cooking focusing on distinctive new products and new advertising campaign "Louisiana Fast™." The old and new logos are presented in Figure 1. Popeye's chief marketer Dick Lynch said when he arrived at the chain, that he "saw the great culinary heritage of this brand and said, let's get back to the roots." At most brands marketers have to search for a point of difference. But at Popeye's, there was a "real point of difference that came right from the food" - its Louisiana heritage. So the chain changed its name to Popeye's Louisiana Kitchen, and changed its logo, from a cartoonish chicken to a fleur de lis (York, 2010).

What marketing strategy and campaigns can best be taken to build the brand image?

Popeye's changed its marketing and used national advertising to introduce Annie, a sassy, soulful cook with an ever-present apron, and an abundance of pride for her chicken, biscuits and fried shrimp. The results showed that for each week of national advertising same-store sales were five points higher than during weeks of local advertising. For the year, same-store sales were up 0.6%, while the industry as a

whole was down (York, 2010).

Popeye's has built much of its marketing strategy around its monthly limited-time offers such as Rip'n Chick'n. Limited Time Offers [LTOs] make up about 5 percent to 10 percent of sales for the chain, Alarcon noted, but it varies by store. The limited-time offers are intended not only to drive incremental sales, but also to draw new customers who may not yet be loyal to the brand. "Obviously, we want to protect our core, but we want to make sure we talk to other people who might not come in for chicken on the bone," she said. "We've really built up a great arsenal of limited-time offers." "At this point, it seems like when you take some of these successful LTOs and put them on the menu, they get kind of buried," she said. "We like to bring things to the forefront for us, it's keeping fresh news for the guest" (Dostal, 2013b).

Do you think partnering with other corporations will help build brand image and bring more traffic?

Popeye's announced multi-year agreements with two powerful marketing partners - The Coca-Cola Company and Dr Pepper Snapple Group - to implement a beverage strategy that is designed to attract guests as well as bring profitability. This proved to be a win/win/win for everyone - a win for their brand, a win for the franchisees and most importantly, a win for their guests. According to a franchisee Joe Haberkorn, chair of the joint beverage committee. "Working through this selection process as a team shows the power of what can be accomplished when our franchisor and franchisees work together with integrity and a shared commitment to the franchisees that will benefit from these partnerships" (Anonymous, 2010).

Popeye's underwent a comprehensive brand transformation to emphasize its distinctive Louisiana heritage. A contemporary logo and visual brand identity were planned to better capture its Louisiana heritage, and appeal to a younger demographic. To achieve this they continued their well-known 'dancing letters' but gave them an updated look and feel (Anonymous, 2011b).

For the second year running, Popeye's is offering its Zatarain's Butterfly Shrimp, a limited-time offer the Atlanta-based fried-chicken chain claims has been a big co-branding success. "First of all, it doesn't get any more New Orleans than Zatarain's and Popeye's butterfly shrimp," said Hector Munoz, the Popeye's vice president of marketing. "We had a lot of overwhelming demand from our franchisees to bring it back." Right there is the key: The brands fit together like puzzle pieces. In their marketing-speak on websites and press releases, both companies plainly cite a New Orleans heritage-a core competitive differentiator for Popeye's in the fried-chicken segment. Customers understand this connection. This partnership makes sense. And, as a result, customers bought a whole lot of shrimp. Although Popeye's doesn't release specific sales numbers for LTOs, Munoz said the shrimp was the company's second-most popular LTO last year behind Garlic Pepper Wicked Chicken. "It does attract a consumer who's looking

for non-chicken items," he said. Popeye's is far from alone in its co-branding ventures. As my colleague Mark Brandau wrote earlier this month, there are lots of ins and outs to choosing the right co-branding partner. But, when done right, co-branding can help an LTO stand out among the rest (Dostal, 2013c).

What type of long-term strategy will you recommend as the CEO of this corporation?

Since Bachelder came aboard in 2007, she has focussed on a long-term strategy, which was always lacking in earlier stages. Her strategy is focused on four key pillars: (a) building the Popeye's brand; (b) running great restaurants; (c) strengthening unit economics and (d) ramping up unit growth. She turned her attention to the chain's operational deficiencies, most notably long transaction times. Bachelder asked franchisees to measure their drive-thru transaction times, which at one franchise was averaging seven minutes when the goal was for 3 minutes. Also they did not have drive-thru timers which were added to improve their operations. According to her, "We've always had really good food, but I've got to be honest, sometimes we had really horrible operations"(Coomes, 2010).

Describe an innovative approach(es) you will take to jump start a marketing campaign for this brand?

On a late afternoon in August 2010, revelers, clad in the signature orange of Popeye Louisiana Kitchen, gathered in Times Square to celebrate the chicken chain's victory over KFC in a nationwide independent taste test. This campaign highlighted the brand's heritage and its quality perception, which also fired up Popeye's' franchise partners. According to Dick Lynch, the driving force of the campaign was not so much a competitive claim, as was about their core bone-in product and their differentiation.

What new slogan will you use to show the attributes of the brand?

The "Love That Chicken from Popeye's" slogan which provided brand equity used in advertisements is for the core chicken product, and the new tagline is 'Louisiana Fast' (Brandau, 2010) showing brand heritage.

In 2014 AFC Enterprises Inc. changed its name to Popeye's Louisiana Kitchen and its stock ticker (PLKI) to reflect that it's the parent of Popeye's. According to Cheryl Bachelder, the CEO of the company "the Popeye's Louisiana Kitchen name is among the most visible expressions of our Louisiana heritage and differentiates Popeye's in the market place. With the name change, we continue to leverage our brand identity and the strategy that has driven our industry-leading results" (Thorn, 2014). As of 2012 Popeye's Louisiana Kitchen's had 1,679 units with system wide sales of \$1.93 billion (NRN Top 100 report).

What kind of menu modification will help business by appealing to new market segment?

Since the American palate is becoming increasingly sophisticated and looking for new and exciting flavors, the company started ex-

perimenting with bold dishes from its Cajun-Creole culinary heritage, like its "wicked chicken" - infused with spicy hot peppercorns - and garlic butter shrimp, served over French fries. These were designed for ethnically diverse market target consisting of middle-class sections of populations, particularly in the west coast of the United States. These changes resulted in same-store-sales increase of 2.5 percent and 3 percent in fiscal years 2010 and 2011, respectively, and Popeye's' comparable-store sales were running 8.2 percent higher than a year earlier through the first half of 2012.

In 2008, the "rebranded" Popeye's Louisiana Kitchen chain rolled out Louisiana Travelers Nuggets and Tenders. Popeye's introduced the first value-priced Big Deals products in late August, when it repositioned the brand as "Louisiana Fast," focusing on "slow-cooked food for a fast-paced life." The Big Deals products were designed for consumers who want a meal while they are on the go. In 2009, Popeye's introduced wings to its menu with a photo contest for customers. The marinated wings, a ranch dipping sauce became available in three sizes: five, 10 and 20 pieces.

In 2011, Popeye's Louisiana Kitchen, brought "play with your food" fun to mealtime with its all new Rip'n Chick'n™-juicy tenders cut into pull-apart strips that are easy to rip and dip! Popeye's Rip'n Chick'n was available with Cajun fries, buttermilk biscuit and Ranch Dipping Sauce for just \$3.99. (Anonymous, 2011a).

Menu innovations continued with their fourth Limited Time Offer for 2011-Popeyes new Dip'n Chick'n™; chicken breast fillets cut into perfect chicken dippers and fried up fresh. This inventive new product had a unique scoop shape served with Cajun-inspired dipping sauce (Anonymous, 2011c).

Popeye's Louisiana Kitchen calls their food strategy "ip'ns," referring to fried chicken dishes designed to be dipped or ripped. The "ip'ns" and other fast-food finger foods are the next step in the larger trend of creating items that are easier to eat in the car and on the go. Popeye's began selling Dip'n Chick'n after market research revealed people were very interested in a fried, boneless chicken snack that could be eaten "just like chips and dip," says Dick Lynch, global chief brand officer for Popeye's. Popeye's cut chicken so it curls up into a small scoop when cooked, creating the best-selling limited-time menu item in company history at that time. "That was the birth of the 'ip'ns,'" Mr. Lynch says. Popeye's introduced another riff on the concept nationally: Rip'n Chick'n, a fried chicken breast sliced to be easily torn apart (Nassauer, 2012).

Do you think the old logo needed to be replaced? If so, what would be an appropriate logo design?

Popeye's underwent a comprehensive brand transformation to emphasize its distinctive Louisiana heritage. A contemporary logo and visual brand identity were planned to better capture its Louisiana

heritage, and appeal to a younger demographic. To achieve this they continued their well-known 'dancing letters' but gave them an updated look and feel (Anonymous, 2011b).

Popeye's had four brand identifying logos: horizontal Popeye's(®) Louisiana Kitchen logo; Popeye's(®) Louisiana Kitchen seal, a circle crest containing a "P" icon and traditional Louisiana fleurs-de-lis symbol; Popeye's dancing "P"; and Popeye's horizontal logo. The color choices - red and orange - echo the original design of the restaurants and suggest the characteristic Louisiana seasonings in which many Popeye's products are marinated.

Was it a poor idea to move away from bone-in chicken, which made this brand popular?

In 2012, Popeye's celebrated 40 years of flavorful good cooking with a deal containing 8 pieces of its famous BONAFIDE(®) bone-in fried chicken, spicy or mild, for just \$5.99. It commemorated the flavorful food distinctive to Louisiana that started the brand in 1972. Forty years later, it serves up delicious Louisiana recipes with a sense of pride and tradition in 2,035 restaurants in 25 countries.

What steps in market positioning can be taken to help this concept in a competitive environment?

Market positioning was the target with now making Popeye's, 'Popeye's Louisiana Kitchen', with a higher-quality design in red and orange. The menu has been particularly robust with a national marketing strategy. Digital programs and a redesigned website were introduced. The focus was on finding ways to build check, but not through pricing. For example they reintroduced Cane Sweet [Peach Iced] Tea, and their beverage sales went up by 10 percent and were more profitable for their franchisees. Their marketing strategies proved to be successful with new freestanding restaurants being built at a pace second only to McDonald's, and average unit volume being 36 percent higher. They started focusing on significant opportunities internationally (Brandau, 2012).

How can franchisor-franchisee relationship be improved building confidence and trust?

The major problem in the relationship between franchisors and franchisees is "self-interest" on the part of both parties. If this self-interest does not benefit the franchise system, often dissatisfaction is the result. Bachelder said she strives to foster a culture of "servant leadership" in which others are empowered to succeed and decisions are made for the good of the brand, not individual gain. At the intersection of those twin goals of business results and empowering others, Bachelder said, is the importance of franchisee profitability. "It sounds dead simple, but it's the most overlooked deliverable in franchising," she said. "We measure operating profit continuously and make decisions based on whether [franchisees are] making money." Bachelder has steered the company through a period marked by a

struggling economy, lack of access to franchisee capital and skyrocketing food costs. The guiding principle during that time has been the four-pronged strategic plan she outlined shortly after she assumed her post called 'Road Map for Results', based on (a) creating a relevant brand image, (b) improving unit-level operations, (c) ensuring franchisee profitability and (d) accelerating restaurant openings. The strong improvements planned under Bachelder's leadership consisted of things that had plagued the brand for 35 years. At the 40 year celebrations Bachelder said, "This company has the opportunity to double in size in the U.S. and go around the globe," and "The next 40 years will be even more exciting and robust than the first 40 years (Ravneberg, 2012). According to Bachelder, "interestingly, over time, as trust has grown in our partnership, our franchisees have taken accountability for their piece of the puzzle. They are running better restaurants and investing to ensure we have a competitive advantage in our food, people and buildings."

Under the circumstances what marketing and management strategies will be successful?

It is a challenging economic environment to drive a business forward. It's no secret that performance and metrics are linked. But what may be a secret is the sheer, unadulterated power that exists when a system takes a data-driven, no secrets, move of its measured approach to every, single aspect of the business. Improving the health of the business is attributed to using data to drive decisions that improve day-to-day operations, such as marketing campaigns, financial decisions and customer service standards, while providing the groundwork for resolving concerns and even disputes.

Assuming the decisions you have made are successful in making this business profitable what outcome will you expect?

AFC Enterprises chief executive Cheryl Bachelder noted that 2012 marked the fourth consecutive year of domestic same-store sales increases - and the sixth consecutive year of international sales increases - for the Atlanta-based brand. "Popeye's is now establishing a track record of growth, and we've positioned ourselves to sustain it well into the future. Bachelder added that during the past several years, Popeye's has increased its share of the quick-service chicken market to 19.2 percent in 2012 from 14.8 percent in 2008 - a significant amount, she said. Bachelder said local and national advertising and marketing campaigns have helped fuel the company's growth (Dostal, 2013a).

How would you build trust between franchisees considering all the personnel, menu, brand and operational changes?

According to Bachelder, "In our business, the relationship between the franchisor and franchisee is traditionally a high-conflict, high-stress one. During the first meeting I had with franchisees, they wanted a palace coup -- they wanted everyone replaced, and they didn't trust anyone." Building trust was the first step in improving re-

lationship. In the case of Popeye's the franchisees resented changes in the beginning but slowly understood the reality when they were involved in decision making such as joining partnership with Pepsi.

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