

Popeyes on the Rise with LTOs, New Management, Cost Savings

Companies: AFCE, YUM

October 13, 2011

Research Question:

Will menu changes, new store openings, and new management drive Popeyes' sales and help grow the business?

Summary of Findings

- Increased sales for AFC Enterprises Inc.'s (AFCE) [Popeyes Louisiana Kitchen](#) are being driven by new limited-time offers (LTOs), which are exceeding expectations and even selling out in some locations.
- New management has made a favorable impression on franchise owners, and has instituted several cost-saving measures that already are paying dividends, including food inventory management software, a new credit card transaction company, and revised utility contracts.
- Popeyes is beginning to take share from Yum Brands Inc.'s (YUM) [KFC](#). Seven of eight customer sources favor Popeyes' unique flavors and spices and are willing to pay slightly more for what they say is higher-quality food.
- Commodity and protein prices are expected to rise because of high global demand for corn, a shortage of chickens for slaughter, and inconsistent projections for potato yields. This is tempering some sources' enthusiasm from increased sales and cost savings.

Silo Summaries

1) POPEYES FRANCHISE OWNERS

These three sources said sales are on the rise thanks to successful LTOs, which have exceeded expectations. A new LTO will debut in November. New management was rated favorably and praised for its stability, knowledge, strategy and communication with franchise owners. Sources also commended recent cost-saving measures. The measures have helped offset rising commodity prices but have not yet led to a significant increase in profitability. Still, sources feel well-positioned for when the economy improves. Two sources said Popeyes is outperforming and even gaining on KFC.

2) SUPPLY CHAIN

These two suppliers said their orders from Popeyes have grown, and one said orders from competitors are shrinking. One source gained business from a competitor supplier because of a higher quality product. The sources were split about Popeyes taking share from KFC, but both praised Popeyes' LTO strategy. The company is testing sweet potato fries in select markets.

3) STORE MANAGERS

Seven of eight sources said the Dip'n Chick'n LTO is off to a very strong start; four of the seven reported routinely selling out of the menu item. It has performed better than the Rip'n Chick'n, which one source described as too spicy. Four sources said sales had improved year to year; three others said sales were steady. Two sources said Popeyes is gaining share from KFC. None had noticed any effect from Popeyes' new management.

4) POPEYES CUSTOMERS

Seven of eight sources prefer Popeyes to KFC and will go out of their way to find one rather than opting for a more conveniently located competitor. Despite higher prices, Popeyes' quality, taste and experience trump competitors. None of the sources put much emphasis on the LTOs, and most had not even tried them, opting instead for their regular orders.

5) FAST FOOD INDUSTRY SPECIALISTS

These two sources are split on the effects of Popeyes' LTOs and management changes. One said LTOs can give a temporary injection of enthusiasm and attention, but will not result in sustained sales growth. The other said LTOs help set Popeyes apart and highlight its use of unique flavors and spices. New management can bring good change to QSRs, but the true turnaround must take place at the store level. Based on anecdotal insights, one source believes Popeyes is experiencing sales growth and is gaining share from KFC.

	Sales on the Rise	Taking Share from KFC	LTOs a Success
Franchise Owners	↑	↑	↑
Supply Chain	↑	→	↑
Store Managers	→	→	↑
Customers	N/A	↑	↓
Industry Specialists	→	→	→

AFC Enterprises Inc.'s Popeyes Louisiana Kitchen

Background

AFC Enterprises develops, operates, and franchises Popeyes Louisiana Kitchen quick-service restaurants (QSRs). As of July 10, Popeyes had 2,000 operating restaurants in the United States and 27 other countries, with roughly 98% of its locations franchised. Popeyes is undergoing numerous changes with an eye toward improving and expanding its business, including a reliance on limited-time offers (LTO), opening more restaurants in 2011 than 2010, and hiring a new [COO](#) for international business.

CURRENT RESEARCH

Blueshift employed its pattern mining approach to determine whether the changes at Popeyes will drive sales and help the chain to continue to grow. We interviewed sources in six independent silos, comprising 23 primary sources, including four repeat sources, as well as six of the most relevant secondary sources focused on Popeyes' LTO success and a new point-of-sale system being rolled out by a franchise owner.

- 1) Popeyes franchise owners (3)
- 2) Supply chain (2)
- 3) Store managers (8)
- 4) Popeyes customers (8)
- 5) Fast-food industry specialists (2)
- 6) Secondary sources (6)

Silos

1) POPEYES FRANCHISE OWNERS

These three sources said sales are on the rise thanks to successful LTOs, which have exceeded expectations in some cases. A new LTO will debut in November. New management was rated favorably and praised for its stability, knowledge, strategy and communication with franchise owners. Sources also commended recent cost-saving measures, which have included a new credit card company, utility contracts and food inventory management software. The measures have helped offset rising commodity prices but have not yet led to a significant increase in profitability. Still, sources feel well-positioned for when the economy improves. Two sources said Popeyes is outperforming and even gaining on KFC.

► Partner of a Texas franchise with 13 stores

Store sales are up 2% year to year. LTOs continue to drive traffic and have been well-received. Corporate's recent cost-saving measures have targeted inventory management and utility costs. Most notably, corporate has contracted with a new credit card company, saving this franchise a couple thousand dollars each month. The source praised the new management for innovation and strong leadership.

- "Our sales are up about 2% year to date, year over year. We just opened a new store, and it's doing well. It's in a good location, and I put in about \$1.4 million to get it up and running."
- "The [Rip'n Chick'n](#) did really well and has been one of the best LTOs of all time. The [Wicked Chicken](#) was good too, but it did not do as well as the Rip'n Chick'n."
- "We have instituted a number of new cost-saving measures. We switched credit card companies, and we are now with a new provider that is saving us a few thousand [dollars] a month. We have a new electrical contract that has started to reduce costs. And we are working with a new SaaS [software as service] provider to better manage new food items and inventory and costs. All of these are company initiatives by corporate to save money and improve operations."
- "I love the new management. This is the first time in years we have someone at the top who has any sense and knows how to improve the

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Partner, Popeyes Franchise
Texas

AFC Enterprises Inc.'s Popeyes Louisiana Kitchen

business. We had a number of years where there was no guidance from the top. The new management is sensible and fair and smart. It's a good company, and these new measures and new management will absolutely increase sales and help us grow."

- "We are beating all of the competition except [Chick-fil-A \[Inc.\]](#), and we believe we will continue to beat KFC and others."

➤ **President/owner of a Popeyes franchise**

New menu items, successful LTOs and cost-saving measures have helped the company maintain market share during a difficult economy. Sales are stable or up in certain regions, giving AFC an edge over KFC. New management has brought stability to the company, fostered a strong and productive relationship with franchise owners, and generated confidence among the ranks. Commodity prices are up across the board by at least 5%. The source expects high commodity prices to continue but believes AFC is in better position than most to hit the ground running once the economy improves.

- "The first quarter was a little slower overall than last year. The second quarter was about the same as last year. Sales [year to date] are about the same or a little better this year versus last year. Our profits were lower because of commodity prices."
- "We are doing better than most despite the bleakness of the economy. We are holding steady. Given the nature of the economy, we are doing better than most competitors, and I think it's because we have found our niche with LTOs and marketing."
- "LTOs typically perform well and generally increase sales. The key element to success is whether you have national media behind it. The Rip'n Chick'n ran in August and did well, but we only had local media ads. We have a national media campaign for the Dip'n Chick'n, and it's doing phenomenally well. We have had a tremendous response. It is currently running and ends in two weeks. Our sales have been beyond expectations."
- "We have gained market share and continue to gain market share from KFC."
- "Any management change can make franchisees leery or suspect. But in this case we have seen a great deal of mutual respect between [corporate] and the franchisees, and we believe the new management and menu items will add to the ongoing success we have had over the last few years."
- "The cost-saving initiatives have had a minor impact in our area because of the increased cost in food. It is true that some other franchisees in other parts of the country have been able to benefit more from new utility and credit card providers. There are not as many cost savings for our franchise this year, but the savings are seen for the brand overall."
- "All of our product prices have continued to increase. Commodity prices are up and have stayed up, and we cannot pass on those prices at this time. On average, prices are up about 5% across the board, and that is substantial. It has been a tough year in that respect, but we have been able to maintain market share. Our buying group in negotiation with providers has been able to hold the line. It's been a slightly more difficult year for us, but we are still doing well because we have been able to maintain or increase revenue. But the results may be more dramatic in other areas."
- "We have seen some stability in commodity prices, but we expect the prices to continue to inch up. We are very dependent on the corn market, and corn is in high demand internationally and nationally. That puts pressure on the cost of feed for chickens. Adding to that are the subsidies for ethanol, which continues to increase. That means the price of chicken will go up through the end of the year and next year. We watch corn closely, but a lot of the factors influencing corn price are dependent on the weather and crop yield and international play."

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President/Owner, Popeyes Franchise

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President/Owner, Popeyes Franchise

➤ **Owner of five Popeyes franchises in the Midwest**

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LTOs have been at the core of driving incremental sales increases and higher traffic counts at this source's stores. Last week alone, store sales were up 7% and traffic was up more than 9% from the prior week, all due to the Dip'n Chick'n LTO. He said the next LTO is scheduled for November. Several cost-saving measures have shaved expenses and increased operational efficiency, including a new SaaS cloud tool designed to sharpen operations and a new GEM (guest experience measure). All initiatives are due to the new management team, which the franchisee described as focused and communicative. The next 12 months still pose challenges, but the source remains positive on future growth.

- "When I look at our company numbers, I see great growth in sales. Sales are up and customer counts are up. Will we be able to sustain it? I think so. I can't tell you what is coming next, but our next LTO is coming out in November, shortly after the current LTO ends, and I believe it should help sustain the growth trend."
- "Our percent of sales has grown each week since we started offering the Dip'n Chick'n LTO. I know from friends in certain other markets that it has been so popular they have been running short, but a supplier stepped in to help. It is always hard to predict just how much you will need for an LTO."
- "We are fortunate to have strong products for our limited-time offerings. Sometimes I think they are priced lower than they need to be. We had local media behind the offering, and the Rip'n Chick'n account for 6% of our sales for the promotion period, which is excellent by any standard and for any brand."
- "The Dip'n Chick'n is blowing me away. It accounts on average for 7% of my sales mix. The sauce is doing unbelievably well, with customers asking for it for products other than the LTO."
- "It was the perfect mix of effective national advertising and a product that in itself has been a big hit with customers. The price point is reasonable and sits well with customers. You get a lot of good food for a good price. It has been doing well even though a competitor down the street is selling a product for \$1.99."
- "We always get worried when people start worrying about healthy food. But as much as you hear about the demand for so-called healthy food, we just don't see customers demanding it. When people finally do decide to go out, the venture is considered a treat and they buy and eat what they want. So I am not seeing a trend toward the healthy menu items in my restaurants."
- "We do offer a light menu, but the items just aren't moving. It is also true that in a poor economy, people want comfort food. Our Cajun Rice and Red Beans & Rice are doing really well, and you could not offer an item with any more fat in it than the rice items."
- "We have instituted a number of 'restaurant measure attributes,' which are means of measuring operations and performance. We have installed drive-thru timers that help us set goals."
- "We have initiated GEMs, or guest experience measures, that invite customers who come into the store to go online to rate our performance. We have learned quite a lot about our services, and it's been quite helpful in making adjustments to operations. When we first started the GEM, our customers were 60% delighted with our services and food and after various adjustments they are now 85% delighted, which is a big movement. The GEM has helped us focus on what we need to change and improve or adjust, and it was all started by our CEO, [Cheryl Bacheider](#). That's her doing."
- "We are pleased with the new management. Cheryl is an extremely focused person. There is nothing wishy-washy about her. She wants the factual information. She is good at sharing the factual information with the franchise owners. There is a definite exchange of information. She is very blunt, and I enjoy dealing with her. When Cheryl came in, she also brought in new people. She introduced Ralph Bower, our COO, who is a good guy. She brought in Dick Lynch, our CMO, who made changes in our approach to marketing. I definitely think they have increased the value of my franchise. This is a very focused team."
- "Our purchasing group is doing an excellent job of creating savings, year over year. We have a new SaaS, and I am very excited about it. I have installed it in my first store, and it is designed to get truly accurate information on food costs. It should help improve our bottom line. I know guys who had it during the pilot testing phase, and their savings improved with a reduction in food costs and paper costs. It also helps you manage inventory and ordering. I expect it to save me money."

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*Owner, Popeyes Franchise
Midwest*

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- “The one proposal on the table that I am against is a proposal to reimage the stores. I think it is a bad time to ask franchise owners to spend that kind of money to redo the facades and stores. It is just not a smart time to do it. It is not a definite but up for discussion.”
- “This year, few franchises will look good on the bottom line. That’s because of commodity prices. We have seen a 4% upswing in costs, which is a lot of money for us. In the past, we could pump up the prices, but you simply can’t do that in this day and age. Chicken prices are high. Yes, it is down from a few months ago, but overall it is still up year over year because of the cost of grain and corn. I don’t think it will come down for a while. You may see fluctuations of a few pennies here and there, but it won’t come down any time soon.”

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Owner, Popeyes Franchise Midwest

2) SUPPLY CHAIN

These two suppliers said their orders from Popeyes have grown, and one said orders from competitors are shrinking. One source gained business from a competitor supplier because of a higher quality product. The sources were split about Popeyes taking share from KFC, but both praised Popeyes’ LTO strategy. The company is testing sweet potato fries in select markets.

➤ Senior VP, foodservice/retail supplier of potato, flour, grains and vegetables; repeat source

This source has replaced Popeyes’ previous supplier; the switch was based on quality of product rather than price. His orders with Popeyes are up significantly year to year. He believes Popeyes, with its flavor and spice innovations, has taken market share from KFC, which he viewed as weak. Most protein and vegetable prices have increased between 8% and 25%, and this year’s potato harvest, while improved from a year ago, still looks to be inconsistent. Popeyes is testing sweet potato fries in four U.S. stores. The source praised Popeyes’ LTO strategy.

- “They have made a lot of changes on their menu, and they are working to find a unique space that sets them apart. They are working on their chicken flavor profile. For example, they have a chicken tender they may infuse it with a Cajun spice or run an LTO that features a special spice blended into the breading.”
- “Our sales with Popeyes have been very good, and our orders have increased. Historically, they did not work with us because we had a higher price, but we gained most of their orders in the international market about three years ago based on the consistency and quality, despite the higher price. We have since picked up some new market share in the U.S., a gain tied to new business with AFC. We gained more orders around July. I would say our orders with them are up 44% over the last 12 months on a rolling average. Our price did not change. We took market share from one of their previous suppliers. AFC’s decision to switch came down to a quality issue because our prices were comparable.”
- “LTOs are helpful. If you can offer a product that drives traffic, even if it’s only available for a limited time, it still brings in people and that always helps the bottom line. I am a big fan of LTOs because they give you news to publicize and it gives consumers a reason to try something new. Because it’s a LTO, it gives you time to see if customers like it. If they do, you know not to drop it, but if they don’t, it runs its course in six to eight weeks.”
- “I would not be surprised if they have taken market share from KFC because KFC is struggling. Their price points are not great, and they are not on the top of anyone’s mind when they go out for fast food. Plus, they have gotten a lot of bad publicity and become something of a poster child for everything that is wrong with fried food. Popeyes’ chicken is fried too, but they have gone to a chicken tender and the

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consumer thinks of the tender as a healthier choice, even if it is not.”

- “They are working on a new sweet potato french fry, and I believe they are already testing it in four U.S. stores. I believe that’s going on now and doing well.”
- “Commodity prices are up across the board. They are up from a low increase of 8% to an average increase of 11% and a high increase of 15%. That’s for potatoes and across the board, year over year.”
- “When we spoke in February, I was negative [on the industry]. That’s because we were seeing a shortage of potatoes, and we had confirmed contracts. So we were short of product because the yields last year were low. So, even though we had lots of acres, the yield was low and not enough. We did not have a shortage this year, but the yield is still a little choppy. Potato is a once-a-year harvest crop so if there is not enough of it, that’s it until next season. We started harvesting at the end of July. The issue last year was that the contracts were heavy, but we could not deliver. The total U.S. market will be short next summer, and we won’t see relief until the next harvest.”
- “Edible oils [for fried foods] have seen a little relief in the last few weeks, but it’s hard to pinpoint a cause. They have gone from \$0.58/lb to \$0.49/lb in just three weeks, so Popeyes and others are getting some benefit from that. But I think it will push back up.”
- “I don’t know about the new management. But the procurement team has not changed.”

► U.S. chicken producer, supplier and distributor to AFC and other QSRs; repeat source

Popeyes’ chicken orders have risen 1% to 2% year to year while most of its competitors’ orders have fallen approximately 5%. Still, the source doubted Popeyes is taking market share from KFC. Commodity protein prices are increasing, but signs of relief can be seen in lower gas and corn prices. Future price increases for chicken and other commodities will be determined by how Congress resolves the mandate to increase production of ethanol.

- “Their orders from us are slightly up this year over last year by about 1% to 2%. It probably says good things about Popeyes. They are performing better than competitors whose orders are down by maybe 5% to 6% year over year. By others I mean [Cajun Operating Co.’s] [Church’s](#) and KFC. So it looks as if they are performing better than the rest of the industry, but I am not sure it means they are gaining market share. ... I don’t know of anything blockbuster that I see. Their orders have picked up since last year, but it is not significant in the bigger picture.”
- “We don’t supply them for their LTO, but they seem to have done OK with their advertising. We do pay attention to customer advertising campaigns and announcements, and they have been advertising new menu items. But we are not really sure where any of them are right now in terms of growth or expansion.”
- “With Popeyes, it is not important or a big deal that white-meat chicken breast prices are down. A drop in price for chicken breast with the bone out does not mean anything to Popeyes because they use bone-in fried chicken. It may mean something to Chick-fil-A but not to anyone else.”
- “As for commodity prices, everything is going up. There has been some slight suppression of protein [poultry] prices compared to last year, but we also know there is a reduction in the product slaughter and that is coming on us now. There will be less poultry and protein available, so that will impact price.”
- “There are several key things that will determine where [commodity] prices go. Corn prices are moving down. They have been extremely expensive this year, and we are seeing some moderation in the price but we still are not below where it was last year. It also depends on what they do with ethanol. They probably will reduce the blending credit and we know they may do away with the tariff on imports and all of that is good. But they need to reduce the mandate, and we have no indication of what Congress is doing with that.”

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U.S. Chicken Producer, Supplier & Distributor

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- “We have seen gas prices moving down for the last six months. It’s down around \$3/gallon, and gas is cheaper than it was last year. We keep thinking there is some magic number that, when reached, will lead to sales going up for everyone. All we can do is wait and see.”

3) POPEYES STORE PERSONNEL

Seven of eight sources said the Dip’n Chick’n LTO is off to a very strong start; four of the seven reported routinely selling out of the menu item. It has performed better than the Rip’n Chick’n, which one source described as too spicy. Four sources said sales had improved year to year; three others said sales were steady. Two sources said Popeyes is gaining share from KFC. None had noticed any effect from Popeyes’ new management.

➤ Manager, Los Angeles area

Sales have been mostly steady year to year. This source expects business to pick up with the arrival of fall weather. Dip’n Chick’n meals are doing well so far, better than the Rip’n Chick’n. The [Louisiana Leaux](#) low-calorie meals, the Get and Geaux kids’ meals, and some of the Naked Chicken items also are a hit. Customers have said the quality of KFC has declined. The source has not seen any real effect from management changes, but noted an increase in daily deal participation compared with a year ago.

- “Sales are about even with last year, I think. We’ve had construction going on next door, and that has impacted the parking a little bit over the summer. We do a good business here most of the year, but the cooler seasons are our busiest times, so we expect it to pick up.”
- “We have a pretty loyal customer base that says KFC is just not the competitor it may have been, especially on pricing and quality. We think we have a juicier, higher-quality product to offer.”
- “The Dip’n Chick’n \$3.99 meals are doing well. But so are our regular menu items that we’ve had for a while. I think the value meal is something every franchisor out there is hoping will bring in business because we know customers are hurting in this economy.”
- “Rip’n Chick’n hasn’t been exactly one of our best sellers, so I’d guess the Dip’n Chick’n meals will do better. They are more appealing to kids.”
- “We are doing pretty well with other new items like the Naked Chicken, the wraps and the Get Up and Geaux kids’ meals.”
- “I don’t really feel much of an impact from management changes. I feel more of an impact from advertising. I’ve noticed we’ve ramped up some of our print marketing and that has brought new customers in the store. We’ve also been doing more with Groupon [Inc.] and other deal providers, and that is helping.”
- “We haven’t implemented any cost-saving measures in the last year that are new.”
- “Obviously, food is more expensive, a lot more expensive for consumers, and that impacts us too. Chicken and produce [prices] are up, and I know that is having an impact on operating costs.”

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*Manager, Popeyes
Los Angeles-area*

Reporter Observations: The store was relatively quiet on a Tuesday at 5:30 p.m. Signs promoting Dip’n Chick’n and the Louisiana Leaux meals were at the entrance. Customers were mostly males in their 20s or late teens. Few families were present, but one woman with two small children was placing a fairly significant order to go.

➤ Assistant manager, Chicago

This store regularly meets its goals. Both LTOs are selling well. The newer Dip’n Chick’n is beginning to sell out and causing orders for the older Rip’n Chick’n to drop 20% to 25%. Chicken tenders are best sellers. This source said Popeyes is as popular as KFC.

- “Our store sales are pretty good. It is up and down depending on the day.”
- “We have had the Rip’n Chick’n for three weeks or so. The Dip’n Chick’n just came out.”

I estimate we are selling 50 or more orders of Dip’n Chick’n every day.

*Assistant Manager, Popeyes
Chicago-area*

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- “We were selling as much daily of the Rip’n Chick’n, but it has died down a bit since the Dip’n came out. People are trying the Dip’n now.”
- “I estimate we are selling 50 or more orders of Dip’n Chick’n every day. And, with the Rip’n, a little less.”
- “I guess sales of Rip’n are down about 20% to 25% since Dip’n came out.”
- “Chicken tenders are probably the best seller. We sell a lot of them.”
- “I think we are pretty even with KFC. We are as popular as they are.”

Reporter Observations: Six customers were in the restaurant during our 4 p.m. visit on a Tuesday. No customers were in the drive-thru. Advertisements, including several posters, for Dip’n Chick’n were displayed throughout the store and on the drive-thru menu board.

➤ **Manager, Los Angeles area**

Sales of the Rip’n Chick’n were good, and so far the Dip’n Chick’n also is selling well.

- “Sales are about the same as they were a few months ago. I was not here a year ago.”
- “We did well with the Rip’n Chick’n, and so far I think the Dip’n Chick’n items are doing as well.”
- “We don’t sell that many items from the Louisiana Leaux menu, but the dinners are very popular. We sell more dinner combos for families of four than just about anything else at dinner time. Lunch is different. We do a lot of the single meals and the Po’ Boy sandwiches.”
- “There is KFC down the street. I know they get good business, but I don’t see it hurting us.”
- “Our store was remodeled last year before I got here, but I don’t really know about other changes planned other than we hired new people recently to help at lunch time because we were short-staffed.”

Reporter Observations: We visited this location at 4:30 p.m. on a Wednesday. It had less signage than other Popeyes stores, including in promotions for the Dip’n Chick’n. We did note signs for the value meals.

➤ **Manager, Kansas City metro area**

Business has been up this year compared with last year, and the Dip’n Chick’n is a particularly good seller.

- “We’re sold out right now of the Dip’n Chick’n. It’s doing better than the Rip’n Chick’n.”
- “This restaurant’s beating last year’s business.”

Reporter Observations: Three promotions were heavily advertised with large banners in the restaurant: the Dip’n Chick’n; Daily Meals Deals; and a limited-time offer of an \$8.99 meal. Other signage promoted a [poll](#) rating Popeyes as better than KFC. The store was located in a large shopping center. The restaurant had two or three customers at 1:30 p.m. on a Thursday.

➤ **Manager, Kansas City metro area**

Business has been extremely good and better year to year. The Dip’n Chick’n promotion sells out quickly, whereas Rip’n Chick’n is not a very good seller.

- “The Dip’n Chick’n sells out every time. We get two cases in on the truck on Tuesday. Then we don’t get another shipment till Thursday, and it’s already sold out.”
- “Business has been very good this year versus last.”
- “Rip’n Chick’n I don’t think sold too well compared to the Dip’n Chick’n.”

Reporter Observations: This restaurant’s promotion was just as prominent as the other visited Kansas City store. The restaurant had four customers waiting in line outside the restaurant just before opening at 10:30 a.m. on a Thursday.

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*Assistant Manager, Popeyes
Kansas City Metro-area*

➤ **Manager, Chicago**

This store is doing slightly better than last year. The source reported selling 40 to 50 orders of Dip’n Chick’n daily but is only selling one to two orders of Rip’n Chick’n because it is too spicy. Red Beans & Rice is this store’s top seller.

- “My store is doing better versus last year.”

AFC Enterprises Inc.'s Popeyes Louisiana Kitchen

- “We are doing well in our sales. I have been focused on building a good crew and management team and building a loyal customer base. I am doing well in my store.”
- “People seem to love the Dip’n Chick’n. It has been out a week or so. I am selling at least 40 to 50 orders of Dip’n Chick’n per day. And they love the sauce that comes with the Dip’n Chick’n.”
- “Rip’n Chick’n is not doing as well. I am only selling one to two orders a day of Rip’n Chick’n. I think they lost a lot of customers once the Dip’n came out. The Rip’n marinates for 12 hours, and it is really, really hot. It is just too spicy for most customers.”
- “The best seller at this store is Red Beans & Rice. We sell it all the time. I don’t really know why.”
- “I think we are doing a little better than KFC.”

“People seem to love the Dip’n Chick’n. It has been out a week or so. I am selling at least 40 to 50 orders of Dip’n Chick’n per day. And they love the sauce that comes with the Dip’n Chick’n.”

Manager, Popeyes
Chicago-area

Reporter Observations: Advertisements, including several posters, for Dip’n Chick’n were displayed throughout the inside of the store and on the drive-thru menu board. Another sign advertised “Cane Sweeeeet Ice Tea.” A few customers were eating in the restaurant, and several others were getting takeout on a Tuesday at 12:30 p.m. A small sign on an entrance door promoted an upcoming Crawfish Festival.

➤ Employee, Florida

Dip’n Chick’n has not been as successful as expected.

- “Some promotions go great and others not so well. Dip’n Chick’n hasn’t done so well.”

Reporter Observations: The store’s signage for the “New Dip’n Chick’n” were located on the road, on the windows at the drive-thru. Approximately 10 customers were in the store and five customers went through the drive-thru during our 15 minute visit on a Tuesday at 2:30 p.m.

➤ Manager, Florida

The Dip’n Chick’n promotion was so successful that the store sold out of the item and is not expected to get more. Traffic and sales have increased year to year. Changes at corporate have not affected this store. The source reported taking away customers from KFC because of KFC’s reported recipe changes.

- “We have seen a slight increase in traffic and sales over last year. The economy is still hurting and affecting our business, but we have loyal customers. We can tell when customers get their social security and unemployment checks because we see a surge in sales and then it evens out.”
- “The Dip’n Chick’n was very popular. I wish we were getting more, but we aren’t. I think people liked it better than the Rip’n Chick’n because they could choose their sauce, and we have great sauces.”
- “Corporate changes don’t really affect our store. We are a franchise, so we run ourselves.”
- “I know we are capturing some of KFC’s market because people come in and order popcorn shrimp or chicken, and that tells me they are new to us. KFC changed their recipe, and it hurt them. People complain about it until they try us.”
- “Our food is better. We marinate our chicken. It’s crispier. The spices and herbs give it a unique flavor. Our biscuits are hot when you get them, straight from the oven. We also use turkey broth and not pork fat to flavor things.”

“I know we are capturing some of KFC’s market because people come in and order popcorn shrimp or chicken, and that tells me they are new to us. KFC changed their recipe, and it hurt them. People complain about it until they try us.”

Manager, Popeyes
Florida-area

Reporter Observations: This store was not promoting the Dip’n Chick’n because they were out of stock at 3:30 p.m. on a Tuesday. Signage on the road promoted a 3-piece tender deal for \$3.99, and a larger banner at the counter pushed side dishes and a new sandwich combo. Each table had a trifold sign describing the Louisiana Leaux dishes. The store was clean. Three staff members and both a manager and an assistant manager were present. Both managers were out in the dining room, taking food to customers and asking how everything was.

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4) POPEYES CUSTOMERS

Seven of eight sources prefer Popeyes to KFC and will go out of their way to find one rather than opting for a more conveniently located competitor. Despite higher prices, Popeyes' quality, taste and experience trump competitors. None of the sources put much emphasis on the LTOs, and most had not even tried them, opting instead for their regular orders.

➤ Woman in her 70s, Kansas City metro area

This source prefers Popeyes chicken to all other fried chicken in town, even going out of her way to find a new Popeyes after her local one closed. She does not pay attention to Popeyes' LTOs. The food and prices keep her coming back.

- "I come about as often as I did a year ago. Unfortunately, they closed the one nearest me, but that hasn't stopped me."
- "I will probably be coming more often [than in the past year]. I love fried chicken, and it is difficult to find good fried chicken wings anywhere else."
- "I think Popeyes is *much* better than KFC. I would never go to KFC if there is a Popeyes in the area."
- "I like their chicken wings—mild, not spicy. They are flavorful and juicy. And I love the biscuits."
- "The prices are *great*—much better than most places."

I think Popeyes is *much* better than KFC. I would never go to KFC if there is a Popeyes in the area.

Popeyes Customer
Kansas City Metro-area

➤ Man in Chicago

This loyal customer prefers Popeyes to KFC because of taste, spice and frying technique. He visits a few times a month, and his favorites are the tenders and the three-piece white meat. He recently noticed a significant drop in drive-thru wait time. He has not yet tried the Dip'n Chick'n or Rip'n Chick'n but plans to in the future.

- "Popeyes has good chicken. It is pricey, but it's good."
- "It is more than \$1 per piece of chicken. But it does taste the best."
- "I am coming here about the same amount as a year ago—a couple times a month. I'll continue at the same rate in the next six months."
- "It is not something I could eat all the time. When I eat it, I am straying away from the usually healthy foods I eat."
- "I think Popeyes is better than KFC. It's spicy, it's fried better and is better tasting chicken. By 'spicy,' I mean it has a little heat, and I like the seasonings they use."
- "My favorites are the tenders or the three-piece white meat."
- "I do pay attention to their limited time offers. They used to have a great Wednesday-special family pack."
- "I haven't tried the new Dip'n or Rip'n Chick'n yet. I noticed it on the menu but didn't get it today. I will try it at some point. I have tried everything on the Popeyes menu."
- "The other day I was in the drive-thru and noticed a big change. It typically takes 10 to 15 minutes to get your order. But this time it only took five minutes to get my chicken. It was the fastest I ever got my chicken. I was very pleasantly surprised. And the chicken was fresh and cooked right. I also noticed there were no lines out the door as usual."

➤ Woman in her 50s, Chicago

This source prefers Popeyes to KFC and believes it is gaining on its rival. She has noticed an improvement in her local Popeyes' customer service. She receives bimonthly texts from Popeyes alerting her to special offers. She does not recall seeing Dip'n Chick'n or Rip'n Chick'n on the menu. Her favorites are biscuits and chicken.

- "If I have a taste for fried chicken, I go to Popeyes. I go to KFC every once in a while."
- "Popeyes has better chicken than KFC, hands down. It is just the blend of spices that they use. It is a much better flavor. Popeyes is gaining on KFC. They kick KFC in the behind."
- "I go to Popeyes the same as I was a year ago. I have been going the same amount and will do so in the next year. I go about three to four

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Popeyes Customer
Chicago-area

AFC Enterprises Inc.'s Popeyes Louisiana Kitchen

times a year.”

- “I go out of my way to go to Popeyes. I go to an area where there is less crime and fewer people hanging around. I guess I might go more often if there were more locations in decent areas.”
- “Before the reopening of the Popeyes on 35th Street, the employees did not seem to care at all about my business. They were not attentive, and they were rude. So I started eating at the KFC a few blocks down. Since reopening the 35th Street location this year, the staff is a whole lot friendlier. That makes a big difference.”
- “Their prices are pretty much average. And they are pretty much the same as KFC as far as pricing. They each have specials on their chicken.”
- “I don’t recall seeing Dip’n or Rip’n Chick’n on the menu.”
- “I get text messages a couple times a month from Popeyes with their special offers. Today was the first time I actually went and got the texted daily special.”
- “The special I got by text said there was a Monday special of two tenders and a biscuit for \$1.99.”

➤ Woman in her 50s, Indiana

This source drives outside of her immediate town to find Popeyes. She and her husband do not eat fast food as often as they did when their children were living at home, so their visits to Popeyes have declined some in the last year. That pattern likely will not change in the next year.

- “We like the crisp, tender, juicy chicken Popeyes makes better than other chains. The coupons also provide a better value than other chains.”
- “It beats KFC in both quality and value. I’m not sure it’s gaining on KFC because I see more KFCs around than Popeyes, but I wish it would.”
- “I usually try to stop when I have coupons, so I feel the price is acceptable. As far as chicken goes, [the price is] better than any other fried-chicken chain. However, if you want a hamburger or beef sandwich, it’s hard to compare because of the dollar menus [that other places offer].”
- “I don’t like when a new sandwich or meal comes out for a limited time because if I like it, I’m disappointed when it is no longer available.”
- “The seafood specials they offered during Lent were smart.”

➤ 23-year-old man in Los Angeles

This source prefers Popeyes to KFC because the prices are more reasonable and the food tastes better although the portions are smaller. He visits once a month, the same as last year.

- “I like the food. It has a lot more flavor than KFC, and the service and prices are better here. I have a little issue with the sizes of what they give you, though.”
- “I come here about the same amount of time—about once a week.”
- “I don’t think I will be coming more often, but not because I do not want to. It has to do with money. I can only eat out a couple of times a week, and I also like to go to [Fresh Enterprises LLC’s] [Baja Fresh](#) and other places.”
- “I have not tried the Dip’n Chick’n yet. Value meals are good. I have gone for the \$2.99 meal with just the chicken and biscuit.”
- “I know this store was remodeled or the front is different. I have not really noticed any changes other than that. Maybe the signs are different.”

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*Popeyes Customer
Los Angeles-area*

➤ 25-year-old man in Florida

Popeyes offers quality food and a more comfortable feel than most fast-food restaurant. Despite higher prices than KFC, Popeyes provides better value. Although the LTOs are tempting, this source sticks to his usual orders.

- “I come about once a month. That will stay the same.”
- “I like their chicken, and the biscuits are awesome. It’s not like other fast food; it’s fresh like a restaurant.”
- “It is more expensive than KFC and other places, but the food is really good and worth it.”
- “I normally stick with what I like here. The promotions are tempting sometimes, but I like what I like and don’t want to be unhappy with something I have never tried before.”

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➤ Man in his 40s in Florida

This source prefers Popeyes over KFC for the taste and experience, saying its food is worth the higher price. The new menu items add excitement to regular visits and, if appealing enough, could encourage him to visit more frequently.

- "I come about twice a month; that won't change unless they come out with something really good."
- "I like the spiciness of Popeyes' chicken. They have consistent good chicken. I always have a good time here. KFC is bland, always messes up my order and they are not friendly."
- "Prices are good, fair for what you get. It's not cheaper than KFC, but it's worth it."
- "New items are good; to see something new is exciting."

➤ 33-year-old woman in Los Angeles

This source prefers KFC based on quality, but Popeyes is closer to her work so she visits about once a week. She is going to Popeyes more often than a year ago. She prefers whole pieces of chicken over the dippers and nuggets.

- "I think KFC is actually juicier and they give you bigger portions."
- "This Popeyes near my office is so convenient that I started coming to it. I would say I come in once a week. I get lunch usually, but sometimes I order after work and take a whole meal home to my kids."
- "I usually buy the value meals with the biscuits and the side salads. In fact, sometimes I just order sides for lunch, depending on how hungry I am. If I am taking it home, I get the family pack."
- "I haven't noticed any changes in the way the store looks, but I do see they have new promotions, which I have tried."
- "I'm not a fan of the chicken dippers. I prefer whole chicken pieces."

5) FAST-FOOD INDUSTRY SPECIALISTS

These two sources are split on the effects of Popeyes' LTOs and management changes. One said LTOs can give a temporary injection of enthusiasm and attention, but will not result in sustained sales growth. The other said LTOs help set Popeyes apart and highlight its use of unique flavors and spices. New management can bring good change to QSRs, but the true turnaround must take place at the store level. Based on anecdotal insights, one source believes Popeyes is experiencing sales growth and is gaining share from KFC.

➤ CEO, restaurant consulting firm; repeat source

AFC may get short-term benefits from menu and management changes, but these likely will not lead to a long-term sales boost. New LTOs on chain menus are always successful in the short term but cannot sustain future growth. Likewise, top-level management change may generate enthusiasm, but growth depends on store-level employee training and improved image. Although Popeyes is strong in low-income urban areas, efforts to expand to suburbia likely would fail.

- "I don't know if their limited-time offer menu is performing. But I will tell you limited-time offers always work. A perfect example is the [McRib](#). It's a miserable sandwich and [McDonald's Corp./MCD] brings it back twice a year because the limited-time offer in fast food works. The benefits can be substantial if you use them as a timed offer, measured by the calendar. They are best for six to 10 weeks. Sometimes, four weeks work for the bigger QSRs because they have the time and money to get in and out. Twelve weeks can be too long."
- "A lot of times, restaurants make changes because change is good. Will it help them gain market share? Not in the overall scheme of things, but it also depends on how you define 'gaining' share. KFC has been focusing on the international market. Popeyes tends to focus on domestic, and that is not a growth area. The bigger issue for AFC is that they are not good at securing trained managers and they are not good at inspiring their franchises."
- "I do not know enough about their numbers to say whether there is an

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CEO, Restaurant Consulting Firm

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impact on their costs with new initiatives. You can see an impact from cost controls in three days to a week.”

- “As for management changes, time will tell. Anytime management changes occur, it’s typically a time for renewed hope and vision, and the franchise owners get excited. Still, it takes awhile for the plans and the vision to take effect.”
- “There is a cost increase for the purchase of protein and produce. The purchase of paper goods is up. You can manage some of this with portion controls and pricing. Commodity prices are higher than earlier this year and higher than last year. Easily, we have seen an increase of 2.5% to 3% over last year and another 5.5% this year, and they are getting ready to go higher. This winter will be ugly. I bet we will see it jump a point and a half higher, and I bet we will see it in commodities, produce and products across the board.”
- “Prices can be impacted by weather and gas prices. The cost of delivery is going up. I think we will see the worst of it this winter, through the spring of 2012 before there is relief. Either way, [Popeyes] will have to raise the prices or reduce the discounts or take a hit on the bottom line. We may see portion sizes reduced.”
- “I have been to Popeyes about six to eight times, and each time I was horribly underwhelmed. But I just made a visit last week to one in Florida, and they were full and busy. Every time I have been in one, the place is dirty. The employees do not have a good appearance, and the buildings do not present a good image. Popeyes is in a lot of inner-city locations, and they are more frequently in urban than suburban areas. But if they decided to focus on opening stores in suburbia, they would not do as well.”
- “Popeyes and Church’s restaurants both have the same customer demographic and operate in the same market. Their food is very similar. In customer surveys, neither one is rated as high as other chicken QSRs.”
- “I have never thought their approach to marketing was very good, but they operate in a unique market. They have a lot of African-American customers and a lot of lower-income customers in their markets. They are not Chic-fil-A.”
- “Popeyes has a very different flavor profile, and their food has a definitely different flavor. If you were not into that kind of spice, you would not go. I could go the rest of my life not eating at Popeyes.”
- “Their position seems to be: we needed a management change and now we have made that management change so we could see some improvement. It may light a fire under their franchisees.”
- “When it comes to reports of expansions, everyone in the industry hears it and utters a collective ‘Yeah, yeah, yeah.’ Restaurants make announcements all the time. They tell you how many restaurants they are planning to build. But no one checks to see if they were built. All the franchises sign agreements and they are sold agreements that give them options to build. It’s a game because you can have the option to build 600 restaurants and never build them. Everyone does it, not just AFC. The trouble right now is getting money to build, especially if you are overextended because of the economy. So you have to be careful with expansion announcements.”
- “It would not surprise me if for the chains that tough it out, come spring 2012, are all fit and ready to come out of it. The chains with new management and new locations may be poised to pick up for cheap the chains that did not make it. Bottom line, you don’t bring in new management to stay the same.”

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CEO, Restaurant Consulting Firm

➤ **President, restaurant consulting firm; repeat source**

Popeyes has been increasingly successful at leveraging and promoting its unique qualities, namely its Cajun and Creole flavors, which are both trendy and distinct. Anecdotal evidence suggests Popeyes is up in sales and taking share from KFC.

- “They have had a few menu changes that attempt to bring their Louisiana roots to the foreground. They have been good at spinning the Louisiana flavor, and it’s not a bad point of differentiation because the Cajun and Creole foods have an aura to them. I don’t know if that has translated into increased sales, but it’s a plus for

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them. I would guess they are up a little like everybody else, but I'm not sure that has to do with their menu or whether people are just starting to eat out more."

- "They are trying to play up their special flavors and work them into profits. They present themselves so they are not seen as other chicken places. It's all about the flavor. When you can't beat your competitors on volume, you try to beat them on flavor and the idea you are unique."
- "I feel like they are gaining share from KFC, but in our market there aren't a lot of Popeye stores so it is hard to measure. I believe Popeyes is better positioned than KFC and they have a better product. I say they have a better product based on my perception and based on comments heard in discussions with people in the field."
- "Announcements about expansions and new store openings are a nonevent. Most of us just shrug because it's easy to make announcements, but in the real world most people don't pay attention because it's not real until they are putting money in their pockets."
- "Commodity prices are up, but there also seems to be some stabilization. The panic that was in the community does not seem as great."

I believe Popeyes is better positioned than KFC and they have a better product. I say they have a better product based on my perception and based on comments heard in discussions with people in the field.

President, Restaurant Consulting Firm

Secondary Sources

Six secondary sources focused on Popeyes' LTOs and a Popeyes franchise's new POS system to improve speed, accuracy and customer experience. Popeyes received praise for its summer LTO, Wicked Chicken, and is being further recognized this fall for its innovative Dip'n Chick'n.

➤ Oct. 3 Twitter post by CNBC's Darren Rovell

Rovell tweeted that Popeyes' introduction of the Dip'n Chick'n concept is smart because the chicken tenders are "shaped ideally for dipping." Rovell has nearly 129,000 followers and frequently tweets about food to his legion of fans, giving Popeyes' latest LTO a measurable amount of free advertising.

<http://www.whosay.com/darrenrovell/photos/75705>

- "Smart: Popeyes debuts chicken fingers shaped ideally for dipping."

➤ Sept 28 An Immovable Feast blog

A review of the Dip'n Chick'n included praise for Popeyes' LTO innovations and the quality and taste of its food.

<http://animmovablefeast.blogspot.com/2011/09/fast-food-review-popeyes-dipn-chickn.html>

- "Whenever I hear that [Popeyes] is coming out with a new promotion, I jump at the chance to try it. The newest item, Dip'n Chick'n, sounds quite similar to the Rip'n Chick'n that debuted in July. ... I headed up to the Popeyes in Pasadena yesterday at lunch time."
- "It was a madhouse: there are arrows painted on the ground in the parking lot indicating which way you should drive. Nobody cared, it was a free-for-all. Inside it was hot and crowded. I ordered the food—\$3.99 for the chicken and fries; I opted not to get a drink for one dollar more—and stood around to wait."
- "While I was waiting I noticed some wonderful news: Popeyes crawfish are returning soon. This made my day."
- "It didn't seem like there was very much chicken. I mean, it's hard to complain about a chicken/fry/biscuit combo that cost me \$4.34 ... but Popeyes used to be a little more generous. (This is even more true with the crawfish every fall. I can't wait to see how diminished the order size is this year.)"
- "The ads make it look like the chicken pieces are formed into tiny bowls to facilitate the dipping, almost like Tostitos Scoops. That's not

All that matters is taste, and these were delicious. There wasn't any spice to the breading, just a crunchy, pleasant flavor, and the chicken was tender and juicy, just like the freshly-cooked chicken at Popeyes always is.

An Immovable Feast Blog

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how they appear in real life. ... But just as I don't care what a product is called, I don't care how it looks. All that matters is taste, and these were delicious. There wasn't any spice to the breading, just a crunchy, pleasant flavor, and the chicken was tender and juicy, just like the freshly-cooked chicken at Popeyes always is."

- "Popeyes used to have three of the best fast food sauces around, maybe the three *very best*: Delta sauce, spicy honey mustard, and horseradish sauce. Now they don't carry any of them. The Dip'n Chick'n is served with a "Blackened Ranch Sauce," about which I was not excited. I don't dislike ranch, it just bores me with [its] buttermilk-y, smooth taste. But this was *really* good: it was peppery and slightly spicy. I don't remember the last time I enjoyed ranch, but I enjoyed this."
- "I read a story last month that Popeyes is having positive sales numbers this year and planning expansion, while another chain I don't like—one that almost never comes out with good promotions—is continuing to see declining sales. Offhand, I can only think of one Popeyes promotion that I didn't really like—the garlic butter shrimp. Not surprisingly, Popeyes has come out with another winner with the Dip'n Chick'n. It's probably not going to blow you away. But it's something I would definitely be glad to try again, which puts it ahead of 90% of fast food items."
- "But man I can't wait to have the crawfish again."

► Sept. 12 Enhance Online News release

A Popeyes franchisee has rolled out new POS terminals in three locations to replace keyboard systems and improve speed and productivity.

<http://eon.businesswire.com/news/eon/20110912005310/en/NCR/POS/RealPOS-25>

- "NCR Corporation today announced that a Popeye's Louisiana Kitchen franchisee, Weilbaeher Enterprises, has deployed the [NCR RealPOS™ 25](#) point-of-sale (POS) terminals, running Documentor POS software, in its three locations throughout greater Savannah, Ga. The sale and installation of the solution was handled by NCR channel partner [Documentor POS](#), a supplier of technology systems and services for quick service restaurants."
- "NCR's integrated, touchscreen point-of-sale terminal is retail-hardened to meet the restaurateur's demanding, fast-casual environment and replaces a legacy keyboard system."
- "Since its installation, the franchisee has already seen higher order accuracy and increased cashier productivity, benefitting customers with reduced wait times and improved service levels."
- "The Documentor POS software provides Weilbaeher Enterprises with a range of new business reporting functionality and further streamlines back-office tasks, such as menu or pricing changes."
- "'Installing the new NCR terminals was fast and easy, and we were able to train our associates very quickly,' said Kerry Weilbaeher, owner, Weilbaeher Enterprises. 'The touchscreen display simplifies order entry and enhances accuracy and our customers appreciate the added convenience of the integrated credit card design.'"
- "Ready for front-counter or drive-thru service, the NCR RealPOS 25 is an economical, all-in-one POS terminal that delivers exceptional energy efficiency, reducing the total cost of ownership for retailers. It operates without requiring a cooling fan. Quick access to internal components and diagnostic indicators make it simple to install, highly serviceable and easy for associates to use."

► Sept. 19 Nation's Restaurant News article

Interviews with Popeyes' CMO and director of culinary innovation revealed details on the QSR's LTO strategy.

<http://www.nrn.com/article/popeyes-makes-ltos-priority>

- "Popeyes Louisiana Kitchen has introduced five limited-time offers this year, including a \$3.99 [Dip'n Chick'n deal that debuts Sept. 26 and includes chicken breast medallions, Cajun fries and a biscuit.](#)"
- "Dip'n Chick'n follows [last month's Rip'n Chick'n limited-time offer](#), also priced at \$3.99. A Red Hot Popcorn Chicken special rolled out in February, Garlic Butter Shrimp and Fries in April and Firecracker Shrimp in July."
- "The LTO strategy seems to be working. The Atlanta-based chain says same-store sales rose 2.4 percent for the first half of the year, and that Popeyes is outperforming the rest of the quick-service chicken category."
- "Nation's Restaurant News spoke with Dick Lynch, Popeyes' chief

The LTO strategy seems to be working. ... Same-store sales rose 2.4 percent for the first half of the year, and Popeyes is outperforming the rest of the quick-service chicken category.

Nation's Restaurant News Article

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marketing officer, and Amy Alarcon, Popeyes' director of culinary innovation, to find out how the 1,580-unit AFC Enterprises Inc. subsidiary crafts its limited-time offers."

- **"How do you develop your LTOs?"**
- **Lynch:** We harden up around our Louisiana positioning. This team steers the brand back to its core DNA, which is Louisiana, and we're very careful that the LTO has to have some link back to Louisiana. The three strategic platforms are value, portability and something Louisiana."
- **"What's unique about the LTOs?"**
- **Alarcon:** One of the things we do is hand-breading. And we also marinate. We're dealing with a relatively cost-affordable protein, and we layer in the unique flavors. We're looking for unique and fun shapes to make, and we stay away from just another chicken nugget or boneless wing. People look at Rip'n and say, "Wow, what is that?" We're marinating that by hand with spices like habanero chiles, cayenne, and a blend of white and black pepper. With Dip'n, we wanted to make chicken in medallion shapes and an oversize portion."
- **"How do you decide for how long to run an LTO?"**
- **Lynch:** Typically when the novelty runs off. LTOs are, by nature, novelties. We have found the point where they fall off and when the demand starts diminishing. We plan for that, we plan the media and we plan the supply that way. The product runs out when the media runs out. We are always scrutinizing the balance between the core menu items and LTOs."
- **"How do your departments coordinate LTO efforts?"**
- **Alarcon:** We'll start with an idea. For example, it's bone-free and we look at how do you cut it?"
- **Lynch:** We have a disciplined approach to new product ideas. We'll work with the culinary team. We'll get 50 to 80 ideas. Then we'll do test marketing and go into a second test market. The strategic needs launch a domino effect of idea generation product and refinement.
- **Alarcon:** We'll go into an exploratory phase. We look everywhere to come up with an idea with a shape or flavor profile. We look for bold flavors — not spicy. We're into battering and breading products and we play to our strength."
- **"How did you come up with Rip'n Chick'n [a chicken breast partially cut into tearable tenders]?"**
- **Alarcon:** It's kind of a blooming-onion idea for lack of any other description. It's fun. It's interactive. It lets people play with their food. It's portable. It's chicken-centric and people like our sauces. It's about the dipping and the sauce experience that goes with it. We go for the balance."

► May 16 Nation's Restaurant News article

Popeyes' Wicked Chicken introduction was chosen the best LTO.

<http://www.nrn.com/article/menumasters-2011-popeyes>

- "When you sell 900,000 pounds of chicken in one month, chances are pretty good that you came up with a product that the market was looking for."
- "Popeyes Louisiana Kitchen scored a big win with its summer 2010 LTO, Wicked Chicken. The Atlanta-based chain sold that 900,000 pounds of the spicy chicken in June of 2010. The chicken was bundled in a box with fries, ranch dip and Tabasco sauce and sold for \$3.99 an order."
- "This was the first global rollout of a limited-time offer for Popeyes' 1,977 restaurants, which are located throughout 26 countries."
- "The genesis of Wicked Chicken stretches back to January 2009. Alarcon was visiting a poultry supplier, watching them cut nuggets, when she asked if the chicken could be cut into thinner, longer strips."
- "Menu consultant and president of The Kruse Company Nancy Kruse said that Popeyes is at the forefront of bold, full-flavored foods in the quick-service arena."
- "While spicy foods have grown dramatically on chain menus over the past decade, I feel that very little credit has been given to Popeyes as one of the prime movers behind the trend," Kruse said. "They turned the whole notion of bland, middle-of-the-road, lowest-common-taste denominator on its head and opened the door for chains at all levels,

While spicy foods have grown dramatically on chain menus over the past decade, I feel that that very little credit has been given to Popeyes as one of the prime movers behind the trend,' Kruse said. 'They turned the whole notion of bland, middle-of-the-road, lowest-common-taste denominator on its head and opened the door for chains at all levels, but especially quick service, to ratchet up the flavor quotient. They're true flavor pioneers, in my view.

Nation's Restaurant News Article

AFC Enterprises Inc.'s Popeyes Louisiana Kitchen

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- "Alarcon agreed, saying spicy offerings are part of Popeyes' public profile. But the team sets out to make food that has bold flavor native to the Louisiana region rather than trying to ratchet up the heat."

► June 1 An Immovable Feast blog

The author, a Popeyes fan, reviewed the Wicked Chicken and Naked Chicken, two summertime introductions that exceeded his expectations.

<http://animmovablefeast.blogspot.com/2011/06/popeyes-chicken-wicked-naked.html>

- "When I hear Popeyes is coming out with a new promotion, my reaction is the same as hearing that New Belgium Brewing Co. is releasing a new beer or Van Morrison is releasing another album: *I want that*. I don't need to know any more details; their record is enough."
- "If Popeyes can make an item as good as their [Red Hot Popcorn Chicken](#) or [Crawfish Po' Boy](#), I am sure that they can make a better one."
- "Popeyes' 'Wicked Chicken' isn't completely new: it was released last summer, too. But it just didn't interest me. The chicken looked like it would be small, shriveled pieces containing very little meat. Do you remember KFC's popcorn when it initially debuted 20+ years ago? They were basically breaded and fried pieces of chicken skin, with almost no meat to them. (This is not a complaint by the way; at the time I loved them.) That's what Popeyes Wicked Chicken looked like."
- "But this time around I decided to give it a try. I ordered a combo with fries and a drink for \$4.99. It took almost ten minutes to receive, which I'm fine with: so much of their chicken is sitting out under heat lamps, I am more than happy to wait to have my chicken made fresh."
- "My assumptions about the chicken were incorrect. What else is new? The chicken was delicious and the pieces had plenty of meat on them. Yes, they were formed smaller than chicken tenders usually are, but they still were tender, juicy chunks of white meat chicken."
- "This Wicked Chicken was great and I would be glad to get it again, even if that just means next year when it presumably will be released again."
- "There was another reason I chose to visit Popeyes: they have yet *another* promotion out as well: their '[Louisiana] Leaux Get Up & Geaux!' menu. Despite having a ridiculous name, the four menu items are advertised as being healthy."
- "I decided to try the 'Naked Chicken Wrap'—a cheese tortilla wrap with a 'Naked Tender,' lettuce and pickles. The thing is advertised as containing only 200 calories and 6 grams of fat. I wasn't expecting much. I've had similar wraps at other fast food joints that contained zero flavor and were basically just a flavorless, dense piece of something resembling chicken."
- "Once again, my expectations were proved incorrect: this was a much more attractive piece of chicken than I expected. It was darkened with spices and actually looked ... really good."
- "And you know what? It was pretty good. It was not great by any means, but for \$1.99 and something that is relatively healthy, it was more than adequate. I don't see myself every getting one again—if I want a grilled chicken wrap, I will make it myself—but it was much better than I was expecting."

Next Steps

Our next report on Popeyes will track whether the company can continue to succeed with its LTO strategy, including its November promotion, or whether customers become fatigued by the ever-changing menu and potential disappearance of favorite items. We also will monitor the company's cost-saving initiatives and their effects on operational efficiencies. Finally, we will watch commodity prices and their possible ramifications on Popeyes and the overall restaurant industry, including whether portion sizes continue to decrease this winter.

Additional research by Carolyn Marshall, Tina Strasser, Erica Franklin, Claire Caterer and Jacqueline Fox

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