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Guest Name and Title: Linda Ashbrook, Senior Manager of Consumer Insights

Company: Taco Bell

Ethan Whitehill: Welcome to the Brand Show. I'm Ethan Whitehill.

Lou Thurmon: I'm Lou Thurmon. Joining us today is Senior Manager of Consumer Insights with Taco Bell, Linda Ashbrook.

Ethan Whitehill: Tune in as Linda discusses Taco Bell's open system for insight and innovation that includes brand partners, franchisees, and customers.

Lou Thurmon: Linda, welcome to the show.

Linda Ashbrook: Thank you for having me.

Ethan Whitehill: Linda, Taco Bell leads the way in the QSR industry when it comes to cross channel promotions and partnerships. What drives Taco Bell to create these partnerships and promotions?

Linda Ashbrook: Well, as you may or may not know, in the QSR world, our core consumer is the young, eighteen to 24 or eighteen to 34-year-old consumer. Particularly now with social media, with seven bajillion channels on television, they're barraged with people trying to get their attention. So what we've really found works well for us is to play on their playground and music and some of the cross - sports, etc. - is where they are. What we found is we've got a very, very strong brand, and then we've hooked up with some other very strong brands that are very, very relevant to them. Obviously, music is something that has been relevant probably since the dawn of time to the younger generations. We've got what - Lady Gaga now, but Elvis or the Beatles, etcetera, have always been at the forefront for these kids, as well as sports continues to be relevant. Even we've hooked up with some specific products - Frito-Lay, Doritos, etcetera. So what we've really found is taking two powerful - presence in the lives of our consumer has just really given them a greater experience. It's not just that it helps us sell more tacos. It makes us more relevant to them

and it allows us another point of engagement with our customer.

Lou Thurmon: That's excellent. I love how you are focused on that experience and the relevance to the consumer. Can you share with us how Taco Bell integrates consumer insights into brand initiatives?

Linda Ashbrook: Well, the customer at Taco Bell, I think since the dawn of our brand, has really been front and center in everything that we do. I think recently, post-recession particularly, we're moving into an even more customer-centric mindset, and I really foster integration to the consumer insights team, really across all the organization. We pretty much touch - the obvious is that with marketing, we've always been integrated very strongly but we're also very integrated with operations, finance, food innovation, etcetera, which really requires that we are engaging with our consumer almost on a daily basis. We use most of the traditional research means, both qualitative and quantitative. We do a lot of - for our food - a lot of in-store testing. We do a lot of focus groups. We do a lot of concept testing, all the things that you would expect that a brand that is putting out as many new products on a yearly basis as we are might have at our disposal. We also over the last - I don't know - two years have really, really embraced social media as well, in particular Facebook, and not exclusively in terms of like social eavesdropping, which we do a lot of. We love Radian6 and NetBase. We love our Facebook page. I think we have like seven - we're heading on 7.5 million fans on our Facebook page.

Lou Thurmon: Wow!

Linda Ashbrook: All of those places we listen to our customer and we - it really is important to us that we are in tune with them at all times, but we also - the beauty of social media is it's beyond just social eavesdropping. It's now allowing us to actually engage with them and have conversations with them. As I alluded to a few seconds ago, we - I would say - are talking to our consumer almost every day. We use Facebook panels. We recruit people on Facebook and it might be talking for two days about something. It might be talking to them for six months about something, depending on what the initiative is, and depending - some things are low risk and the quick hits,

“Hey, let’s just run this. I don’t know. We’re going to change the cheese from cheddar to three-cheese or something.” We just make sure – disaster check something or maybe, “Hey, we’ve got an idea for a whole new platform and we need to understand how this is going to be relevant to the consumer,” how we can make it so that they – rather than, once again, forcing it upon them that we are building something with them. We have quite a few products that have launched or going to launch that were actually built with the consumer rather than for the consumer.

Ethan Whitehill: One example that might be your partnership with MTV and thinking about watching your brand on social media and those conversations, I’d like to know what else do you watch and explore outside of your brand to track those weak signals that might be opportunities?

Linda Ashbrook: Outside of social media, we are very, very, very strong partners with a company like MTV. MTV is a great partner for us and we have conversations continually about who that consumer is, what they need, what they’re seeing. Frito-Lay, another one, very, very in touch with our consumer. We do a lot of cross-sharing that way. We also look to brands outside of ourselves, other value brands. In fact, we have – if we’re taking off various brand initiatives, we may have deep dives on someone like Ikea, someone who’s not food-related at all but certainly a value brand. I think the value brand, kind of a favorite go-to like a Target, so we are constantly looking at brands that are offering something – that part of their DNA is similar to ours, if that’s what we’re looking for. Sometimes we look completely out of that. We love companies like a conculture, etcetera. We work with very closely to just help look at what are emerging trends. It’s very, very common before we kick off on any initiative is that we do a lot of homework on how that initiative – what are the trends associated with it? Who is the consumer? Who’s driving that? What’s driving it, etcetera, etcetera?

Ethan Whitehill: Once you identify a trend, what are the next steps? Where does it go from there?

Linda Ashbrook: Once we identify a trend, at that point, the research process kicks in. Although I want to say that on a constant basis, from a marketing and from a brand perspective,

all of that is always chugging along – if that makes sense – but once we’ve decided, “Hey, we are going to...” I’m trying to think of a recent trend and I’m blanking right now, but once we have identified that we want to move towards something, then we will take it as a team and we will – an example, actual step is lunch and snacking, those types of things. So snacking is a better one. It’s a huge trend for me, a food perspective that is big to the QSR industry right now. Once we’ve identified that, we then will do a series of immersions, ethnographies, etcetera, to understand what is driving the trend, obviously, and how we fit in. Once we’ve picked a path, then we will go from there and start development. We’ll do concepts and then we hit it from every direction we can think of and then we’ll fine-tune that. We then speak to the consumer to go even further, “Hey, we’ve got these concepts. How do we position them and how do we want to talk about them?” Yes, I think the traditional route that one might go. As we’re going as part of the focus and the filter, we - particularly recently because we’ve had great success, is there a co-branding? Is there a partner? Is there a way to make this bigger than just a product? You’ll see the \$5.00 boxes. That really started out – it literally was just a way to bring value to the consumer. “Hey, we’ll put for a very, very good price, we’ll put a lot of food in a box.” What we found is that [restaurants...]

Ethan Whitehill: That’s always a good idea [laughter].

Linda Ashbrook: Absolutely [laughter], and it’s things that they want, but what we found was it resonated so well that it really was a great opportunity. It goes back to some of your questions on MTV to raise the bar a little bit more and now, it’s not just a box with a lot of food. It’s a completely holistic offering with the MTV – the chance to win prizes. We’ve also had great success with MLB with college football, with NBA, etcetera, etcetera. Even the simplistic ad, there’s the opportunity to win things, etcetera, but you’ll think about your cereal box at home. We’ve even found to the point of talking to the consumers, they appreciate just when they’re sitting in Taco Bell. If they happen to be by themselves, it gives them something to read. It’s interesting that that \$5.00 box has become once again an experience versus just an offering of food.

Lou Thurmon: I remember when the sauce packet started to talk to me [laughter]...

Linda Ashbrook: Oh, absolutely, yes.

Lou Thurmon: ...and how thrilled I was about it. It was so amusing [laughter].

Linda Ashbrook: We can serve the sauce packets to really be part of our brand identity and we put a lot of effort. We have contests internally. We've had contests on Facebook, etcetera, to what we called "Sauce Packet Wisdoms". We've spent a lot of time and effort on those.

Lou Thurmon: The proverbs of Taco Bell [laughter].

Linda Ashbrook: Exactly [laughter].

Lou Thurmon: Well, speaking of trends and trying to identify something more than a product, let's talk about lifestyle and healthy eating with Taco Bell's Fresco Menu. Can you give us the story of how that developed and then now what you're even learning from consumers, now that that has been on the market for quite some time?

Linda Ashbrook: Well, obviously, we are a fast food brand, but people – even when they hit the fast food, health is certainly part of a big national conversation right now, and we recognize that when people come into our stores that there's a variety of things that they want and need. When we decided that we were going to offer a fresco menu, and quite frankly, let me back up for a moment. We have had actually the option to order something fresco for many, many years. This really wasn't new but it was something that we felt that the consumer wanted. It was a demand that they weren't necessarily aware. I think a lot of people – myself included – when I go into any fast food, the way they make it is pretty much how I take it. I may say, "Hold the onions or do this." So the fact that they could change it up and order a fresco wasn't necessarily – there was a very low awareness of that. So we decided to just blow that out and let people know. We did the drive-thru diet because what was really, really important to us was not to offer something that was lower in calories or lower in fat, but it was taking away taste. Taste is central to

everything we do so we really worked hard to – as we developed was to – while we were taking away – when you order something fresco at this point, it takes away the sauce and the cheese, but we also gave that. You also get pico de gallo on there, etcetera, etcetera, so that – and we’ve actually had a good amount of success. Let’s face it. People come to fast food for many, many reasons and often health isn’t one of them, but I think we found that our consumers really delighted in the fact that they do have the option of getting their favorites in a slightly more healthful manner. When we went into it, we really were looking at – I think we had a spokesperson, Christine, who actually had used our product as part of a more holistic weight loss. She lost – I can’t remember how much weight now – well over 50, 60 pounds. She was the first step out into that, but what we really found was from young eighteen-year-old males who may be were trying to eat a little more healthy because they’re – to feed their inner athlete – to the 50-year-old boomers who just through necessity still wanted to go to Taco Bell but had this option that allowed them to continue to eat fast food. It’s really interesting that this has crossed all demographics in terms of interest.

Ethan Whitehill: You mentioned taste and how important that is. I’m wondering to what extent are changing demographics influencing the perception of taste and what good taste means in the United States?

Linda Ashbrook: What’s really interesting because I think you’ve got – well, you’ve got many, many things going on, I suppose, in the changing demographics. You’ve got obviously the millennials which now have a lot of spending power, as well as, in the United States in particular, just even more culturally diverse demographics than we’ve had in decades previous. That’s really good news, bad news. The great news is these young kids are exposed to everything. They’re exposed to flavors and taste and cultures that when I was young just didn’t exist. So it really, really allows us to stretch the boundaries of innovation in terms of our food and what we can do. We’re not trapped within solely Mexican inspired. We’ve really stretched out and we can go a little bit further now on in some of the steps. Maybe that hasn’t made it into the story yet but things that we’re looking at or talking about are really, really different than things we’ve done in the past. Now, the bad news is, of course, for us, we’ve got greater competition. It’s everywhere now, the food trucks. In every store, every

corner, there's some restaurant concept that just never existed before. It used to be when I was young, if you were going to go out and have some form of a fast food, it was Taco Bell, McDonald's, Burger King, or maybe a handful of mom-and-pop shops. Now, it's infinite.

Lou Thurmon: How do you speak with your consumers regarding competition and what they're interested in that might be a relevant product development for Taco Bell? How do you get some of those insights from them when it comes to taste, new offerings, and menus and things like that?

Linda Ashbrook: We do a lot of work using Facebook panels where we will recruit ten to twenty people – are they relevant – whether it's the demographics or some sort of attitudinal – whatever it is we happen to be looking for. Not only do we just talk to them. On a daily basis, we'll put out questions and talk to them about whatever the subject matter is. We also often send them out. "Hey, go out. Try this. Order this or do..." whatever it is, and we have them come back. We have them take pictures. We have them come back. We have conversations about it. If there's something that we are going to be offering that might be intended to go head-to-head against something, if it's in one of our R&D stores, we'll send them out to go try it and go. Just find out from them what it is that's relevant in what they're trying and how we have either hit upon it or not hit upon it. Can our brand do it? We are definitely – we've been around a long time. We have a definite brand identity and some things just will never work for us or at least won't work for us right now. They're very, very vocal and they're not afraid to tell us.

Ethan Whitehill: That makes me think, too. Your brand is very franchise-driven, and I'd love to know how you share insights with franchisees and actually show - demonstrate the value of these new insights.

Linda Ashbrook: Yes. We work very closely with our franchisees on really almost every step of the way from the time that we've come up with whatever it is we want to do. We will put together a [unintelligible] for what is the brand we want to do and work with them. They have a say in all of that and we try to – and they'll come to us as well. There are things that have been driven in our brand that they came to us and

said, "Hey, you know what? We really need to be doing this. It's not on your radar right now, but my customers are coming in and asking for it," or, "My competition is doing it during this time of year or whatever. I don't have it. I'm losing business." Really every step of the way, we are working with them. We're very open with them about consumers. Quite frankly, it works better when we're partnering with them. They're sitting there in the trenches and the more information they have, the better it is. We do a lot of in-store testing, so we're in more company stores than franchise stores but we do also go to franchise stores. They're very open to letting us in and test products with their immediate customers. I really think that it's a pretty positive relationship that we have with them.

Lou Thurmon: I always love to hear that. In the franchise model, it's so great to have that. The transparency and that partnership, it's truly wonderful.

Linda Ashbrook: Right.

Ethan Whitehill: Yes, and I was just going to say it is so powerful when brands can become rituals and Taco Bell has done a terrific job with that by positioning themselves as the Fourthmeal. Can you talk about the Fourthmeal?

Linda Ashbrook: Fourthmeal is interesting because I think for as long as – I want to say as long as Taco Bell has been around, maybe not quite that long - they really have been the late-night destination for kids. We've always known that. Once we decided that, "Hey, this is something that Taco Bell is a part of their life," we did a lot of ethnographic research. We did a lot of – once again, just going out and speaking to them. Why was it? We really – what is it you get? What is it that Taco Bell brings? What is it we're driving something versus we are part of something that's greater in your life? Are we merely a destination? Or we just happened to be the people that are open, and that's why you come? It was really interesting. We found that no, it wasn't. This was part of a routine. It was part of a hangout. It was part of a culture. It's part of a club, if you will. It was part of their mostly weekend. It was, "Hey, I'm going to do whatever and hang out at Taco Bell afterwards." We encourage that. We love that. Once again, we truly believe that our brand is not just someone who serves food but we are part of growing up and part of an experience. That was the

genesis of it. It was really understanding. We always knew that we're part of that but then we just really dug in to why we were a part of that. Once we could better understand why we're a part of it, then we blew it out and did a lot of several branding spots on it and really have embraced. I think last I checked, we continued to be - from consumers' minds - the number one late-night destination.

Ethan Whitehill: Yes.

Linda Ashbrook: We did a lot of research around dinner and just found that the traditional three meals a day just don't exist anymore.

Ethan Whitehill: Yes, I think that's a great insight. Well, thank you for sharing that.

Linda Ashbrook: Thank you.