

MEET THE 2015 RESTAURANT



TRAILBLAZERS

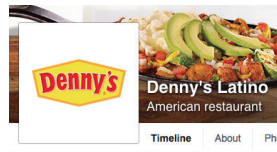
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Restaurant Business magazine recently named Hispanic consumers the number four industry disruptor, saying, “This megamarket could change the restaurant business the way boomers once did.” Many operators have been organizing their companies and marketing activities accordingly to meet the needs of these 57 million bi-cultural consumers today. It’s not just about today, though. It’s about the future. More than six million Hispanic adults ages 18 -49 and more than three million Hispanic adults ages 18 -34 will be added to the U.S. population through 2025; over the same time period, the non-Hispanic 18-34 population is projected to decrease. Which operators are best addressing this consumers’ unique needs? These Hispanic Trailblazers are. Whether it’s because of product innovations, clever marketing strategies, consistency of message, digital offerings or a combination of these and more, our 2015 Restaurant Trailblazers are growing their businesses with Hispanics and paving a path that smart brands will follow.

DIGITAL TRAILBLAZER :

DENNY’S



Last year, Denny's promoted John Dillon to Chief Marketing Officer. We'd be surprised if his success with Hispanic consumers didn't play a part. Dillon's Hispanic strategy is simple: stay true to the brand's "America's Diner" positioning and make it relevant to Hispanic consumers, whom he has said represent one

out of every four Denny's customers. That has meant Hispanic "touches" on the menu, like chipotle and avocado flavors and bilingual messages. It has also meant working with Hispanic personalities like "The Dog Whisperer," Cesar Millan. In 2014, Denny's grew its Spanish-language TV budget more than 40 percent, and doubled down on digital strategies and building strong social media connections. It launched Denny's Latino on Facebook, which serves up original and curated content including quizzes, exclusive sweepstakes and heads-up communications about new menu offerings. The Denny's Latino site is promoted across the brand's Spanish-language website, broadcast and digital ads on sites like UVideos and You Tube. To promote the site's launch, Denny's also created a Hispanic-targeted, comical "Red White and Blue" Grand Slam digital rap video, which showed how music moves this consumer.

BEST CREATIVE BASED ON INSIGHTS :

MCDONALD'S

More than five years ago, former McDonald's CMO Neil Golden offered game-changing advice to marketers: "Ethnic segments are leading lifestyle trends . . . Start with the ones who are setting the pace." The brand has been doing just that for over a decade and 2014 saw some stand-out creative executions. There was the "First Customer" spot, which told a beautifully nuanced story of a Hispanic millennial's first day on the McDonald's job. The first customers turned out to be his over-excited parents. The message: family pride has no limits. There were also the World Cup spots showing the Golden Arches illuminating a night-time pickup game in Mexico, and another showing a "house divided," the father rooting for Team Mexico and the son for Team USA. In each case, the commercial ran in English and Spanish. How does McDonald's arrive at these universal insights? With a strong mix of research, a dedicated multicultural head, and cross-departmental responsibilities, accountability and support. We're excited to witness the marketing innovations sure to come under new CMO Deborah Wahl. With research showing Hispanics are 28 percent more likely than non-Hispanics to say they'd revisit, we're sure these consumers will continue to be front-and-center in McDonald's marketing strategy.



BEST PRODUCT INNOVATION, BEVERAGE :

SONIC

A plethora of drink options is nothing new for the brand that has called itself the "Ultimate Drink Stop." But 2014 was a year that Sonic's "Summer of Shakes" – 25 varieties at last count – added 25 slushies to the mix. The brand, which allocated nearly 10 percent of its total TV dollars to Spanish-language advertising last year, zeroed in on Hispanic-relevant flavors like Jalapeño Chocolate and Salted Caramel and promoted them heavily via Hispanic primetime TV favorites. Executions included branded spots featuring beloved on-air personality Don Francisco during his show "Sabado Gigante." Sonic also understood Hispanics over index in alternate dayparts at QSRs and pushed shake and slushee sales during its 2:00 p.m. to 4:00 p.m. Happy Hour and after 8:00 p.m. Sonic's message to Hispanics? We have all the flavors you want, whenever you want them.



NEWCOMER OF THE YEAR :

PAPA JOHN'S

"Newcomer" might not be an accurate description of Papa John's and Hispanic marketing. In 2006, the Company expanded its 24/7 online ordering capabilities to include a Spanish-language website. But 2014 is certainly the year the brand ramped things up. It might have to do with new CMO Bob Kraut. In a year's time, he shifted more of the marketing focus to Hispanic consumers, growing Spanish-language TV to 13 percent of total. Papa John's now has a consistent presence on national and local TV, letting Hispanics know about its fresh ingredients, deals and digital ordering capabilities. It has paid off. For the year ending September 2014, The NPD Group's CREST® service showed Hispanic dollar sales were up 43 percent at Papa John's, compared to 4 percent for non-Hispanics. Also, average Hispanic eater check gained almost \$1.50 to reach \$8.31 and items per eater increased from \$2.07 to \$2.25 over the same time period. A side benefit: those commercials show CEO and Founder John Schnatter has picked up some Spanish language skills, too.



REGIONAL TRAILBLAZER :

JACK IN THE BOX

Jack in the Box operates over 2,200 restaurants in 21 states, but its roots are wholeheartedly in the West, where nearly 50 percent of its consumers are Hispanic. Because of this, the brand realized early on how important the Hispanic consumer is to its business and made them a vital- and consistent-part of its menu, messaging and outreach strategies. In 2014, innovations included breakfast all day, the Hella-peño Burger, stuffed with jalapeño, cheese and taco sauce, and the Grande Sausage Burrito. The Company also has mastered the art and science of creating cultural connections with Hispanics via the content they love. Jack in the Box has been a strong supporter of



in the box



Hispanic-focused events including last year's *Fiestas Patrias* (Patriotic Holidays) and *Cinco de Mayo*. The Chain also has partnered with Hispanic America's number-one morning show, "Despierta América," to promote the Hella-peño Burger through integrations across the show's local windows. Last year, Jack in the Box's Hispanic traffic in the West increased 5 percent.

BEST PRODUCT INNOVATION, FOOD :

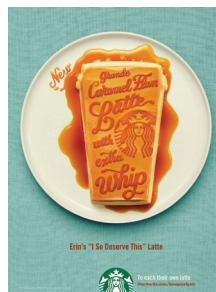
CARL'S JR.

Many have described 2014 as the year spicy food made it big on menus. But Carl's Jr. has a history with spice dating back to the introduction of a jalapeño burger in 2006. At that time, CMO Brad Haley admitted the country had "changed dramatically," intimating that menus needed to evolve, too. And Carl's Jr. continues to do so. Last year, it launched burritos and biscuits stuffed with "made from scratch" chorizo and egg and topped with spicy pepper jack cheese or pico de gallo. The brand targeted all consumers with marketing messages surrounding the launch, but paid particular attention to Hispanics through Spanish-language TV; local media investment shot up nearly 35 percent year-over-year. Carl's Jr. also activated radio, and social media executions that engaged on-air Hispanic personalities and musical talent. This included on-location events in key Hispanic markets and a #EquipoBiscuit (#TeamBiscuit) vs. #EquipoBurrito (#TeamBurrito) face-off. It even inspired chart-topping Mexican regional artist El Dasa to pen a romantic ballad on behalf of the breakfast item. To the girlfriend who he caught eating a chorizo burrito despite her diet, he sung: "This [burrito] is fantastic. You have to invite me to breakfast . . . With Carl's Jr., you and I will be very happy." All this led to a 19 percent year-over-year increase in morning meal traffic among Spanish-speaking Hispanics in the West.



THE GRASSROOTS TRAILBLAZER :

STARBUCKS



For Starbucks, sharing great coffee with friends goes hand-in-hand with its mission to bring communities together. And three years ago, the Chain began directly inviting the Hispanic community into stores via national Spanish-language campaigns supporting products and "dulces momentos" (sweet moments) at Starbucks. In 2014, Starbucks brought those messages to the grassroots level with the launch of "Noches Culturales" (Cultural Nights), a series of in-store concerts featuring Hispanic musical acts. From New York to Miami, Chicago to Los Angeles, Starbucks welcomed customers for a night of music and dancing while promoting the Caramel Flan Latte. Not only did the program boost the new item's profile, it connected Starbucks with Hispanics in a way that spoke directly to their language, culture and values. It also was true to the company's mission: "Creating a culture of warmth and belonging, where everyone is welcome." Last year, Starbucks grew its Hispanic traffic 8 percent, slightly more than its non-Hispanic growth.

SHARE SHIFTER, FULL SERVICE RESTAURANT :

IHOP

Share-shifting implies movement, and IHOP moved in a big way last year. In 2014, only four full service chains grew their traffic among Hispanic consumers, and IHOP was at the top of the pack with 0.8 point traffic growth. In total, Hispanic consumers account for over a third of IHOP's traffic. Here are the keys to this chain's success. First, IHOP has consistently engaged Hispanics throughout the years; in 2014, it allocated 20 percent of its TV budget to Spanish-language media. Second, IHOP's heavily localized strategy allows it to promote deals and messages unique to each market's needs and demographic makeup. Third, its redesigned, photo-heavy menu helps non-English speaking consumers feel empowered. And, finally, the brand's family-first approach is a natural fit. IHOP has added programs such as "Kids Eat Free" on special nights. IHOP's Hispanic business grew by double-digits among families in 2014.



FAMILY-FOCUSED TRAILBLAZER :

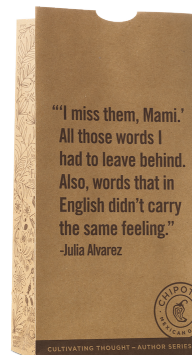
CHILI'S GRILL & BAR

Chili's Grill & Bar strives to be "a fun and energetic atmosphere where family and friends can gather over a delicious meal." It certainly succeeded in this goal among Hispanic consumers in 2014. Visits among Hispanic parties with kids at Chili's grew by double-digits, and share grew by 1.2 points. Lunch contributed the most to the growth among this group. We think the chain's "Fresh Mex" messaging and menu are working. For Hispanics, fresh food and a family-friendly atmosphere are the top two trial drivers for Casual Dining restaurants (compared to value and convenience for non-Hispanics). The more the brand pushes freshness, family bonding – one of Chili's Spanish-language TV taglines has been "more moments happen here" – and innovations like tablets at every table, the more these digitally-savvy consumers will be drawn in.



THE SHARE SHIFTER, QUICK SERVICE RESTAURANT :

CHIPOTLE



Chipotle is the QSR Share Shifter for gaining traffic share – 0.5 points – among Hispanics in 2014. Its "Cultivate" food and music festival and Farm Team loyalty program both focus on the brand's humane food sourcing and organic farming tenets. Those strategies seem to be working. Compared to customer satisfaction among Hispanics at total QSR, Hispanic consumers at Chipotle are more satisfied with the quality and freshness of food, as well as portion sizes and healthy options. Last year, the chain's "Cultivating Thought" program, which carries original writings from authors, poets and comedians on its packaging, added three Latino artists to its roster. We expect to see more efforts like these as the brand continues

to expand in the densely Hispanic west. The Chipotle Hispanic consumer already has a higher average party check and average party size, and orders more items per eater compared to non-Hispanics; the Chain will just need to focus on welcoming them in – and back through – the door.

Become a Trailblazer, too :

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Source: The NPD Group/CREST* Hispanic, year ending September 2014.
Kantar Media and Ad views 2014 data.