

# Yum Brands: Tacos For Breakfast... And Expansion

## Summary

- Yum Brands hopes Taco Bell's new Waffle Taco will be a cash cow for a franchising push.
- Taco Bell's new Waffle Taco is likely to be a successful new product.
- Unknowns about the new Waffle Taco include pricing.

Yum Brands ([YUM](#)) is hoping a taco will give it some gas - that is, gas to accelerate the franchising of its Taco Bell chain. This week when Taco Bell debuts the Waffle Taco along with 12 other breakfast items, it has a lot riding on the wacky product. The new offering could continue the chain's two-year streak of new product hits. And the stronger the brand and the greater the same store sales growth, the higher the sell price of its franchises.

**Does success look likely?** There is a lot to like about Taco Bell's latest effort.

**First, Taco Bell is playing to its strengths.** The Waffle Taco is the perfect product for the brand's target audience: Millennials. Made of eggs and sausage or bacon and served in a waffle with a side of syrup to drizzle over it, the product is quirky, fun, indulgent, portable, and different.

Although some reporters who participated in a preview tasting have panned the item, the actual taste of the product almost doesn't matter. As the makers of Red Bull energy drink have proven, products don't have to please the palates of discriminating tasters to become a hit among a young, individualistic audience. The Waffle Taco is share-worthy among young adults who are looking for something fresh and new (more on this in a moment) and that can drive a lot of foot traffic to the stores.



The Waffle Taco also **capitalizes on the foundation** that Taco Bell has laid with previous popular new product concepts - tacos with innovative carriers including the Doritos Locos Tacos and the Crunchwrap. The most successful new products in fast food offer something familiar with a twist. The new taco featuring a familiar breakfast food is just the right amount of difference.

Also Taco Bell is **using packaging to extend the experience beyond the product.** [Chief Marketing Officer Chris Brandt told Ad Age magazine](#) that the packaging for the Waffle Taco will look different from the normal taco wrap - it will be "Instagram-worthy." When the chain introduced the Doritos Locos Taco, it used packaging that featured QR codes linking to shareable video content. The novelty of this approach not only fueled word of mouth about the product, but also enhanced the connection between the consumer and the brand.

In the same way, the Waffle Taco packaging will likely incorporate some sort of call to action that will make the eating the product fun and an occasion to share with friends. By innovating in the packaging, Taco Bell demonstrates the understanding that great brands express their brands in every touchpoint of the customer experience and that the experience of a product can extend beyond the product itself.

The final reason to expect success is Taco Bell's **skillful use of social media to fuel awareness and affinity.** The chain is tapping the vast and passionate social network, including a Twitter following of 1.1 million, it has built over the last couple of years.

In recent weeks it launched an inventive teaser campaign, sending burner phones to people who the chain

identified as social influencers. Recipients receive calls or texts with challenges in the form of a question or a task that need to be completed using Instagram or Twitter. Winners are awarded original prizes like Waffle Taco Pajamas and a Crunchwrap bedsheet set. The campaign reaction was so widespread and enthusiastic, it even took Taco Bell's marketing staffers by surprise. They responded to fans' pleas for inclusion by adding secret burner phone drops, which has only further fanned the social media flames. So far, [tweet-tracker Topsy has recorded](#) over 8,100 Tweets using the #WaffleTaco hashtag and the #BreakfastPhone hashtag has scored up to a 98 out of a possible 100 on the service's sentiment score, which indicates very positive and active engagement.

**Three big question marks remain.** Amidst the reasons for optimism are three unknowns that must be factored into the likelihood of success. **The first is pricing of the new breakfast menu.** Breakfast is a particularly price-sensitive daypart for fast food -- eating at home is a more viable option at breakfast than other meal occasions and skipping the meal altogether is a popular practice.

Historically Taco Bell has differentiated its brand by leaning heavily on the price factor of the price/value equation. While this has proven effective in other dayparts, McDonald's ([MCD](#)) and other competitors enjoy the advantage of well-established low-priced breakfast offerings. During one of the tests of the new menu, Taco Bell offered its bacon A.M. Crunchwrap for \$2.49, well above the 99¢ offerings at McDonald's. For the chain to steal share during the rollout, it must offer some products at competitive price points.

**Counter-action by competitors is also an unknown.** Given the growing widespread anticipation of Taco Bell's launch, it is likely that competitors are gearing up for battle. Not only will Taco Bell face challenges from the usual fast feeders, Starbucks ([SBUX](#)) is introducing four new breakfast sandwiches on top of its recently-revamped bakery offerings. The company has claim to two competitive advantages -- the healthfulness of its offerings (including a McMuffin competitor at only 230 calories) and the popularity of its coffee products. Depending on the strength of competitive promotion, Taco Bell may need to shift its marketing mix to include more mass media, which could drain its coffers at a time when it's trying to shore them up.

Finally, **will Taco Bell be able to execute the new menu** as well as it needs to? Introducing 13 new items at once is a significant operational undertaking, especially for restaurants with new crews that have just been hired to work the new daypart. Add to that the particularly high consumer expectations for speed-of-service during breakfast, as well as zero-tolerance for an experience that isn't hassle-free and convenient. Taco Bell's execution from the very start needs to be strong enough to convert all the trial it's likely to generate into repeat and ongoing sales.

The Waffle Taco represents the company's newest effort to capture sales at what has been an elusive daypart for the chain. Taco Bell has tried breakfast offerings in the past, but none have broken through and achieved sustained success. By most accounts, it looks like it's on the right track this time - and if the taco proves to be as popular as its expectant fans portray, YUM's aggressive expansion will continue.