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KFC's Stunts Make Nightly News but Don't Stop Sales Slide

Chick-fil-A, Popeyes and Others Gain Ground as No. 1 Fails to Find Coherent Marketing Message

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CHICAGO (AdAge.com) -- The fast-food chain formerly known as Kentucky Fried Chicken seems to have tried everything. It's changed its name to initials, then back to words, then back to initials. It's leaned on cheap marketing stunts such as moving the secret recipe, taking Colonel Sanders to the U.N. and, most recently, launching the 500-calorie Double Down sandwich, which replaces bread with chicken breasts. Even KFC's grilled chicken, which garnered a lot of attention and [massive trial last year](#), failed in its primary objective: staving off additional share loss.



WHAT THE CLUCK? The Double Down

While the series of stunts drove buzz and the introduction of grilled chicken spiked short-term sales, the moves also contributed to a lack of consistent brand positioning and a distraction from KFC's flagship product -- both of which have hurt the chain and allowed competitors to creep in and carve out share.

Although KFC remains the largest player in the growing segment of fast-food chicken, its share continues to drop, according to Technomic. KFC's market share tumbled six full points since 2005 to 30% in 2009, while the category grew from \$14.5 billion to \$16.1 billion.

Ever-growing threats? Brands such as Chick-fil-A. The much-smaller chain, at least by locations, has built a cult-like following with high-quality sandwiches, better-for-you options, excellent service and clean stores. It now commands 20% of the market with just 1,500 locations. That's less than one-third of KFC's 5,200-store U.S. presence. And Chick-fil-A operates on a six-day week, as its restaurants are closed on Sundays.

A year ago, KFC promised that going grilled would be the lynchpin of a much-needed turnaround. In a widely reported promotional disaster, the brand [tapped Oprah](#) to offer free product samples and was unable to manage the overwhelming response. That quarter, KFC reported its first same-store sales growth in two years. But results have been negative ever since, and fell 4% for the year as a whole. The chain had [a similar problem with a web coupon](#) in China last week, offering half off certain items. When it was copied on other websites and widely downloaded, KFC couldn't handle the volume, and some consumers reacted violently.

KFC executives were unable to comment on this story.

PLUCKING BUSINESS Limited-service category share

BRAND	2009 SALES (000)	CHANGE %	SHARE/SALES %	CHANGE %
KFC	\$4,900,000	-5.8	30.4	-1.6
CHICK-FIL-A	3,217,001	8.6	20.0	1.8
POPEYES	1,597,000	0.3	9.9	0.1
CHURCH'S	835,000*	1.6	5.2	0.1
ZAXBY'S	718,250	8.2	4.5	0.4

*Technomic estimate. Source: Technomic

In an earnings call last week, Yum Brands Chairman David Novak admitted that "we still have our work cut out for us" in turning around KFC's U.S. business. To do that, he said, KFC is focusing on ostensibly "balanced" options such as grilled chicken, "portable product innovation" such as the Double Down, and perhaps most importantly, "improved operations." Mr. Novak added that Yum has "brought a lot of talent" into KFC, and focused on improving the business, "but there is a lot of wood to chop, so to speak." During the recession, KFC has stressed that its consumers rely on them for dinner, a meal they've increasingly been cooking themselves.

But Darren Tristano, exec VP at Technomic, said KFC's grilled chicken products, intended to recapture lost consumers, appear to have had a cannibalizing affect. "What they were offering gave existing customers choice and didn't lead to customers coming from competition," he said. It didn't help that competitors such as Chick-fil-A and Zaxby's had grilled chicken first.

Aside from KFC, each of the top six chicken chains grew business last year. Chick-fil-A grew sales 9% to \$3.2 billion, and gained 1.8 market-share points to 20%. Sales were also up at Popeyes, 0.3%, Church's, 2%, Zaxby's, 8%, and Bojangles, 8%. Interestingly, El Pollo Loco, which mounted a comparative advertising assault against KFC's grilled chicken on the West Coast, also suffered sales declines, 7% to \$582 million.

KFC sales, meanwhile, fell 6% to \$4.9 billion last year, according to Technomic. The chain also lost 1.7 market-share points. Sales are also down from 2005, when it rang in \$5.2 billion. But KFC has also closed 300 locations since then.

According to Kantar Media, KFC spent \$235 million in U.S. measured media during 2009. KFC's creative agency is Interpublic Group of Cos.' DraftFCB Chicago.

Challenges

Branding consultant Denise Lee-Yohn noted that, for KFC, trumpeting grilled chicken and then promoting products like the Double Down may have muddied the brand. "They don't have a clear identity anymore, and I think that's hurt them," she said.

Harry Balzer of the NPD Group noted that KFC doesn't just need to look out for direct competitors, but also hamburger chains selling chicken sandwiches, and supermarket chains.

Mr. Tristano expects KFC's share declines to moderate, but noted that the competitive landscape is getting tougher. Chick-fil-A is entering new markets like Chicago, and Popeyes, too, is pursuing a growth strategy.

Still, KFC isn't without its cheerleaders. Janney analyst Mark Kalinowski noted in a research report that the first quarter same-store sales decline, 4%, was in line with expectations, and he expects things to improve this quarter, because of the infamous Double Down.