



Limited-Service, Unlimited Possibilities

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Chick-fil-A continues to dazzle on the QSR 50, proving that constant change isn't always a winning formula.

The limited-service restaurant industry has become a sort of dichotomy. On one side are legacy brands that have defined the way Americans have eaten for generations, brands that have grown big enough to survive bad publicity and creative stagnation. On the other are fast-growing brands that are changing the way the game is played, forcing the legacy brands to adapt as they meet consumer demand for innovation and creativity.

Chick-fil-A, though, is somewhere in the middle. Neither a fast-food king nor a fast-moving newbie, the nearly 50-year-old Atlanta-based brand simply keeps doing what it does best and, in doing so, has positioned itself as one of the greatest success stories in the business.

Jumping Pizza Hut to claim the QSR 50's No. 8 spot, Chick-fil-A raked in \$5.78 billion in 2014, about \$700 million more than 2013. It's worth repeating: Chick-fil-A, a mostly regional chicken brand, is now bigger than the country's largest pizza chain.

What led to its massive success in the last year? The company kept busy with the launch of grilled chicken, fair trade coffee, and a commitment to phase out all antibiotics from its chicken by 2019. True to form, Chick-fil-A rolled these developments out in a way that emphasized what the top chicken brand on the QSR 50 is best known for: its integrity.

"They're staying true to their brand. ... It's what they do," says Randy Lopez, senior marketing strategist at Synergy Restaurant Consultants. "[Chick-fil-A] seems like it's something that has more integrity and doesn't feel fast food-ish. It feels a little more artisan, and even the growth of their brand has always been for quality."

Chick-fil-A's enduring reputation for consistency sets it ahead of the pack at a time when many fast-food chains are scrambling to improve the quality of their operation—or at least the perception of it.

Beyond the quality of the food, the company also focuses on the quality of its hospitality more than the average brand, which is demonstrated by its intense customer loyalty and impressive employee retention.

Amanda Norris, senior director of product development at Chick-fil-A, cites this commitment to genuine hospitality and "craveable" food as two distinguishing factors in the company's service model. "We like to say 'the-better-for-you fast food.' It's all about where good meets

gracious,” Norris says. “We’re all about connecting with that customer. It’s not just about transactions for us; we really want to create a relationship.”

In fact, Norris says, the idea to offer grilled chicken and premium coffee came from listening to customers. The grilled chicken recipe reportedly took seven years and more than \$50 million to create.

“The magic in it is 50 percent recipe and 50 percent grill,” Norris says. “We wanted it to taste like you grilled this piece of chicken on your backyard grill at home.”

Given the volume of business that Chick-fil-A restaurants do (an average unit volume of about \$3 million, a QSR 50 high), Norris says it wasn’t feasible to set up full-sized grills in the kitchen. Instead, the company worked with Garland Grills to develop a new grill that could cook quickly and consistently. When the grilled chicken first launched, Bloomberg Business described the new kitchen technology as an “industrial-scale George Foreman Grill [that will] slash the cooking time.”

Lopez praises the innovation for its cost-effectiveness: The new grills didn’t require kitchen remodeling, nor did they slow throughput.

“It’s a way to create a new product that is truly original, and it utilizes a new cooking process without creating major retrofit costs; that benefits the operators and franchisees,” Lopez says. “Obviously they’re very smart and good at what they do, but they definitely hit this one out of the park because they took the time to test and create a signature product that is on-brand.”

Aaron Noveshen, founder and president of restaurant consultancy The Culinary Edge, says he can see how something as seemingly simple as grilled chicken would require such an investment of time and money. Not all chicken sandwiches, he says, are created equally.

“Fried chicken holds pretty well; you can cook it in batches and hold it for a little bit of time, and it stands up pretty well. Grilled chicken is not as forgiving,” Noveshen says. Without breading, white meat has a tendency to dry out and shrink. Whereas a 3-ounce piece of chicken will cook to about 4.5 ounces with the added breading, a 3-ounce piece of chicken without breading will only yield around 2.5 ounces once cooked. Because of this shrinkage, cost and yield are big issues to consider.

“Any time you’re dealing with a naked product like that, you’re going to have to figure out how to engineer the pricing to function properly to be able to give the same type of value coefficient that you’re providing with the fried product,” Noveshen says.

With many consumers eschewing fried foods altogether, introducing a grilled product differentiates Chick-fil-A in the better-for-you fast-food space, Noveshen says. He adds that the Grilled Nuggets were probably the most revolutionary product among the grilled chicken lineup because so few operators are doing grilled renditions of nuggets or strips.

In addition to the healthier grilled chicken option, Chick-fil-A also boosted its health reputation in 2014 by making a commitment to eliminate all antibiotics from its chicken by 2019. Norris says that roughly 70 percent of Chick-fil-A consumers were concerned about antibiotics in their food, which inspired the company to set that goal. Although the no-antibiotics announcement predated McDonald’s similar commitment by more than a year, it garnered far less media attention.

Brand-building expert and QSR columnist Denise Lee Yohn says this could be explained by the fact that, unlike McDonald's, Chick-fil-A has never been vilified for its food quality or nutrition. "The difference is that Chick-fil-A already has this positive, wholesome, healthy halo where people aren't necessarily questioning the healthfulness of their food or the quality or the safety," Yohn says. By taking a proactive approach to these issues, Chick-fil-A ensures its place as a top operator. "Great brands don't sit back and wait to be a target; they actually really try to understand what their customers care about and use innovation to always improve what they're doing."

The grilled chicken and no-antibiotics commitment debuted in early 2014. By fall, Chick-fil-A was already launching another new product, its specialty-grade coffee.

Norris says customers would come into Chick-fil-A for breakfast with a coffee from a competitor. To address this gap, the company wanted to make a coffee that would not only pair well with the breakfast fare, but could also stand alone.

Chick-fil-A partnered with Thrive Farmers Coffee to create a proprietary blend specifically for the brand. The medium-roast coffee meets the Specialty Coffee Association of America's standards for specialty grade. Compared with other quick serves, Chick-fil-A was already ahead of the game even before it introduced Thrive, Noveshen says. With a strong breakfast program already established, the new coffee could add even greater credibility to the morning daypart.

Synergy's Lopez sees the company's entry into the premium coffee space as reminiscent of Dunkin' Donuts, which began making espresso drinks in 2003 and later asserted its place as a quality-without-frills competitor to Starbucks in 2006. Dunkin' was able to attract a new consumer segment and become more mainstream through its coffee program.

"You really have to go big or go home in terms of putting something like that together," Lopez says. "I'm seeing more fast-food places not even marketing food items or LTOs anymore. ... They're now marketing quality [and] freshness cues to talk about those attributes, and that's kind of where this whole direction has changed."

Norris says Thrive isn't just good coffee; it's also coffee with a cause. Chick-fil-A works directly with the farmers to ensure they make a livable wage. Thrive farmers can earn 10 times as much as they previously did and thus better afford necessities like food, healthcare, and schooling.

Chick-fil-A has also taken a multipronged approach to promote the new coffee. Throughout February, customers could receive a complimentary cup of coffee without any purchase. The chain also created a unique site to highlight Thrive with high-resolution imagery and biographic details, as well as to explain the difference between farmer-direct and traditional trade models. The hashtag #coffeewithastory encouraged Chick-fil-A operators and customers to tweet images or anecdotes about their Thrive experience.

"Storytelling in general is such an effective way for brands to engage people and not only share information about what the brand is doing, but also invite people into the conversation and into the experience," Yohn says. "I think that what they've done with 'coffee with a story' is to find a very compelling way to engage people around the news about their coffee."

While Chick-fil-A is very intentional in which products and stories it puts out into the media,

the brand has also been unwillingly pulled into the spotlight, most notably over controversy surrounding comments made by CEO Dan Cathy in 2012. Backlash ensued, but the company continued business as usual without entangling itself in the media blitz, and the negative press eventually died down.

Yohn says she thinks Chick-fil-A recovered well. While some groups have tried to attach the controversy to the brand's overall reputation, she says, it simply continues to deliver on its service model and food.

"In a way they've done nothing and at the same time they've done something very significant, which is they've continued to execute very solidly on all the fundamentals and have really not allowed those kinds of controversies to distract them," Yohn says.

It's a quality that started with founder Truett Cathy, who died in September at age 93. Compared with industry founders like Wendy's Dave Thomas or Starbucks' Howard Schultz, Truett Cathy kept a low profile. Nevertheless, Lopez says, his leadership added a personal touch that KFC is now trying to create through its throwback promotional material featuring Colonel Sanders.

"There's still the Chick-fil-A, S. Truett Cathy mindset," Lopez says. "It's not just a faceless corporation. They've humanized it, and I think they've stayed true to their brand."

The company continues to execute on its promise to serve appetizing food in a welcoming environment. This commitment to quality and consistency—more so than any menu innovation—is Chick-fil-A's legacy.

The Culinary Edge's Noveshen says the brand shouldn't feel pressured to create new menu items at the breakneck pace of some fast-food brands. When it comes to order accuracy, speed, server friendliness, and simple, quality products, Chick-fil-A already beats competitors, he says.

"Chick-fil-A just checks all the boxes better than anyone else," Noveshen says. "They do need to innovate and stay relevant, but they don't need to be Taco Bell. ... Small movement on a brand like that turns out to be big."

Still, from a branding perspective, Yohn says, Chick-fil-A could stand to take a page out of Taco Bell's playbook. The company has loyal and passionate fans who are probably eager to share their stories and experiences with the brand—something Taco Bell has successfully leveraged in the last few years.

Yohn says Chick-fil-A could explore ways to "increase the cultural conversation that's out there" the way that Taco Bell has. She adds that one way to accomplish this would be for fans to start talking about Chick-fil-A in social media channels.

Accomplishing that goal might prove easier as the brand continues to penetrate markets outside of its home territory in the Southeast. It opened its first store in New York City earlier this year, with plans underway to add more. Norris says the buzz around the company's arrival has been good so far.

Chick-fil-A also has plans for menu expansion in the works. In March, it introduced the Frosted Lemonade, which was originally created by a crewmember. The dessert combines Chick-fil-A's freshly squeezed lemonade with its hand-spun milkshake. At a third the calorie

count of a regular milkshake, Norris says, “it’s kind of like heaven on earth.” In addition, the Thrive specialty-grade coffee was joined by another new breakfast offering: a Greek Yogurt Parfait made with vanilla yogurt and fresh strawberries, topped with either a proprietary Harvest Nut Granola or chocolate cookie crumbs.

Norris says that while customers love Chick-fil-A’s menu options, they rarely realize that the food is prepared fresh in the restaurants every day. She says she has had to physically take customers to the kitchen to prove this point.

“People can’t imagine that a restaurant doing our kind of volumes wouldn’t just be doing a powdered lemonade. We are literally hand-squeezing lemons, we’re hand-breading chicken, we’re chopping that produce for the salads daily,” Norris says. “I don’t think people really think about it like that. They just know it tastes good.”

Another little-known ingredient in Chick-fil-A’s recipe for success is the company’s approach to its store operators. In some chains, effective managers are promoted further and further away from the customer, Norris says. At Chick-fil-A, operators typically have one restaurant—or two to three at most—to keep them in the stores on a daily basis.

“We want them to live in their community, know their community, be able to connect with their community and their customers, and I’m not sure a whole lot of people really know about our model,” Norris says. “I definitely think that owner-operator [model] was really genius on Truett Cathy’s part many years ago, and we stay committed to it.”

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