Business Transformation in the QSR Category Through Greater Customer Centricity

The Power of Social Currency

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VIVALDI_

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Dear Reader:

Why should you care what's inside this report? Because whether you lead a brand repositioning or are launching the latest online channel, whether you are in charge of forging new partnerships or coming up with new ways to interact with the evolving consumer, or whether you are merely hoping to improve your marketing or advertising, understanding consumers matters more than ever and achieving new levels of customer centricity should be a relentless pursuit.

This study covers 90 brands, of which 20 are QSR brands. It provides a window into understanding consumers' behavior in today's social, mobile, and digital context – something that is long overdue in the QSR category.

We appreciate any feedback about our research, thoughts, and insights, and are happy to answer any questions.

Thank you.

Vivaldi introduced the term *Social Currency* in 2010 and expanded on the research in 2012. These studies established the role of Social Currency in driving preference and choice, and in *building strong brands*. This year, Vivaldi partnered with CMB, a world-class research consulting firm, to more deeply understand how consumers with airline, apparel, automotive, beer, and quick serve restaurant brands. This report focuses specifically on the apparel category, and is an abstract of our main report that can be found at http://bit.ly/Social_Currency.

2010

2012

2016

"While a lot of companies are doing digital (transformation), very few are doing it well yet."

———

George Westerman /Principal Scientist, MIT/

Business transformation through technology

Social, digital, and mobile lives today

Business transformation can only be successful if it takes into account the changes taking place in people's lives…

Companies need to comprehensively understand and truly embrace the complexity of the consumer

Social Currency

measures the ability of brands to fit into how consumers manage their social lives in today's digital and mobile age.

7 Social Currency Dimensions

Personal Identity: How much my relationship to the brand plays into my *self-image* and *self-esteem*.

Social Identity: How much I feel a sense of *belonging* or kinship with others who use the brand.

Expression: How much the brand facilitates *communicating who I am*.

Conversation: How much the content shared by/about the brand *engages me*.

Affiliation: How much the brand helps me forge *new social connections* or relationships.
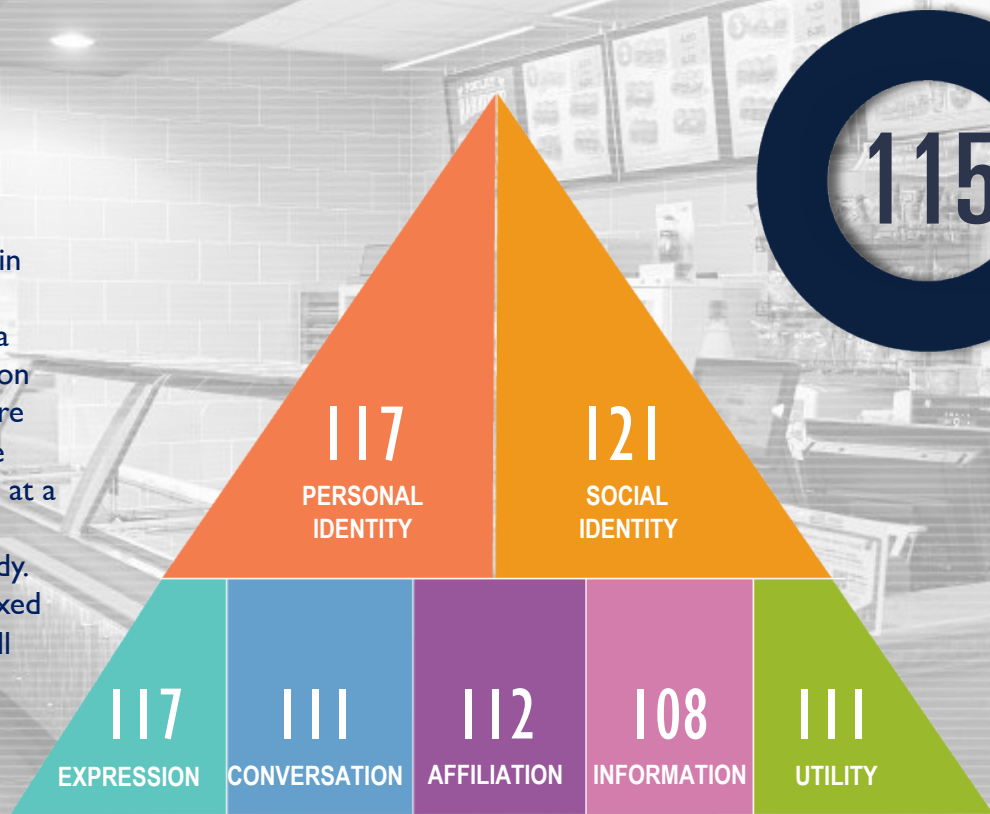
Information: How much other people help me *discover*, *evaluate*, and *make decisions* about the brand.

Utility: How much my engagement with the brand or its customers *enhances the value* I get from the brand.

As an example, the best performing brand in the QSR category, Subway, has an indexed Social Currency composite score of 115 - a weighted composite of the brand's results on the 7 dimensions. This Social Currency score means that in the US, Subway facilitates the identity-building behaviors we've described at a 15% higher rate than the average of the 90 industry-leading brands covered in our study. All numbers on this slide are similarly indexed and represent a market-level snapshot of all US consumers who are aware of Subway.

115

117
PERSONAL IDENTITY

121
SOCIAL IDENTITY

117
EXPRESSION

111
CONVERSATION

112
AFFILIATION

108
INFORMATION

111
UTILITY

Social Currency is a powerful way to achieve the level of understanding of consumers required for business transformation efforts to lead to a competitive advantage.

Social Currency describes how consumers manage their social lives in today's digital and mobile age and how brands or businesses can help consumers make decisions and live their lives more efficiently and effectively.

Adopting a Social Currency strategy will ensure that all initiatives focus on transforming consumer expectations and truly transforming the business.
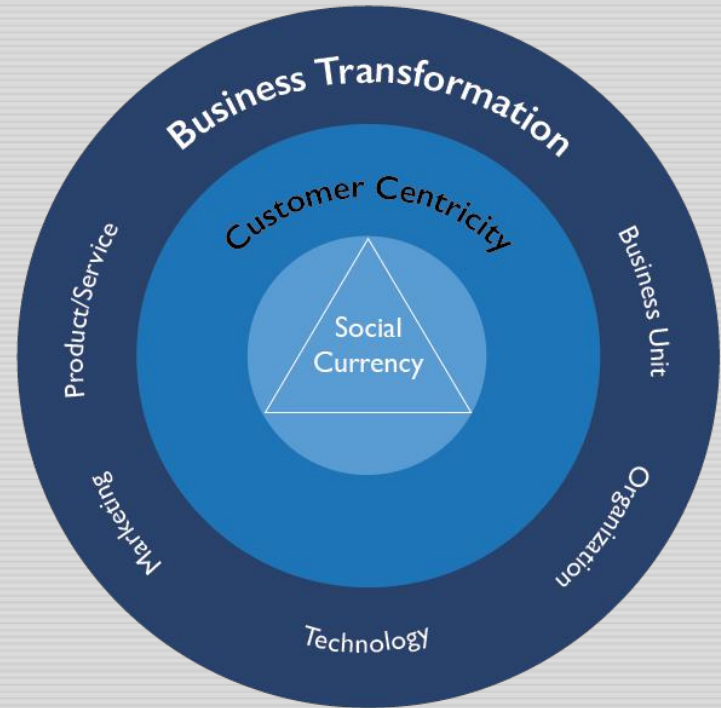
"Research is to see what everybody else has seen, and to think what nobody else has thought."

———

Albert Szent-Gyorgyi /Nobel Prize Winning Psychologist/

WHAT QSR BRANDS WERE INCLUDED?

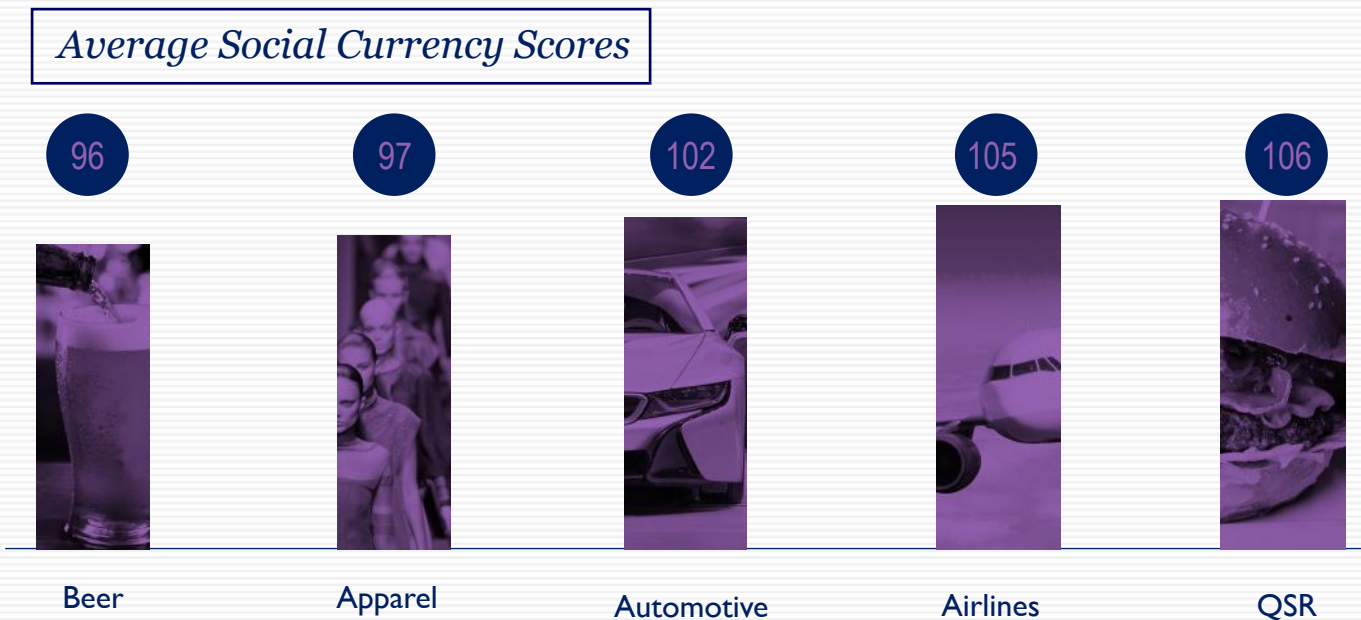**Millennials
36%**

**All other
generational
cohorts
64%**
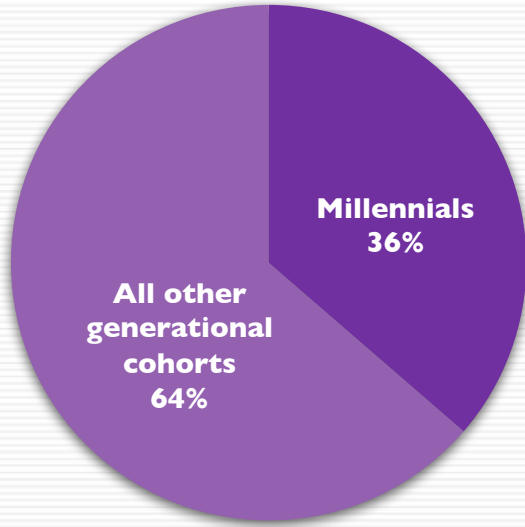
"The keys to success with Millennials [in QSR] are strong digital engagement, entertainment value, and higher quality ingredients."

- David Palmer, RBC industry analyst

In this report, we focus on total sample, but also highlight the results of Millennials. Millennials are an important demographic for QSR as they represent $600B of annual retail spend in the US and eat out more frequently than Gen X or Baby Boomers. 53% of Millennials go out to eat once a week, compared to 43% of the general population.

Average Social Currency Scores

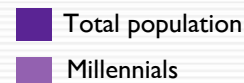| Beer	Apparel	Automotive	Airlines	QSR
96	97	102	105	106

The QSR industry scores highest on Social Currency compared to other industries we studied. The Millennial population spends 45.2% of its food expenditures on food away from home, a $782 billion industry. Winning with Millennials is not only about convenience or speed, but it also involves having a strong digital and social presence, providing customization, offering budget-friendly and healthy food options, and being socially responsible as a company.
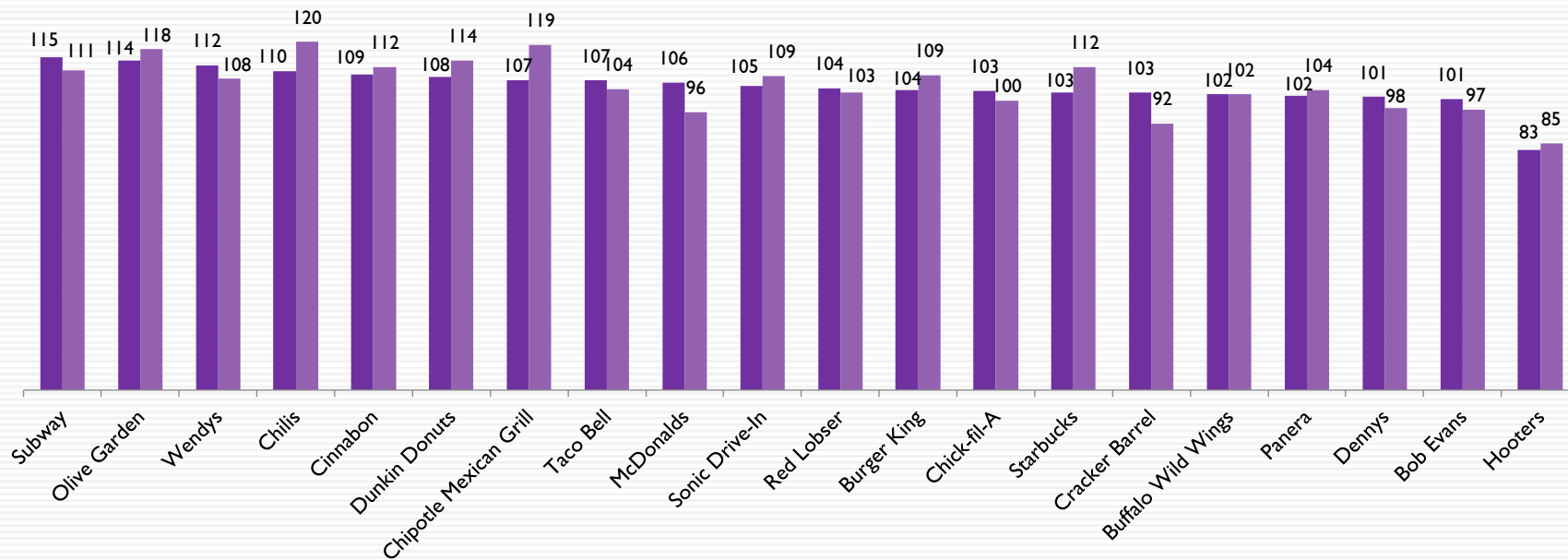
Source: https://www.qsrmagazine.com/consumer-trends/meet-your-consumer; https://www.statista.com/topics/1135/us-restaurants/

Top 5 brands – Total Population

Top 5 brands - Millennials

Five QSR brands pull ahead and score highest on Social Currency with some overlap between the total population and Millennials.

QSR BRAND SCORES

Total population
Millennials

Social Currency Scores

Brand	Total population	Millennials
Subway	115	111
Olive Garden	114	118
Wendys	112	108
Chilis	110	120
Cinnabon	109	112
Dunkin Donuts	108	114
Chipotle Mexican Grill	107	119
Taco Bell	107	104
McDonalds	106	96
Sonic Drive-In	105	109
Red Lobser	104	103
Burger King	104	109
Chick-fil-A	103	100
Starbucks	103	112
Cracker Barrel	103	92
Buffalo Wild Wings	102	102
Panera	102	104
Dennys	101	98
Bob Evans	101	97
Hooters	83	85

The winning brands successfully integrate themselves into the lives of their customers and play a role in building their customers' sense of personal and social identity.

THE TOP 5 QSR BRANDS PER SOCIAL CURRENCY DIMENSION FOR TOTAL POPULATION

THE TOP 5 QSR BRANDS PER SOCIAL CURRENCY DIMENSION FOR MILLENNIALS

Brand Outcomes
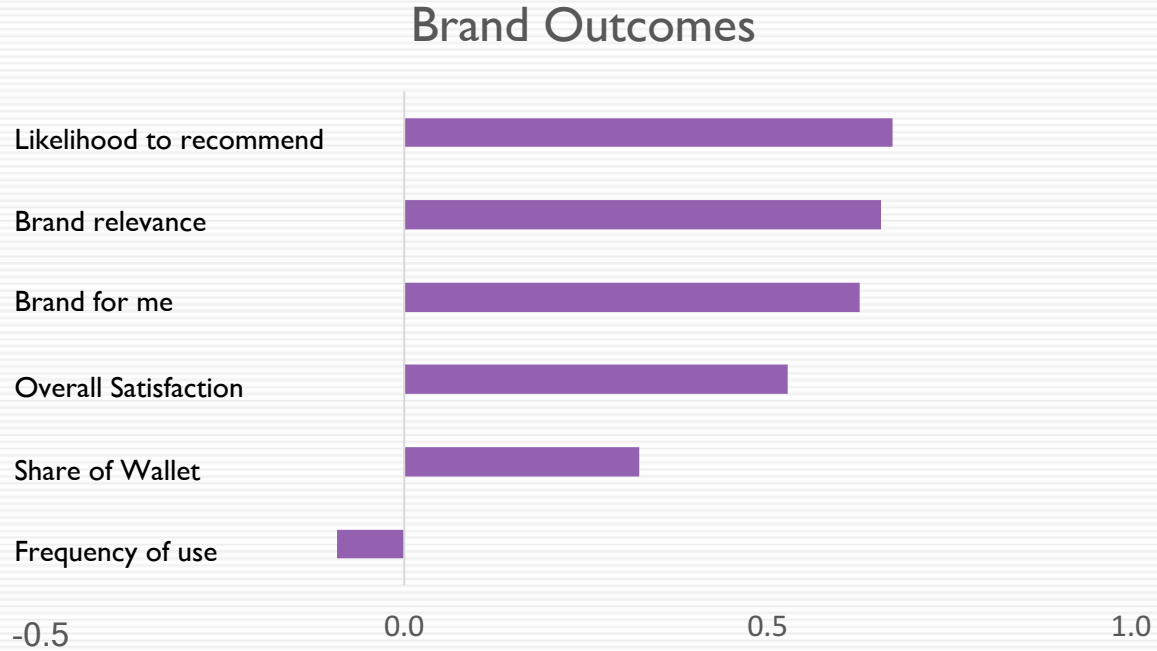
Social Currency scores are correlated with brand advocacy, brand relevance, and brand affinity.

Brand Loyalty

Higher Social Currency scores are correlated with brand loyalty characteristics, particularly willingness to go out of the way to dine, willingness to pay more and willingness to recommend or share with friends.
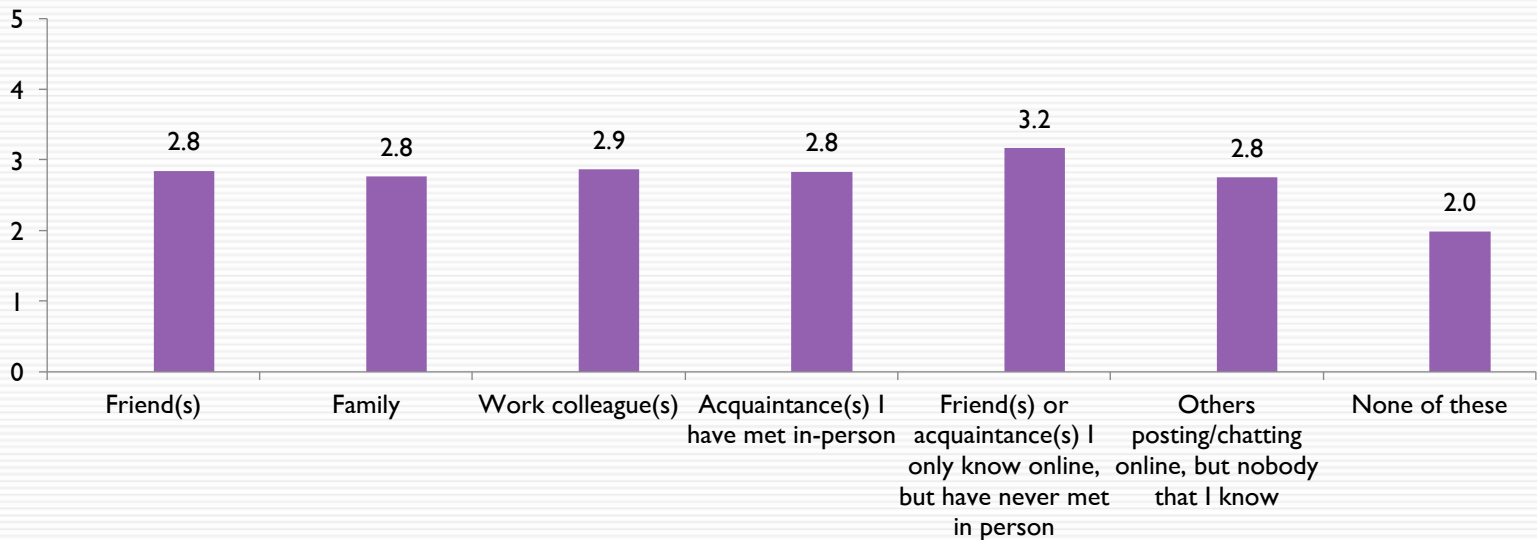
SOCIAL CURRENCY AND RECENCY OF CONVERSATION
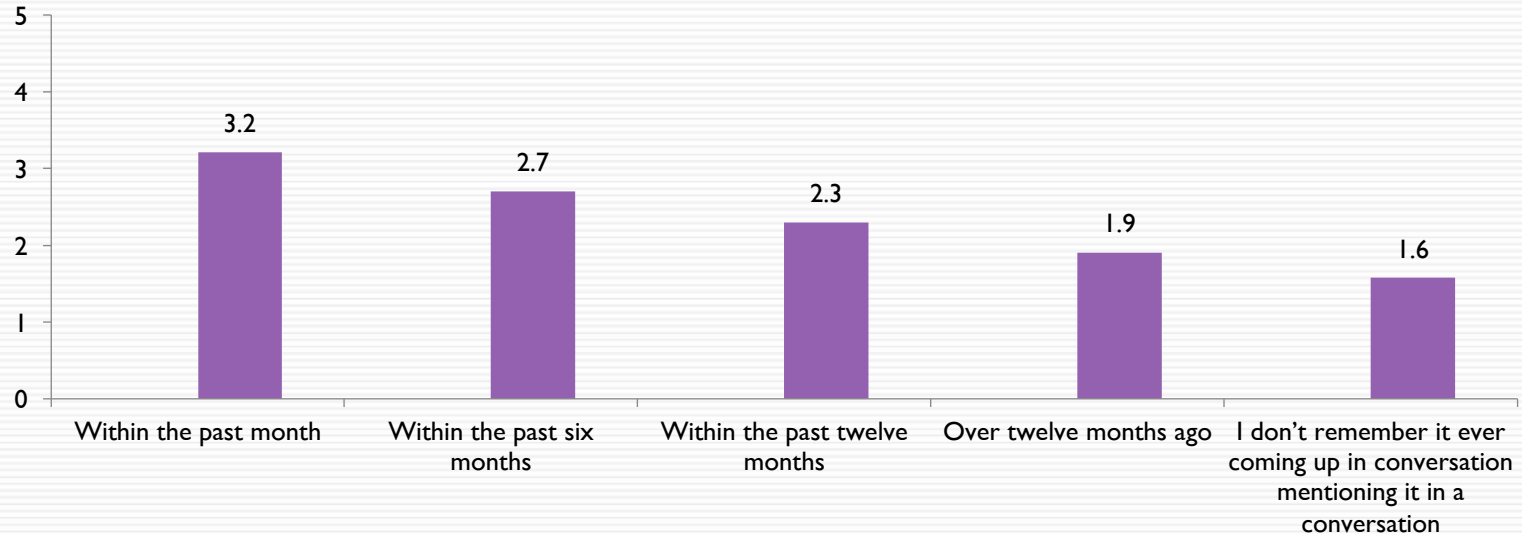
The more recent the brand conversation, the greater likelihood of stronger social currency scores.

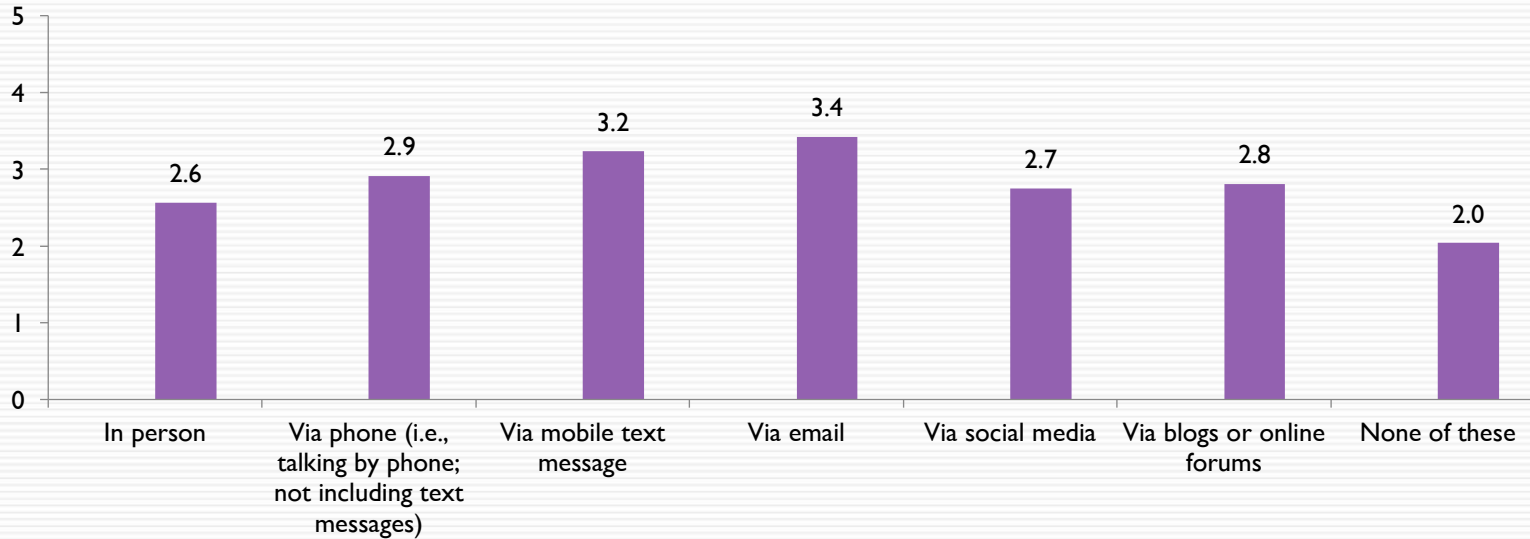*Q15: Please think about the last time you remember [BRAND] coming up in a conversation. When was it?

SOCIAL CURRENCY AND SOURCE OF INFLUENCE

Word of mouth drives social currency. Word of mouth is as important from friends and family, as postings from acquaintances and the online community.

*Q16: Who was it that mentioned [BRAND]?

SOCIAL CURRENCY AND PLACE OF CONVERSATION

Digital communication such as email and mobile text messaging have higher impact on social currency than other places of conversation.

*Q17: Where was the conversation taking place when [BRAND] was mentioned?

TOP 2 SOCIAL CURRENCY FACTORS PER DIMENSION

	<10%	>10%	>20%

		Starbucks	Dunkin Donuts	Subway	Chili's	Cinnabon	Wendy's	Olive Garden	Chipotle Mexican Grill
Utility	What I do or say about [BRAND] can influence what [BRAND] offers customers like me	20	17	23	21	21	22	25	20
	The more my friends, family, or acquaintances use [BRAND], the more useful [BRAND] is for me	15	18	20	19	18	12	18	18
Information	[BRAND] and its customers share information that I find very useful	17	13	18	17	15	14	15	19
	I get valuable information about [BRAND] from people who have bought or used it	16	18	21	20	20	17	24	21
Affiliation	I enjoy spending time following or engaging with others around [BRAND]	13	16	16	20	18	14	19	17
	I have met or gotten to know interesting people through [BRAND]	9	14	18	15	15	15	12	15
Conversation	I find [BRAND]'s communications fun and entertaining	19	16	16	20	18	15	17	19
	I hear a lot about [BRAND] from people I know	23	19	25	22	21	16	20	23
Expression	I often tell others what I like about [BRAND]	20	20	23	23	23	23	23	24
	I like chatting about [BRAND] with others	15	13	15	18	17	14	19	17
Social Identity	Other people like me use [BRAND]	28	35	40	32	35	37	37	27
	I can identify with others who use/buy [BRAND]	20	23	28	29	22	29	31	22
Personal Identity	People who know me well know that I like/use [BRAND]	24	21	29	22	23	24	31	23
	If someone speaks negatively of [BRAND], I will defend it	11	20	22	22	22	23	25	20

"The only source of knowledge is experience."

———

Albert Einstein /Theoretical Physicist/

Areas Brands Should Focus On:

Best Practices to Look To:

Relevance — How can brands build relevance in the minds of consumers?

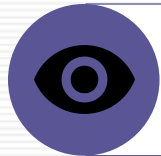**Affinity** — How do we make our brand more relatable to consumers?

Likelihood to Recommend — What will make consumers want to recommend our brand to others?

Loyalty — How can we increase customer loyalty? What programs can we implement?

Visibility — How do we build visibility to keep our brand top of mind to consumers?

Subway beat out all competition by scoring high across all 7 Social Currency dimensions. By tapping into health and wellness trends, Subway scored high on *Expression*. Subway launched a series of brand differentiator ads where they focused on vegetables and the sourcing of their ingredients. Ads highlighted their bread is made in-store daily and has been improved by removing harmful ingredients and adding vitamin D and calcium.

Subway was also able to drive *Affiliation* by using Twitter. Subway developed more than 100 animated GIFs to unleash a viral campaign for its #januANY $5 footlongs. With the large number of quirky, pixelated GIFs, consumers were able to rapidly share the animations with friends and family, fostering social connections with the brand.

In a departure from its historically food-centric communications, **Olive Garden** re-oriented around real families and their every day moments in touching and humorous ways, bringing to life its tagline, "We're all family here." This fresh approach contributed to the high scores Olive Garden saw in the dimensions of *Expression* and *Affiliation,* as a brand that celebrates today's diverse family relationships and is embracing of all families – whether traditional, blended, extended, co-workers, neighbors or friends.

Wendy's hit the ball out of the park with their social media presence gaining them high scores in the *Affiliation* and *Expression* dimensions. Instead of shouting at consumers on social media, Wendy's developed humorous, entertaining social content #PretzelLoveSongs, #PretzelLoveStories to launch its pretzel bacon cheeseburger and pretzel pub chicken sandwich. Wendy's campaign invited consumers to confess their love for the new pretzel menu items on Twitter and Facebook. Wendy's then turned these posts into love song lyrics performed by Nick Lachey and Boys II Men; as well as telenovela style love stories. Content was distributed on Wendy's social channels.

Chili's is number one in Social Currency for Millennials. To drive their *Expression* and *Affiliation* scores, Chili's is upping the game on culinary innovation and mobile technology. On trend menu items such as Chili's Fresh Mex was designed to attract Millennials. The chain is also expanding its roll-out of tabletop tablets with improved on-line ordering and a loyalty program, both of which drive engagement and loyalty.

It doesn't take a large advertising spend to score high in Social Currency and **Cinnabon** is largely proof of that. To drive *Expression,* Cinnabon facilitates sharing with others by tweeting frequently and accompanying those tweets with photos of their delicious cinnamon buns. Cinnabon also creates ways to interact with their consumers – using Twitter as a tool for crowdsourcing "Marketing ideas for Cinnabon? Go! #fansourcing."

Chipotle's strong sense of purpose of selling "Food With Integrity" has been at the center of their success. Chipotle's values resonate with consumers and drive the dimension of *Expression* for the chain. Chipotle was able to drive the dimension of *Conversation* through the creation of its own unbranded TV series "Farmed and Dangerous" on Hulu. The unconventional model allows Chipotle to present its point of view about food safety without turning off Millennials who may balk at overtly branded entertainment.

To attract Millennials, and be a part of their lifestyles and interests, **Dunkin Donuts** partnered with Spotify to create a "DD Summer Soundtrack" initiative for its summer iced coffee promotion. With a massive social media presence across Spotify, Snapchat, Instagram, YouTube, Twitter, Vine, Facebook, and Periscope, Dunkin Donuts was able to pull ahead in the Social Currency dimensions of *Affiliation* and *Conversation*. The "DD Summer Soundtrack" also included a summer concert series across multiple cities, featuring emerging artists performing at pop-up concerts in high-traffic public areas.

Starbucks' continued success with their mobile app helps drive both the *Expression* and *Conversation* dimensions of Social Currency. Starbucks is reaching Millennial customers where it is most convenient – on their phones. Not only can consumers earn rewards every time they buy an item, but also they are able to place orders before walking into a store. These added features engage consumers all along the Starbucks experience, further solidifying its "Third Place" ambitions.

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Thank You!