Marketing Plan: Fatburger

Created in BUAD 307: Marketing at the University of Southern California

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OUTLINE MARKET PLAN

Company Purpose: Fatburger was founded in 1952 as a fast casual restaurant to serve fresh, lean, made to order hamburgers. These high quality hamburgers provide consumers healthy and quality assured meals.

The Need: Consumers who want an old-fashioned, fresh, lean and customizable burger that is made to order. As an alternative to traditional fast food, Fatburger offers high-quality options quickly, without the higher price of casual dining.

Mission: The mission of Fatburger is to provide its customers with high quality food. The market segment consists of consumers looking for fresh, lean, and customizable burgers. By focusing on Fatburger's uniqueness of lean burgers, we will boost Fatburger's overall image and attract more customers into the restaurants. By consolidating the menu and strategically implementing promotional strategies, we will be able to enhance and rebrand the corporate image of Fatburger.

History: In 1947, Lovie Yancey founded Fatburger in Los Angeles, California. Originally, the restaurant was named "Mr. Fatburger," but after Yancey dropped her honorific in 1952, she changed the company name to Fatburger. Fatburger has expanded worldwide, with over 100 restaurants internationally. In 2009, Fatburger was recognized as the "Best Burger" in Los Angeles. Fatburger was also ranked at the top of Los Angeles Citysearch's annual "Best of Franchise" contest.

Current Situation: Fatburger is currently headquartered in Beverly Hills, California. Their current CEO is Andrew Wiederhorn and their COO is Donald J. Berchtold. Their Partner is Fog Cutter Capital Group. Fatburger also faces strong competition from other companies such as In-N-Out, Shake Shack, and Umami Burger, to name a few. Fatburger is attempting to break down the hurdle of its name to new customers. By implementing creative, low cost marketing and advertising methods, Fatburger will be able to drive more traffic into its restaurants.

Market Potential: Recently, the fast casual restaurant market has been gaining popularity and momentum. In 2010, the market reached $23 billion in revenue. In recent years, the quick service industry, including iconic companies such as McDonalds and KFC, have faced increased scrutiny over methods of preparation and food additives. Consequently, consumers are moving away from traditional fast food chains to fast casual restaurants. However, not all "fast casual" restaurants follow the model of Fatburger in which food is ordered and prepared at the counter, then served at tables. There have been an increasing number of restaurants offering the standard product model service in which a customer starts with a base product and adds customizable ingredients. Such examples include Chipotle, Pizza Studio, and Subway.

Competition: Fatburger faces a variety of competition from local, domestic, and international companies. Locally, there are a variety of privately owned companies that compete in the fast casual industry. These smaller competitors generally offer quality food at a slightly higher price than Fatburger, but thrive on specials and individuality. We want to change Fatburger's

competition from McDonald's and KFC to burger chains that are known for quality, such as Five Guys, Shake Shack, and The Habit.

Expected Penetration: Based on the competition, the market potential and the conservative penetration of the available market, Fatburger expects to increase transactions by 10% over the next year. In the rebranding process, we want to increase brand recognition and drive more traffic into their restaurants.

Market Strategies : In order to achieve the expected penetration, Fatburger will employ the following strategies:

Market Information System: Fatburger should imbed MIS into every advertisement in order to constantly monitor the success of their marketing efforts. Fatburger should also monitor trends in the fast casual and quick service restaurant industries. Having the current market information will allow Fatburger to adjust their strategies and plans. Fatburger should also conduct focus groups to clearly define the need.

Corporate Image: Fatburger should establish their corporate image as one that delivers fresh, never frozen quality food to consumers. Fatburger should maintain their image by educating employees on the company's mission. As a franchise chain, Fatburger should focus on product quality and ensure that all locations follow the same standards set forth by the company. In addition, the rumor and fact procedures should be implemented in dealing with negative remarks.

Position: *Lock:* Consumers who want an old-fashioned, fresh, lean and customizable burger that is made to order. As an alternative to traditional fast food, Fatburger offers high-quality options quickly, without the higher price of casual dining. *Key:* Variety of food options all made to order with never-frozen ingredients. Restaurant delivers a better atmosphere and experience than quick service restaurants, emphasizing on fresh and quality ingredients.

Product: Fatburger should consolidate their menu and remove products that do not fit the positioning model (such as hot dogs, chicken strips, and salads). Too many products on the menu causes cannibalization, which leads to confused customers. They should focus on continuing their standard product model and allow customers to accessorize their orders. By focusing on customer service and delivering a clean, enjoyable dining environment, Fatburger will help improve its product.

Price: Fatburger currently has a good pricing model that represents the value of their product. Because Fatburger is a fast casual restaurant, it is acceptable to charge slightly more than its fast food competitors. The higher price also suggests a higher quality product to new customers. Market research shows that a meal at a fast casual restaurant usually costs between $8 and $12. Consequently, Fatburger should increase the price of its burgers slightly from the current base price of $3.51 per burger to increase their profit margin.

Distribution: Fatburger should maintain the current franchise distribution model. The fast casual industry is experiencing massive growth and Fatburger should encourage aspiring franchisees to open new locations domestically. Internationally, Fatburger should focus on conducting market research before expanding into new countries, and focus on locations that have a fast-paced lifestyle.

Promotion: By improving Fatburger's social media presence, it will enhance their corporate image and attract a wide array of consumers. If Fatburger offers promotions such as liking Fatburger's page on Facebook, or checking in on Yelp, consumers are motivated to walk into their restaurants. This marketing strategy comes at little to no cost to Fatburger, but is one of the most powerful and effective means of promotion in today's society

Sales Forecast : According to Fatburger's previous Financial Statements, Fatburger expects to increase transactions by roughly 10% in order to increase net sales by 10% in order for the company to gain market share. Thus, we estimate the transaction for next year to be 1,783,655 orders with a net sales of approximately $16 million.

Marketing Budget: According to the data from Fatburger, the marketing fund is 2-5 percent of the annual sales, which is approximately $250,000.

Future Goals: Restaurant operations are planning to increase capital expenditures on renovations and new locations. Fatburger's plan is to raise menu prices in order to improve profit margins once they have obtained a loyal customer base. By increasing store transactions and the number of customers entering Fatburger, our goal is to continue the development of the Fatburger brand and convert the restaurant from competing in the fast food market to the fast casual market.

Appendix A: Fast Casual Industry Market Research

Fast Casual Industry Analysis 2014 - Cost & Trends

Fast Casual Industry, I think I love you man

One of the fastest growing concepts of the restaurant industry over the last decade and in 2014 has been the fast casual restaurant. Though still a smaller part of the overall market than both the fast food and casual dining segments, fast casual concepts are exploding onto the scene and gaining popularity each year. And unlike traditional fast food restaurants, the market for fast casual is far less saturated, and franchise opportunities abound for the entrepreneur.

A Little Bit Healthy, a Little Bit Rock 'N' Roll

So what about fast casual restaurants make them so appealing to consumers? The concept marries the age-old need to eat on the run to the much newer consumer demand for healthier options. Food quality and preparation at traditional fast food restaurants has come under increasing scrutiny in recent years and been shown to have negative health consequences, coincident with a general change in consumer attitudes towards healthy diet and lifestyle.

But the desire to find healthier options does not supersede the need to eat on the go. Consumers are on the move and need to have fast options that can be eaten on lunch break or picked up on the way home. It is at this intersection of higher quality food and the need to be quick that fast casual has found its niche.

A newcomer to the restaurant industry, the term “fast casual” was coined in the 1990’s. Typically restaurants in this category do not offer full table service, but offer a higher quality of food and atmosphere than traditional fast food. Customers order at the counter but typically will get real plates and cutlery, and can often see their order prepared. Food preparation and the use of high quality ingredients take a higher priority in fast casual restaurants and are frequently distinguishing characteristics for particular franchise brands, such as those using only local or organic produce. Healthier options are more prominently displayed than in traditional fast food franchises as well, and food is often presented in a fashion to highlight freshness of ingredients and preparation. Another key difference is the offering of beer and wine at many franchises. These restaurants offer the quality of casual dining combined with the speed of fast food and have the prices to match this middle ground. Price for a typical meal range from $8 to $15

dollars, but as the fastest growing segment of the restaurant industry, consumers have seemed quite willing to pay for quality.

Leader of the Pack

Fast casual restaurants have been expanding rapidly and sales reached $23 billion in 2010, a 30% increase since 2006. In 2009 there were 600 fast casual concepts in the $580 billion restaurant industry. Growth in the segment led the industry by a wide margin in 2008 when the extremely popular fast casual franchises Chipotle and Wingstop grew 20.7% and 17.8%, respectively, compared to McDonald's growth of 4.4% and Burger King's of 6.6% during the same period. The 500 largest chain restaurants in the U.S. only expanded revenue by 3.4% during 2008.

This strength during the recent economic downturn is particularly telling about the strength of fast casual franchises. When consumers became more discerning with their discretionary dollars, they sought to spend them on healthier but still relatively inexpensive restaurant options. Sales at these franchises are strongest at lunch and have nearly the same share of lunch customers as casual dining. Though still lagging behind traditional fast food franchises in terms of lunch market share, evidence is mounting that its a lack of availability rather than preference. In a survey taken in the summer of 2010, of the respondents that had not eaten at a fast casual restaurant during the preceding month, nearly 30% cited the reason as lack of availability. Consumers are seeking fast, healthy options, and often cannot find it in our fast food nation.

Where do we Grow from Here?

The future looks bright for the sector. A study completed in the first quarter of 2011 found that fast casual restaurants have been experiencing higher sales and higher traffic over the previous year, and restaurant operators are largely planning to increase capital expenditures on renovations and new locations. Most operators surveyed for the study also indicated a need to increase staff to meet demand.

Improving consumer confidence and spending also will allow these restaurant operators to finally pass along rising commodity prices. Over the past year of rising prices, owners and operators have swallowed rising input prices out of fear of losing customer traffic. But 60% of those surveyed indicated a plan to increase menu prices to improve profit margins.

Another positive sign for the sector is the increased consumer willingness to try new types of cuisine. Consumers are more interested than ever before in modern, authentic cuisine that is affordable for the family. Local and sustainable concepts are also in high demand as citizens become more socially and environmentally responsible.

Opportunity Knocking

There are many franchise opportunities to choose from, and the market has a tremendous amount

of space for new entrepreneurs. Franchises offering healthier or higher quality offerings of such things as pizza and burgers compete with salad bars and pita-shops. Fast casual Mexican and Asian concepts are experiencing double digit growth in sales and small chains offer such novelties as home-made sodas. Consumers are becoming more discerning and the economy is continuing to improve, and fast casual restaurants are primed for profits!

Shifting Consumer Tastes — Fast-food outlets typically try to appeal to the largest number of consumers by offering popular menu items at a modest price. Customer attitudes and tastes change over time, however, meaning that some food items may fall out of favor with the general public. Shifting attitudes about health and diet can also affect the popularity of certain foods. QSR operators generally try and monitor changes in consumer attitudes; some chains invest heavily in research and menu development efforts.

Business Trends

Help

Fast Casual Dining Growth — Quick-service restaurants offering higher quality food are enjoying success among consumers. Sales at fast casual chains are expected to grow 8 percent annually through 2016, according to Technomic. Chains such as Chipotle Mexican Grill and Panera Bread heavily promote their use of organic ingredients and healthy cooking techniques in order to set themselves apart from other fast-food concepts. Menu prices also tend to be higher at fast casual chains.

Product Development — Many fast-food chains rely on new menu items and product launches to attract new customers and differentiate their brands. Companies may need to invest heavily in product development efforts, consumer surveys and testing, and additional marketing to ensure the successful launch of new menu items. Burger King, for example, revised its menu with 10 new items in 2012, spending a reported $750 million on the changes.

Industry Opportunities

Help

New Food Options — Restaurant goers are being treated to an explosion of new concepts and

menus, especially within the limited-service segment. Some new concepts are being inspired by international cuisines, such as Korean barbecue and other street foods, while others are looking to re-introduce some old favorites like hot dogs and grilled cheese sandwiches by giving them the gourmet treatment. Another new quick-service option sweeping the nation is the food truck: mobile eateries and trailers allow new and existing restaurateurs to set up shop without the expense of a permanent place of business.

Going Green and Sustainable — Adopting sustainable and eco-friendly business practices could help fast-food restaurants attract more business while cutting costs. QSRs that promote their use of locally sourced ingredients can tap into a growing segment of customers concerned with sustainability and food quality. Meanwhile, installing energy efficient equipment, solar panels, or other green technology can help restaurants cut energy costs while possibly entitling those businesses to various tax breaks.

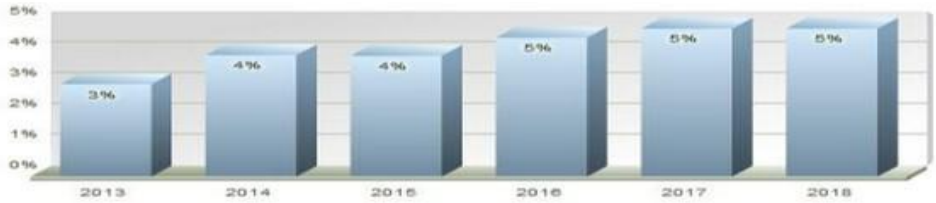
New Beverage Options — Changing demographics and consumer preferences could create opportunities to market alternative beverages on fast-food menus. US carbonated soft drink sales have been declining since 2005, while demand for ready-to-drink tea, coffee drinks, and functional beverages has been increasing. Fast-food restaurants could take advantage of shifting demand by offering juice drinks, smoothies, and other beverage items instead of traditional sodas.

Appendix B: Industry Forecast

Industry Forecast

from Hoover's/D&B subsidiary First Research

The output of US food services and drinking places, an indicator for fast food and quick-service restaurants, is forecast to grow at an annual compounded rate of 5 percent between 2014 and 2018. Data Published: February 2014



First Research forecasts are based on INFORUM forecasts that are licensed from the Interindustry Economic Research Fund, Inc. (IERF) in College Park, MD. INFORUM's "interindustry-macro" approach to modeling the economy captures the links between industries and the aggregate economy.

Top Fatburger Competitors

Company	Revenue	Net Profit Margin
Fatburger	$14.50M	--
CKE Restaurants	$991.00M	1.23%
Del Taco	$185.40M	--
In-N-Out Burgers	$458.10M	--

Company Benchmark Information

NAICS: 722513

Data Period	Last Update March 2014			
Table Data Format	Mean			
Company Size	All	Large	Medium	Small
Size by Revenue		Over $50M	$5M - $50M	Under $5M
Company Count	50117	59	822	49236
Income Statement				
Net Sales	100%	100%	100%	100%

Gross Margin	54.2%	54.1%	54.1%	54.3%
Officer Compensation	2.2%	0.7%	1.4%	3.0%
Advertising & Sales	2.1%	2.1%	2.1%	2.1%
Other Operating Expenses	45.7%	47.1%	46.3%	45.1%
Operating Expenses	50.0%	49.9%	49.8%	50.1%
Operating Income	4.2%	4.2%	4.3%	4.1%
Net Income	2.1%	2.1%	2.1%	2.0%

Companies in this industry operate restaurants that provide food served to customers who order and pay at a counter. Major companies include US-based giants Doctor's Associates (Subway), McDonald's, and YUM! Brands (KFC, Pizza Hut, Taco Bell), as well as Café de Coral (Hong Kong), Greggs (UK), Jollibee Foods (the Philippines), and Seven & i Food Systems (Japan).

Worldwide consumer food service revenue, which includes revenue from fast-food restaurants, totals about $2.3 trillion annually, according to Euromonitor. The countries with the greatest number of consumer food service locations include Brazil, China, India, Japan, and the US.The US fast-food and quick-service restaurant industry includes more than 200,000 restaurant locations with combined annual revenue of about $180 billion.

Finance and Regulation

Gross margins for fast-food companies are typically about 65 percent of net sales. Customers typically pay at the time of sale, so receivables are low -- less than 10 days sales on average. Franchise agreements can cover 10 to 20 years and typically require an initial payment; royalties (4 to 5 percent of sales); and advertising fees (2 to 5 percent of sales). The industry is labor-intensive: average annual revenue per employee in the US is about $50,000.

Appendix C: Fatburger Award
Fatburger Nabs 'Best Burger' Award

Fog Cutter Capital Group Inc.'s Fatburger was recognized as Los Angeles' "Best Burger" in 2009 by myfoxla's Hotlist. Close to 40,000 consumers voted for the Hotlist. In the greater Los Angeles area, Fatburger also ranked high in the Los Angeles Citysearch's annual "best of" contest in the hamburger, family-friendly dining, fast food, french fries, and hotdog categories.

Fatburger also received first-place burger accolades by Citysearch competitions in Orange County, Las Vegas, and Seattle. Fatburger was also recognized with top placement by Citysearch in numerous categories in such key markets as Cleveland, Denver, Long Island, Miami, and Phoenix.

"The results are in and confirm what our customers have been telling us," says Andy Wiederhorn, chairman of Fatburger. "We're delighted to be recognized by our loyal patrons again this year, not only for our world-class hamburgers but also in such categories as family-friendly dining. In these challenging times, we are proud to offer a cost-effective dining alternative that features quality, delicious food at affordable prices.

Appendix D: Survey Results

1. Have you ever been to Fatburger?

My Report
Last Modified: 04/28/2014
1 Yes 20 34%
2 No 38 66%
Total 58
Min Value 1
Max Value 2
Mean 1.66
Variance 0.23
Standard Deviation 0.48
Total Responses 58
Answer Bar Response %
St at ist ic Value2. If yes, what is your favorite menu item?
Fatburger
Double Burguer
Skinny fries
Grilled chicken burger
N/A
Cheeseburger
Burger
Fatburger
A Fatburger
the burger?
burger
burger
Fatburger
nope
Fatburger
Medium Fatburger
double cheeseburger
The cheeseburger
Small Burger
Cheeseburger
Total Responses 20
Text Response
St at ist ic Value3. What is the first thing that comes to your mind when you think of the name Fatburger?

Good Juciy burgers
Fat greasy burgers
Fast food burger joint
Juicy burger
Fat
Yum
Big filling burgers
fat?
I guess it is a restaurant that sells hamburgers..... But fat let me feel oily.....
big
Large burger
high calories
Calories
Fat and burger
Lots of fat. Unhealthy
Fresh
It's a hamburger place that sells big burgers.
fat big burger
Burger tastes good
Fat, fast, cheap
Not healthy burger
fast food
greasy, mediocre burgers
Really fattening with lots of chemicals .
Healthy
Eat burger and you will eventually, very quickly get fat.
The Lakers beat the Supersonics
Hamber chain that's been around for a long time but still not as popular as in n out
Nothing, new name
FATNESS, unhealthy, DEATH, lawsuit, heart attack, crabby patty, middle america, clogged arteries
Hamburger
fat
Big juicy hamburger
big burger
Fresh, Never Frozen Lean Beef
Delicious burgers at the cost of one's health.
fat
super big burger
fat

You spamming my email. This is not how you should tell people to help you out with your project or whatever. STOP spamming people's email.
Healthiness
Gross
Burger that can makes u fat!!!
Hamburgers
fat
Big burger that will serve me well
Juicy
Fat
yum
fat
burgers
Text ResponseBig burgers, double doubles, three by threes. Just a big burger.
Disgusting fast food from a company who pays minimum wage & is attempting to find ways to get around providing any employee benefits. A company CEO who has
served time in federal prison. A company who thinks they are in the league of Unami, Five Guys, Smash-burger & In&Out, but has the corporate image of a Walmart within
the fast food business.
burgers that are fat
Being fat and not wanting to eat there.
A fat burger
Small burgers
Fatning
Total Responses 58
St at ist ic Value4. On a scale of 1 to 10, what is your opinion of the name Fatburger in terms of..
1 Healthiness 1.00 10.00 2.78 1.95 58
2 Freshness 1.00 10.00 4.07 2.76 58
3 Value 1.00 10.00 4.78 2.41 58
Answer Min Value Max Value Average Value St andard Deviat ion Responses5. Did you know that Fatburger serves salads?
1 Yes 9 16%
2 No 49 84%
Total 58
Min Value 1
Max Value 2
Mean 1.84
Variance 0.13
Standard Deviation 0.37

Total Responses 58
Answer Bar Response %
St at ist ic Value6. Did you know that Fatburger serves chicken items?
1 Yes 19 33%
2 No 39 67%
Total 58
Min Value 1
Max Value 2
Mean 1.67
Variance 0.22
Standard Deviation 0.47
Total Responses 58
Answer Bar Response %
St at ist ic Value7. How often do you go to a fast food restaurant in a month?
1 Never 4 7%
2 Less than Once a Month 13 22%
3 Once a Month 6 10%
4 2-3 Times a Month 18 31%
5 Once a Week 10 17%
6 2-3 Times a Week 4 7%
7 Daily 3 5%
Total 58
Min Value 1
Max Value 7
Mean 3.71
Variance 2.49
Standard Deviation 1.58
Total Responses 58
Answer Bar Response %
St at ist ic Value8. What motivates you to go to a new restaurant?
1 Recommendation from a friend 53 91%
2 Promotion of deal (e.g. free item with purchase) 24 41%
3 Online presence (Yelp, social media) 26 45%
4 Celebrity endorsements 10 17%
5 Entertaining advertisements 8 14%
6 Newspapers/food critic review 14 24%
7 Other 9 16%
Amount of people buying at the time
None of the above
Yelp

personal research
When you spam my email
Driving by and seeing a new restaurant under construction
If it looks good on Instagram/Snapchat
yelp
Min Value 1
Max Value 7
Total Responses 58
Answer Bar Response %
Ot her
St at ist ic Value9. Check the factors that are important to you when choosing a burger restaurant:
1 Taste 53 91%
2 Price 37 64%
3 Friendly servers 13 22%
4 Menu offerings 22 38%
5 Hours of operation 23 40%
6 Reputation 33 57%
7 Cleanliness 32 55%
8 Nutritional value 20 34%
9 Convenience 24 41%
10 Atmosphere 21 36%
11 Eco-friendly 6 10%
Min Value 1
Max Value 11
Total Responses 58
Answer Bar Response %
St at ist ic Value10. What is your hometown (city, state, country if applicable)
94043
Los Angeles, CA
San Jose, CA
San Jose!
Ecuador
Ladera Ranch, CA
San jose
berkeley，ca
China
Rowland Heighys,CA
rowland heights, ca
CA

Beijing, China
china
Los angeles
China
Los Angeles, California, United States
Guangzhou, china
Alhambra
Shanghai
Taipei
China
Singapore
Orange County
None of your business because why should.you know town, NA, whoseyourmomastan
San Luis Obispo, California
Mars
Los Angeles, CA
China
Irvine, CA, USA
Haleiwa, Hawaii, USA
Washington DC
San Jose, CA
beijing， China
Elk Grove, CA, USA
San Jose, CA, United States
los angeles
china
shantou
Mars
China
San Francisco, CA
China
West Los Angeles
los angeles
LA
Boise, ID
Boston, MA, USA
San Jose, CA USA
orlando
Philadelphia
San Jose, CA

Text Responsejohnstown PA
compton, ca
newport beach, ca
Burbank, California, United States
Johns Creek, GA, USA
Las Vegas
Total Responses 58

Appendix E: Dummy Ad

What is a Fatburger? Big,juicy,lean,and prepared in front of you.

Our 80/20 Beef is leaner, so you can enjoy big and juicy

Lorem ipsum dolor sit amet, consectetur adipiscing elit. Mauris eu justo eget mi vestibulum rutrum et non erat. Etiam eu eros nec magna hen-

Every burger we serve is made to order, the way you

Lorem ipsum dolor sit amet, consectetur adipiscing elit. Mauris eu justo eget mi vestibulum rutrum et non erat. Etiam eu eros nec magna hen-

Show this ad to your server before 6/30/2014 to receive 10% off your bill. To find the nearest participating location and experience the fresh, lean, and juicy meat fantasy that is Fatburger, visit www.fatburger.com/experience5

A fresher, leaner experience, one burger at a time.

FATBURGER