

Retail Promotion Strategy Analysis: The Challenges At Bob Evans Restaurants

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ABSTRACT

The case presents a challenge Bob Evans restaurants face in the wake of 2010. With the traditional target market of baby boomers aging, a new retail strategy targeting young families with children has been formulated, and a new advertising agency (Brunner, Pittsburgh, PA) was hired to “contemporize” the brand and make it relevant in today’s marketplace. The major challenge to Bob Evans is that it is not effectively attracting new customers to its restaurants despite the strong loyalty by the traditional baby boomer segment. Brunner carefully examined the current retail promotional tools used by Bob Evans and asks what changes should be made to effectively communicate and promote Bob Evans to newly identified target market of young families with children.

Keywords: Retail Strategy; Retail Promotion; Restaurant

COMPANY BACKGROUND

Bob Evans restaurants are owned and operated by Bob Evans Farms, Inc., a \$1.75 billion company that also owns and operates Mimi’s Café and produces food products sold at grocery stores. Almost 600 Bob Evans restaurants are located in 18 states including 194 locations in Ohio, 59 in Indiana, 51 in Michigan, 49 in Florida, 39 in Pennsylvania, and 31 in West Virginia. The first Bob Evans restaurant opened in 1962 in Rio Grande, Ohio. Today, Bob Evans restaurants provide homestyle food primarily in the East North Central, mid-Atlantic and Southern United States. Exhibit 1 shows the financial summary of Bob Evans restaurant operations including Bob Evans and Mimi’s Café for the last three years.

Exhibit 1. Consolidated Statements of Income

	2007	2008	2009
Net Sales	\$1,439,090	\$1,445,034	\$1,385,841
Operating Income	\$12,796	\$78,686	\$78,553
Cost of Sales	25.1%	25.5%	24.8%
Operating Wages	39.2%	39.6%	40.8%
Other Operating	18.4%	18.4%	18.1%
Sale, General, and Administrative	6.6%	6.3%	5.8%
Depreciation and Amortization	4.7%	4.8%	4.8%
Operating Income	5.6%	5.4%	5.7%

Bob Evans restaurants are known for its signature favorites like The Rise & Shine breakfast, sausage gravy ‘n biscuits, and turkey and dressing. Also known for its signature seasonal favorites, Bob Evans restaurants offers up favorites like chicken salad, Bob Evans Bob-B-Q, pumpkin pie, among many others. Bob Evans has something for everyone for breakfast, lunch and dinner. Many Bob Evans restaurants also feature classic country gifts, collectibles, games and packaged homestyle food.

COMPANY STRUCTURE

With its headquarters in Columbus, Ohio, Bob Evans Farm, Inc. has seven Regional Coaches (equivalent to regional managers in other companies) overseeing the operations of Bob Evans restaurants. Each Regional Coach works with a number of Area Coaches (equivalent to district managers in other companies), who oversee the operations of five to eight Bob Evans restaurants where each location has a General Manager in charge. Many Regional and Area Coaches are home-grown, having been working with Bob Evans for a long time starting from a server position at a Bob Evans restaurant and moving up through assistant general manager and general manager before reaching the area/regional coach position. It is a great asset for Bob Evans to have such a group of managers who understand the company's history and vision.

BOB EVANS RESTAURANTS

Most of Bob Evans restaurants began their operations around 20 to 25 years ago. The most popular building design is 'center entrance' where you enter the restaurant and see the reception booth and the kitchen counter with dining areas on the left and right. The majority of customers are baby boomers who enjoy the homestyle dishes at Bob Evans. Families with children are also an important target market. Each restaurant is run by a General Manager, who oversees the overall operation of the restaurant. Since the operation side of the business is critical in running a restaurant, the General Managers often have little marketing skills.

The main challenge at Bob Evans restaurants is the lack of growth in terms of foot traffic. This is partially attributable to the aging baby boomer population and the struggling economy, but the question remains: what is the primary cause of the lack of growth? There are a few possible answers.

First, awareness seems to be a weakness. Based on market research data collected by a third party market research firm, Bob Evans restaurants always score higher than its competitors in terms of customer satisfaction and loyalty. Bob Evans emphasizes quality of food, speed of service, and friendliness, and it scores high on all three categories. Therefore, the issue is that Bob Evans is failing to consistently draw a steady stream of new customers to have a chance to win them over, while experienced customers are satisfied and willing to return after they visit the restaurant.

This leads to another key question—what is the target market? It is important to reevaluate the target market in light of the aging population of the traditional target market of baby boomers. There is no question that it is too early to abandon the baby boomer market. However, a supplementary target market that can offer a long-term growth opportunity should be identified because the aging baby boomer market does not offer much room for growth. Recently Bob Evans added young families with children to its target market. The family restaurant market is highly competitive with many other restaurants such as Chili's, Red Robin, Denny's, IHOP, and Ruby Tuesday going after it as well. It is a critical strategic question if Bob Evans can compete in the crowded market of family restaurants. However, it seems to be a natural extension of Bob Evans' target market. Bob Evans has been known for offering comfortable dining experiences for the mature/elderly audience, and these young parents will soon grow into the age of Bob Evans' traditional target age group. Grabbing young families early and giving them the opportunity to develop a positive relationship with Bob Evans' food and service would be a good long-term investment.

Bob Evans is also having a difficult time communicating its identity to potential customers. The core product (i.e., food and service) is good, but the marketing fails to communicate distinct character. Since its early days, Bob Evans has been using a catch phrase "down on the farm" signifying its homestyle food, but it is losing its appeal among potential customers. When young college students were surveyed about Bob Evans, many had not heard of the name, and even those who knew had heard of Bob Evans failed to offer a clear idea of what to expect if they walk into one of its locations. With its newly added focus on young families, the lack of character and excitement has become even more problematic. Young families are having a hard time forming expectations for Bob Evans restaurants, and children rarely ask their parents to take them to Bob Evans. In other words, Bob Evans is struggling to communicate its brand identity with a new target market that is not familiar with the traditional "down on the farm" persona of Bob Evans restaurants.

Lastly, the focus of Bob Evans has been shifting from a traditional breakfast place to an all-meal place. With strong breakfast competitors such as Bennigan's and Perkins closing many of its locations, Bob Evans is left with fewer competitors including Cracker Barrel and IHOP, but the overall breakfast market is not growing. Therefore, it seems sensible to focus more on the lunch and dinner business, but Bob Evans then enters a more crowded market with strong competitors such as Applebee's, Denny's, and Chili's. With a saturated breakfast market and a new focus on young families, the growing emphasis on lunch and dinner is inevitable. At the same time, it is a challenge to balance the atmosphere and ambiance for all three meals throughout the day.

In short, Bob Evans is facing a major transition in its marketing strategy. It should develop a marketing communication program that appeals to the new target market for all three meals throughout the day, and implement it without alienating its traditional target market of baby boomers. As its first step toward this transition, Bob Evans ended its long relationship with Chicago Creative Partnership, and hired Brunner, a Pittsburgh based firm, as its advertising agency in November 2009. Mary Cusick, Senior Vice President of Restaurant Marketing for Bob Evans said that one of the goals for Bob Evans is to contemporize the brand and make it relevant in today's marketplace. With a track record of spending roughly \$18 million annually on its advertising since mid 90's, Bob Evans is ready to make a significant change in its marketing strategy.

CURRENT EFFORT BY BOB EVANS

The first step Brunner took since taking over the Bob Evans account is to evaluate its current promotional tools. Two categories of customers are targeted by the current marketing effort—inside and outside customers. Inside customers refer to those who visit Bob Evans restaurant locations and dine at the restaurant, and outside customers refer to those who use Bob Evans service outside of the restaurants (e.g., catering). Potential outside customers have been targeted with great success through very aggressive marketing as a part of the restaurants' effort to expand its business, but foot traffic of the inside customers continues to suffer even with a wide variety of promotional tools.

The following is the list of marketing tools currently used to target these two categories of customers by Bob Evans restaurants.

Inside Customers

First, various coupons are issued and distributed, such as \$2 off with \$10 purchase, and 50 cents off any side dish. Some are distributed at local events, and some are offered to customers who visit a Bob Evans as an incentive to come back. The coupon redemption rate is encouraging at about 4 to 5% over a 3-month period. However, circulation of coupons has a lot of room for improvement because the main channel of coupon distribution is limited to local events and existing customers. Brunner understands that more coupon distribution outlets should be identified to reach out to new customers.

Gift cards are also available with various dollar values and often distributed the same way as coupons. The most common values of gift cards are \$5 and \$10, which is the price range for most menu items at Bob Evans. Gift cards work very well during the holiday season, but their impact is rather disappointing during the off season. Brunner wants to utilize gift cards to attract new customers, while differentiating its distribution channel from coupons. It is a challenge to take advantage of coupons and gift cards without one cannibalizing the other.

Another creative idea to build brand awareness and connect with potential customers is BEmail. Consumers can sign up for BEmail to receive monthly offers, news, and recipes. Anyone who signs up also receives a free breakfast. The impact of BEmail is a question mark. It does not seem to have impacted sales, but it is too early to tell because it was implemented recently. However, it is clear that a creative plan to promote BEmail to new customers should be developed. The promotion of BEmail is often limited to current customers—baby boomers, who are less likely to be internet savvy—because the information is only available inside the restaurants.

In addition, a variety of promotional tools specifically target young families with children. A section of the menu is specialized for kids ("12 Kids' Meals \$2.99 or Less!"). Coupons for a free kids' sundae are distributed as

an incentive for families with kids to visit Bob Evans restaurants. Bob Evans Birthday Club is where kids can sign up and receive a free kids' meal for their birthdays. The coupons and flyers for kids programs at Bob Evans are distributed at places such as libraries, zoos, and dental offices. Even with all this promotional effort, Bob Evans has not seen noticeable growth of young families with children in its restaurants. Brunner is puzzled by the lack of impact by these promotional tools, and wonders what should be done to attract families with children to Bob Evans.

As part of its effort to connect with the local community and build an image of social responsibility, Bob Evans restaurants offer Bob Evans Community Fun Night. It is a fundraiser program for local non-profit organizations, where the restaurant donates 15% of the bill to the organization when it hosts an event at a Bob Evans location. It does draw traffic to the restaurants, but it is by far the most expensive promotion. Community Fun Night has seen some success by bringing in new customers to the restaurants, but is not a frequently used program.

Outside customers

There are two areas of business at Bob Evans that target outside customers—carry-out and catering. Carry-out service has its own menu and promotes its signature “10 under \$20” menu items in addition to regular menu items. These items serve three to four, targeting the family market and include a choice of large side and freshly baked bread. Bob Evans recently implemented an online ordering system to help its carry-out business where a customer can order online before leaving the office, and pick up the food on the way home. Catering is a fast growing business of Bob Evans restaurants mainly because of food quality, flexibility of the menu, and competitive pricing. Catering is also available through online ordering.

In general, the marketing campaign toward outside customers has been very successful. These services are relatively new, but customers are highly satisfied and many return for repeat business. However, it is suspected that the growth of outside customers mostly comes from the existing loyal customer base. They are already familiar with the menu and the great low prices of Bob Evans. In other words, growth in the external business does not necessarily represent new customer acquisition.

Exhibit 2 shows samples of Bob Evans' promotional tools targeting inside and outside customers.

CHALLENGES FOR BRUNNER

By looking at current promotions, Bob Evans seems to be doing a lot of things covering various target markets. In particular, the programs targeting outside customers are working very well. However, the programs targeting inside customers are failing to produce results. Foot traffic is not growing even with all the marketing tools used to attract new customers to the restaurants. What should be done? Brunner, the new advertising agency for Bob Evans, identified the following questions it should focus on.

- For the new target market of young families, what marketing tool among the ones used by Bob Evans would be most and least effective? How should they be distributed to make them more effective?
- What promotional tools other than the ones already in use should Bob Evans introduce?
- Would mass media advertising help? If so, what should be the core message?

The situation of Bob Evans restaurants is a challenge because they are running out of marketing tools. Various tools are already employed without producing desirable outcomes, and it seems that there is no obvious gap in their marketing effort. Therefore, Brunner must think outside of the box in order to come up with recommendations.

AUTHOR INFORMATION

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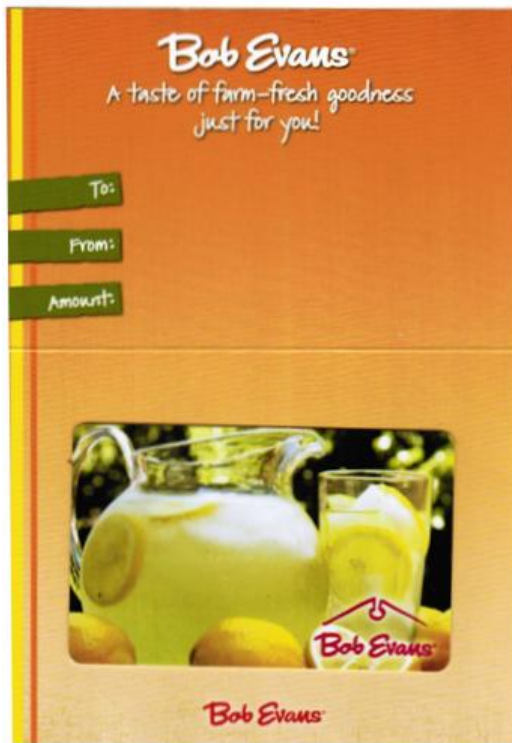
Exhibit 2. Sample Promotional Tools of Bob Evans
(Note: All samples are displayed at 75% of actual size.)



\$2 off Coupon



Free Kids Sundae Coupon



Gift Card



Kids Birthday Club Registration

Exhibit 2. Sample Promotional Tools of Bob Evans (continued)



BEmail Registration



Carry-out Brochure



"Farmhouse Feast" (Carry-out items) Print Advertisement