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Taco Bell as the millennial brand

3/6/2015 - by Eric Schroeder

BOSTON — Distractions surrounding supplier issues in China have taken some of the shine off what has been a bright star for Yum! Brands, Inc. — the Taco Bell business.

Greg Creed, chief executive officer of Yum! Brands and former c.e.o. of Taco Bell Corp., said the unit has not missed a beat since Brian Niccol took over as c.e.o. on Jan. 1.

“I think they’re doing everything right under Brian Niccol’s leadership,” Mr. Creed said during a March 4 presentation at the UBS Global Consumer Conference in Boston. “I really do think this brand is going to sort of deliver numbers that have never been delivered before.”

He said technology is playing a huge part in the perception of Taco Bell as sort of “the millennial brand.” The company this past October became the first quick-service restaurant chain to launch its mobile ordering and payment app at participating restaurants nationwide for both drive-thru and dining room orders. The free Taco Bell mobile ordering app for iOS and Android gives consumers complete access to every Taco Bell ingredient to create what they want, when they want it.

“The app has now got over two million downloads,” Mr. Creed said. “The number of sales coming from it obviously is growing every day. But, as I like to say, I think this business from a positioning point of view, from a product point of view, from an innovation point of view and from a technology point of view, is really the cutting edge of what you want to have in a brand in the marketplace.”

Keith Siegner, a UBS analyst who moderated the conference, commended Mr. Creed and the Yum! Brands team for embracing the new era. He called Taco Bell a “perfect example” of a brand that has evolved and leveraged technology, adding that the brand is “completely ‘on fleek.’”

Mr. Creed agreed.

“Obviously it is a millennial brand,” he said. “I mean, the muse for a Taco Bell is a 22-year-old. Every time we’ve veered away and got ourselves old — old in this case probably 30 — the performance of the business has suffered. Every time we get ourselves back to being highly relevant to 22-year-olds or millennials, we’re incredibly successful. I think it’s partly just around having absolute clarity of what the brand is and who it stands for. So, you know this whole Live Mas positioning. You know we move and think outside the bun to Live Mas. That was really in response to food moving from fuel to an experience. I think that that’s what’s really going on in our marketplace, which is just having great food is not enough to win. In fact, I think people are probably judging the experience in some cases even more highly than the food these days.”

System sales for the Taco Bell division advanced 4% for the year ended Dec. 27, 2014, and 9% for the quarter, led by 3% growth in U.S. same-store sales for the year and a 7% increase for the quarter on the strength of the brand’s breakfast business. Operating profit grew 5% to \$480 million for the year and 20% to \$163 million for the quarter.