

# The Washington Post

## How Popeyes went upscale

September 27, 2013 | by Lydia DePillis

Over the past few years, on the once-dingy midtown strip of 14th Street in Washington D.C., corner stores and carry-outs have yielded to upscale bars and boutiques. You can walk for blocks and blocks without finding so much as a sandwich for less than the price of a movie ticket. Until, that is, you hit Popeyes -- the greasy chicken 'n biscuits fast food joint that's been around for three decades, and feels increasingly out of place as vintage clothing stores, glistening condos, and farm-to-table restaurants spring up on all sides.



The 14th Street Popeyes, a couple of years ago. (Google Street View)

Inside, however, the franchise is undergoing a transformation of its own.

Joon Kim, a South Korean emigre who went to culinary school and worked in restaurants before deciding to buy one of his own, took the place over in 2007. It was barely profitable. Soon after, though, he started getting help from corporate headquarters: Staff training, a refreshed menu, high-tech systems to manage inventory, Webinars to learn how it all works. Revenues have been steadily rising, and even though a developer bought his building, Kim was able to find new space in a remodeled building across the street -- deciding to stay in the neighborhood that many legacy businesses had fled, in search of lower rents.

"Everybody knows that Popeyes is here," he said, explaining the decision to stay. At the same time, trading spaces will also give Kim the chance to fully realize the biggest key to Popeyes's evolution: Instead of "Chicken 'n Biscuits," the franchise will become a "Louisiana Kitchen."

To see what the future looks like, check out the "re-imaged" Popeyes in another hyper-gentrified D.C. neighborhood, Barracks Row. On a warm Thursday evening, it's bustling. Peeling New Orleans-themed wallpaper has given way to clean mustard yellow and brick red, hung with canvases painted with slogans about shrimp and sweet tea. Shrimp-shack wood paneling, faux granite benches, colorful tiles, and a wrought iron sign give the

interior a plasticky hint of Big Easy grace. There's even a rack with jars full of what one presumes are spices that could, theoretically, be used in food. (The menu is the same, as is the Bayou jazz track that plays on a loop overhead).

Kim has never been to New Orleans, but he figures the schtick works, for good reason: The 60 percent of Popeyes locations that have remodeled are doing markedly higher sales. The franchise is now growing faster than any other chicken brand, expanding its footprint from urban centers in the Southeast to suburbs all over the country.

The repositioning is a gift for the franchisees who've stuck with the brand for decades -- and a textbook case for taking a brand that meant one thing and turning it into another.



The "re-imaged" Louisiana Kitchen. (AFC Enterprises)

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Two decades ago, the story wasn't so rosy.

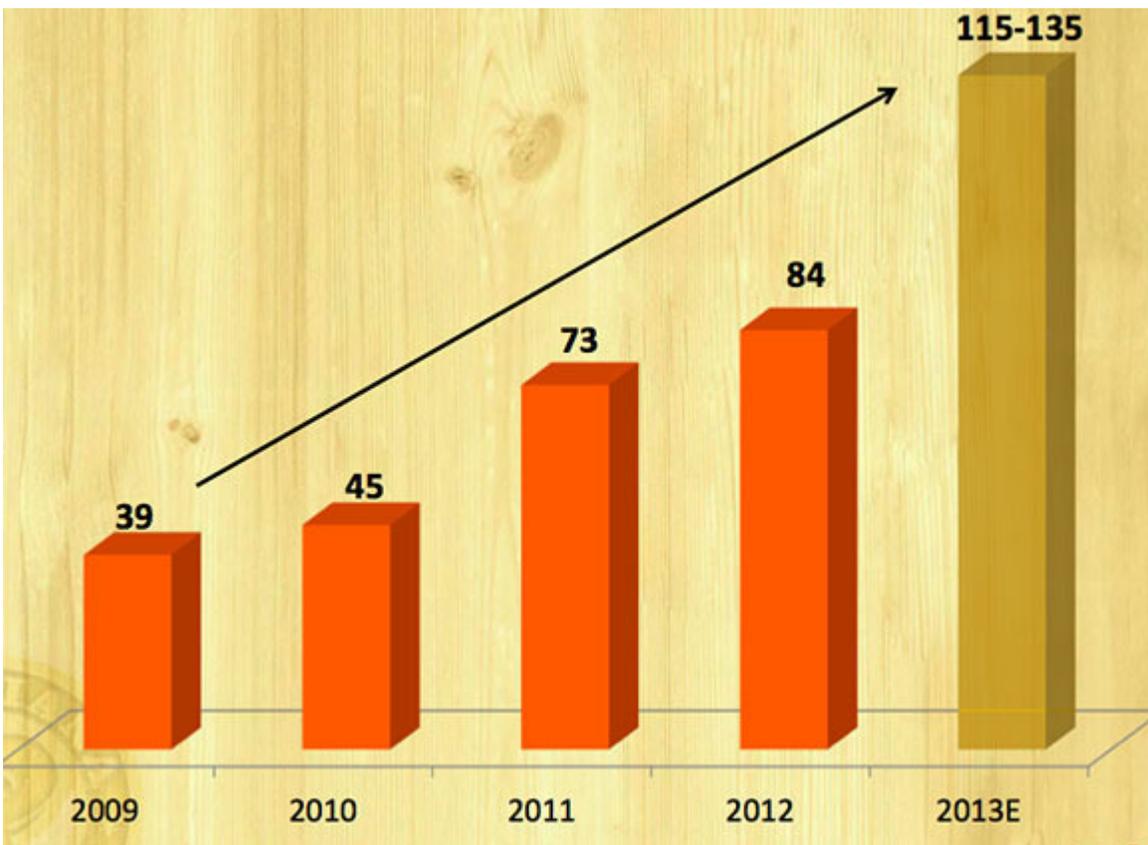
[Al Copeland](#), the scrappy New Orleans kid who'd opened Popeyes Mighty Good Fried Chicken in 1972 and built it into the nation's third largest chicken chain, had borrowed heavily to buy the second largest, Church's Chicken. By 1992, he was \$400 million in debt, went bankrupt and lost almost all of his locations.

The remains turned into an Atlanta-based company called America's Favorite Chicken, or AFC Enterprises. They continued to expand aggressively through the 1990s, buying Cinnabon and Seattle's Best Coffee, and went public in 2001. The growth wasn't well supported. In 2003, the company had to revise its earnings downward, and was briefly delisted from the NASDAQ. It [sued its accountants](#) -- a little firm called Arthur Andersen -- for the flub.

"They were literally fudging the numbers so the stock wouldn't collapse," explains restaurant analyst [John Gordon](#). "It kind of went into conglomerate hell."

As it endured seven straight years of declining transactions, AFC spun off everything except for Popeyes. In 2007, it scored Cheryl Bachelder, who'd risen through the ranks at Domino's Pizza in the 1990s and been president of Popeyes's biggest competitor -- KFC -- in the early 2000s. She put in place the strategy that executives now speak of in reverential tones.

Five years later, restaurant operating profits have increased by 40 percent, and 74 percent of franchisees are happy with their cash flow, up from 44 percent in 2009. More and more stores open every year. And Wall Street loves it: AFC's [stock](#) is up more than 50 percent in 2013.



The number of new store openings per year. (AFC Enterprises)

Here's how you turn around a fast-food brand, according to the Popeyes playbook.

### **1. Figure out how people think of you.**

Before Bachelder arrived, Popeyes franchisees had perception issues.

"There was no data. There were no metrics," says Mark Rinna, chairman of the Popeyes International Franchisee Association. "We were pretty much in a vacuum, a time capsule, as far as where we stood."

Surveys, though, showed two major things: Customers thought of Popeyes as a spicier KFC, and one with bad service. "It enlightened us," Rinna says. "Maybe that enlightenment wasn't all that welcome."

### **2. Decide how you want them to think of you.**

The new Popeyes team knew that they wouldn't succeed just by being another fried chicken chain. So they decided to dig up Copeland's original identity for the place: A down-home, cajun-style eatery, which happens to have the bolder flavors that have started to become more popular in the fast-food world.

"It's so rich, it's so real. Nothing is more authentic than authenticity," says chief marketing officer Dick Lynch. He refers to Michelangelo's stated methodology for sculpting David, by chipping away everything that wasn't David. "I don't want to compare Popeyes to that masterpiece, but it is true, we've removed everything that isn't authentically Louisiana."

Sometimes, the pitch can feel a little cartoonish, like the "[Louisiana leaux, get up and geaux](#)" campaign, and the Mardi Gras signs that adorn the interiors year-round. But hey, that's probably how most Americans imagine New Orleans anyway. And they probably won't notice anything amiss with all the boneless chicken offerings, which Lynch admits aren't entirely true to the chain's Louisiana roots.

### 3. Introduce new stuff.



Brought to you by computer-assisted ideation. (Popeyes Louisiana Chicken Facebook page)

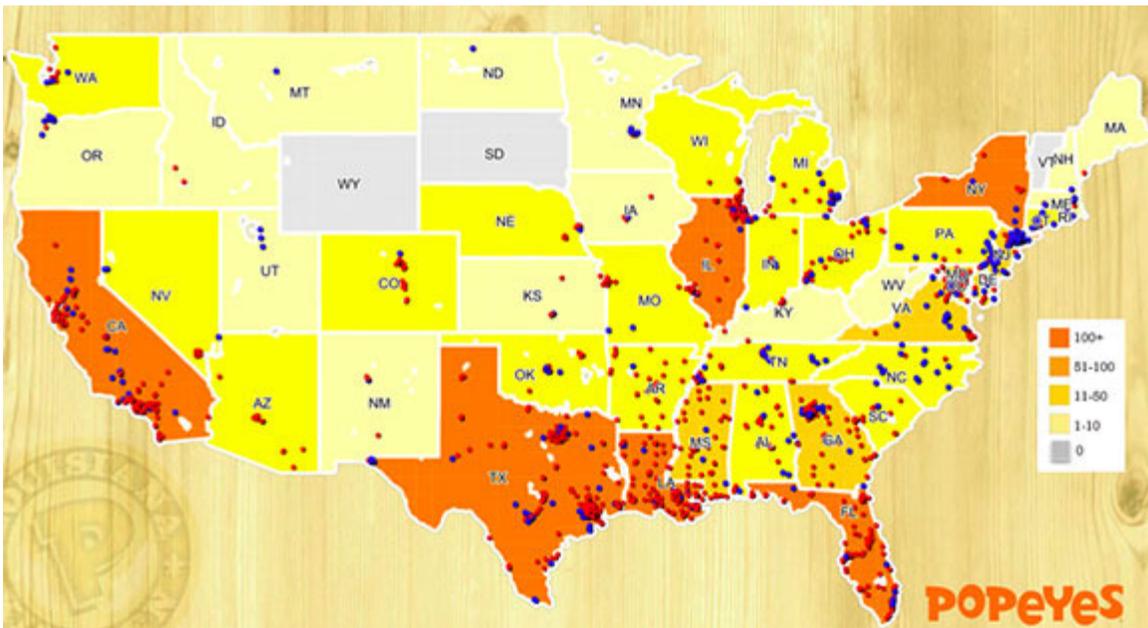
In its [pitches to investors](#), Popeyes executives talk about their process of coming up with ideas: About four times a year, they go to their ad agency's offices in Austin and start ideating with a proprietary computer model.

"The magic is, everybody is thinking up ideas at their computer screen that only they can see, they get thrown up on the screen so the brainstorming is completely anonymous," explained Lynch at the company's annual analyst day a couple weeks ago. "You got to have an environment where you come up with the crazier ideas the better."

Over the next year and a half, those ideas -- like the "Wicked Chicken" product -- go through extensive testing, graphic design, and rollout stages. Since they're not actually straying that far from the staple chicken and shrimp, the marketing is the most important part.

### 4. Weed out bad stores.

Some of the Popeyes franchises have been around since Copeland started the chain in the 1970s, and aren't inclined to take up new ideas -- or put in the cash necessary to implement them. Those ones have been underperforming, and have gradually been convinced to close shop or relocate. As Bachelder put it to investors: "[We have] a good process of running through that conversation with the owner and provoking a bolder outcome than they would be inclined to pursue."



Popeyes today. (AFC Enterprises)

### 5. Get good ones to expand into new markets.

Traditionally, Popeyes has been focused on the "urban" market, which in retail parlance can be code for "black." The leadership decided to reach beyond that demographic, into the mostly-untouched suburbs, like Sparks, Nev. and Vineland, N.J.

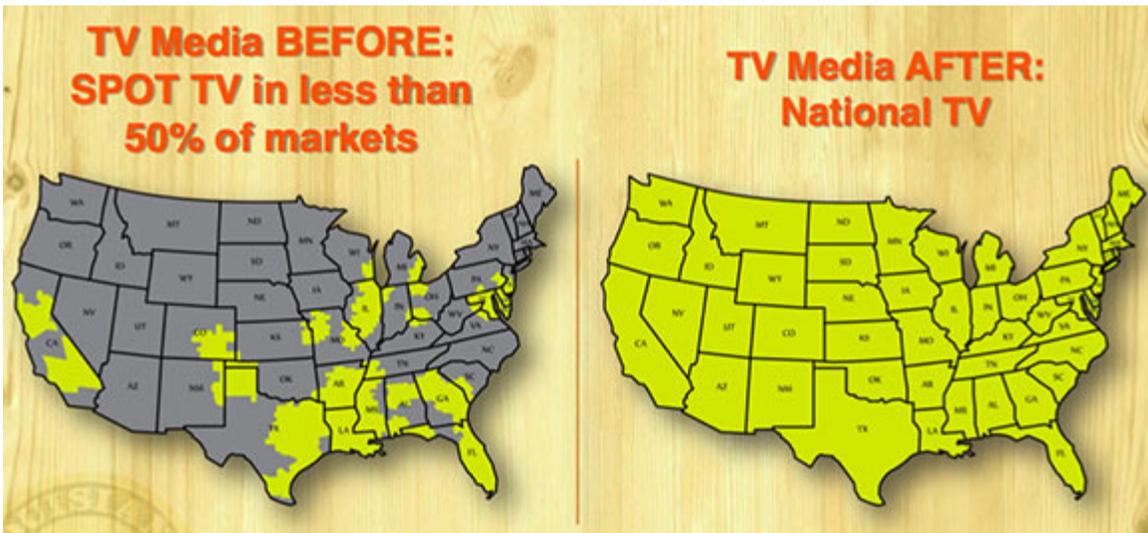
"We're a brand where we have a high percentage of African Americans. And in the past three years in this economy, African Americans have suffered amongst the most as far as unemployment goes," explains Popeyes president Ralph Bower, another KFC veteran. "Despite that fact, our business results have been among the very best in the restaurant industry. So our growth has come largely at those more main and those more mainstream demographics, larger segments of the U.S. population."

They don't take just any new spot, though: Using a site selection model called Birchwood, they predict traffic patterns and earnings potential of new locations, and only franchise to people with a track record in food service -- usually existing Popeyes franchisees. "We say 'no' more often than we say 'yes' today," Bower says. They'll also [take over bankrupt KFC locations](#), when given the chance.

### 6. Figure out Pepsi vs. Coke.

This may sound like a small issue, but splitting your beverage strategy between two companies -- as Popeyes had done in the past -- misses all kinds of synergies through advertising, purchasing power, and distribution. The company decided to go exclusively with Coke, and started getting 40 to 50 percent more profits per gallon on their drinks, which adds a lot to the bottom line.

### 7. Go national.



(AFC Enterprises)

Popeyes now has 1,721 locations in 47 states, which can support a nation-wide television presence. The new management settled on the smiling southern matron "Annie" as its face, cutting new spots as needed -- including an [Internet campaign](#) to highlight its superiority to KFC, which still has more than twice as many locations.

At this point, Popeyes can play in all sorts of markets: Overseas, in markets like Turkey, where its spice profile and rice-based side dishes tend to resonate even if the New Orleans pitch doesn't. And in the fast-casual category, going up against newer concepts like Panera and Chipotle that have been taking a chunk out of both fast-food and the sit-down chains like Applebee's and Olive Garden.

And meanwhile, should the reigning chicken behemoth KFC be worried?

"Yes," answers Gordon, the restaurant analyst. "Very scared."

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