

NATION'S *Restaurant News.*

Wendy's talks new marketing, menu plans

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In 2012, the last place Wendy's wants to be is "caught in the middle" — losing traffic on the high end to fast-casual brands or getting undercut by value-focused quick service or convenience chains, said Emil Brolick, chief executive of The Wendy's Co.

Given that competitive landscape, Brolick said Monday at Wendy's Investor Day, the chain will focus its energy and capital expenditures on menu innovation, corporate-store remodels and a new marketing campaign aimed to highlight itself as a premium quick-service brand, or one that offers a fast-casual restaurant experience for fast-food prices.

"We have a very clear vision of where we want to take this brand and how we'll get there," said Emil Brolick, the chain's president and chief executive. "We have a number of platforms that will get us to an accelerated growth trajectory."

He added that Wendy's would target systemwide same-store sales growth between 2 percent and 3 percent while aiming to deliver on new positioning that chain officials call "A Cut Above."

Innovation on the menu

New products, from reformulated core items like Wendy's French fries and Dave's Hot 'N Juicy cheeseburger to a completely new line like its test of breakfast in several markets, drove Wendy's success in 2011, officials said.

For 2012, Wendy's is targeting improvements and line extensions around its chicken sandwiches, Frosty desserts, chili and baked potatoes, as well as premium products like the Black Label hamburger currently in test.

The Black Label hamburgers being tested now come in two varieties: Bacon Portabella, with portabella mushrooms, Muenster cheese and garlic aioli; and the Spicy Santa Fe, with guacamole, jalapeno, aged Cheddar-Jack cheese and a cilantro-lime sauce. They are being tested at price points around \$4.49 to \$4.69, representing a premium positioning over Dave's Hot 'N Juicy.

The brand also would add the breakfast platform to 50 locations it plans to remodel in 2012. Chief operating officer Steve Farrar said sales results are meeting expectations in markets like Phoenix, Pittsburgh and Kansas City, Mo., are increasing sales from a year earlier, even with marketing spending falling 10 percent and coupon activity falling to 20 percent of year-earlier efforts.

"We're going to make a long-term incremental investment in marketing for breakfast," Farrar said. "As far as breakfast expansion, we'll continue to do so in 2012, including in a new market in the Northeast."

Remodeling to drive results

Wendy's also hopes to get more sales leverage through remodeling company-owned stores, in order to drive sales and prove the model to franchisees, officials said.

Brolick and others said the "Image Activation" remodels have increased sales at 10 locations that were reimaged in 2011, and 47 percent of the overall sales increase comes from dine-in sales, which has a higher average check than Wendy's typical transactions from the pickup window or for carryout.

Wendy's plans to remodel 50 company-owned stores and build 20 new corporate locations, and the brand expects franchisees to open 40 more units in 2012, Brolick said.

Recruiting and training have been a big part of the sales performance at reimaged units, Brolick said. During construction of the brand's 10 remodels, Wendy's re-interviewed every staff member at those locations, including general managers and area regional managers, and re-hired only the "five-star athletes," said chief operating officer Steve Farrar. That focus on people will spread throughout the system, he added, whether locations are remodeled or not.

"We can win with our five-star athletes, but we don't have to wait for remodelings to recruit them," Farrar said. "Our immediate goal is significant improvement in the customer experience across the entire brand."

New marketing to debut

Brolick also disclosed that Wendy's would unveil a new advertising campaign in the second quarter of 2012, tentatively titled "Code Name: RED." The current branding effort, "You know when it's real," has lasted for 55 commercials and is the longest-running campaign of the many attempts Wendy's tried after losing founder and spokesman Dave Thomas in 2002.

Thomas filmed more than 700 TV spots for Wendy's, but following his death, the brand struggled to find an effective advertising voice, switching campaigns and ad agencies several times. One attempt with a new spokesman, Mr. Wendy, lasted only nine commercials, while the "red wig" commercials from 2006 lasted for 24 spots but were what Brolick characterized as "embarrassing."

"When we make those product changes, we have to have an effective way to communicate those ideas," Brolick said. "We had the most effective spokesperson ever in Dave Thomas. I think the current campaign is the best effort since the Dave Thomas campaign, but we can take it higher and make it harder-hitting and bring home more of Wendy's core attributes."

The strategy around Wendy's new marketing effort would differ from the brand's normal approach, Brolick added. While Wendy's usually had 11 "national marketing pillars," or small campaigns, during the year and would dedicate perhaps three of those to promoting its price-value equation, the brand will aim higher with all 11 pillars in 2012, Brolick said.

"With all the competition today, you have to give yourself the opportunity to lay some equity on top of your messaging and communicate the difference you stand for," he said. "The last thing you want to do is step away from price-value, but if you do it in a pillar format, you can put your average check at risk. We feel we're better off having 11 messages a year [with Wendy's pitched as] a higher quality, with the underlying continuity of price and value."

Wendy's operates or franchises more than 6,500 restaurants in the United States and 27 foreign markets.

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