



BELLWETHER UPDATE

BELLWETHER FOOD GROUP, Inc.

DATE: January 14, 2009
TO: Clients and Friends of Bellwether Food Group
RE: Developing a Brand Strategy

Happy New Year — I hope that this will truly be a new year for our economy and for the way our brands perform in 2009. I think it is safe to say that the economic turnaround will take time and hard work by many to make us feel comfortable with the future of our businesses. However, the groundwork that you have laid over the past year, and the continuation of those efforts will be what separates the winners from the rest of the pack.

As you are well aware, the relationship between consumers and chain restaurants is a real focus of our work at Bellwether Food Group. However, all too often we hear the chains tell us, “We have our Strategic Plan pretty well under control.” In today’s tough economic times, including everyone fighting for their fair share of the consumers’ dollars, the differentiation is the emotional connection that brands make with their consumers. It is important in today’s market that brands shift from “commodities” and “communications” to “emotion” and “inspiration.” Brands need to connect with their customers’ cultures and reach people’s hearts.

A recent reminder of the importance of this connection came when I was having dinner on a Sunday night at the Greek Islands restaurant in Chicago. The visit included a half hour wait in a restaurant that has a capacity of almost 500. Every time I visit Chicago, I must make my journey to this well-known restaurant. The combination of authentic good food and service that always feels like family is the driving force for Jan and me. This visit included desserts that were complementary from one of the owners. Every person that came to our table made us feel like we were the most important people in the restaurant. As I looked around the dining room, everyone was receiving the same emotional connection, from the servers to the bus person. I sit back and wonder to myself, how do they accomplish this with every visit and with every table? A couple of reasons, the owner provides small ownership pieces to key management as well as the chef, and long-term employees receive great benefits and are treated like family. Because of its size, the place runs like a fine-tuned factory; but, because of its employees, it makes you feel like you are part of their family. Once you become a waitperson, you are on a life journey, not a job! Therefore, they not only convey the concept of the strength of their attributes and functional benefits to their customers, but they clearly understand that what separates them from the competitors is the way they connect at the emotional level with their consumers. Now, I am not suggesting to you that in order to connect in that emotional way with your consumers is to study and follow the activities of the Greek Islands, but what I am



suggesting is that all chains need to determine, execute and consistently deliver their core emotional benefits to their core consumers.

With the current consumer spending environment, and the dismal monthly restaurant traffic performance we are seeing from many of the chains, now is the time to have a true brand strategy in place that connects and resonates with the consumer in an emotional way. Nevertheless, the key to having that brand strategy is to, not only understand the current performance of the brand in both functional and emotional benefits; but also to understand the Brand DNA and the emotional connection that those benefits have on their consumers.

We at Bellwether have spent considerable time thinking about, and establishing how, a brand strategy should be developed, structured and implemented for our clients. This strategy takes into consideration the functional and emotional strengths of the brand and establishes the brand DNA, strategies and tactics to deliver those to the consumer. This Bellwether Update outlines the overall approach to brand DNA and strategy, and provides a perspective that leads to creating that competitive differentiation that is so important in today's chain restaurant business.

Developing Your Brand Strategy Framework

In order to develop an effective brand strategy, it is important to start with a bottom-up approach with a brand audit. The remainder of this Update will be devoted to outlining each of these steps. In the upcoming months, we will distribute Updates that look at each step in detail. That first step is a complete and thorough Brand Audit.

Step 1: Brand Audit Process

The process of a Brand Audit should include the following steps:

- Review current customer data performance — data from IVR or customer feedback systems and any consumer research completed over the past 18 months.
 - Identifiable Core Attributes
 - Intent to return
 - Intent to recommend
- Review traffic and sales performance
 - Traffic patterns over the past 24 months
 - Average check performance over that same period
- Complete extensive on-line customer interviews
 - Determine competitive set



- Evaluate key attributes of the brand
- Determine functional benefits of the brand
- Start to identify the emotional benefits of the brand

- Visit multiple locations, interview key management and observe operational and customer performance processes. You will be surprised what you find when your sole objective is to observe, listen and learn.

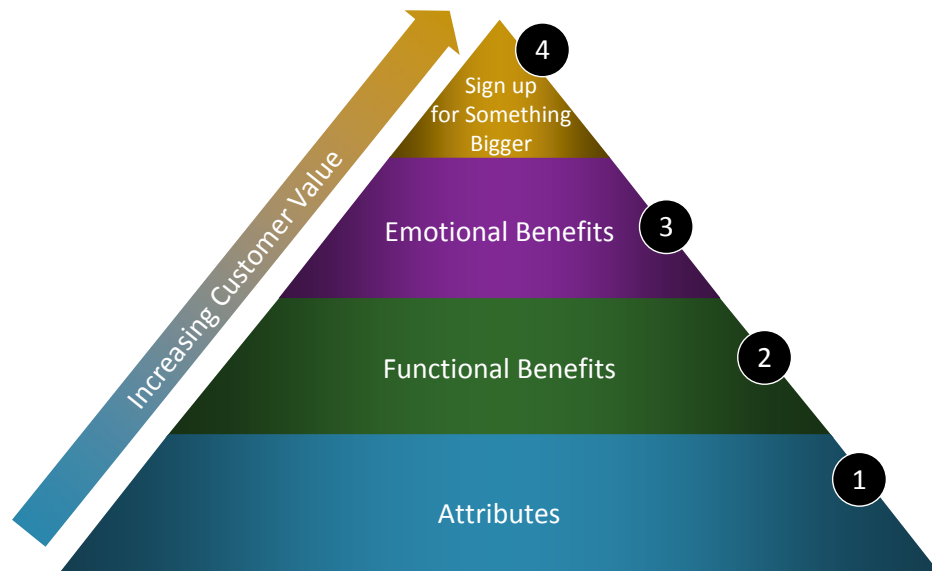
- Meet individually with the senior management team
 - Start identifying the elements of a Brand SWOT

- Conduct a series of Focus Group Sessions with Brand Loyal Consumers
 - Validate Attribute and Functional benefits of the brand versus the competitive set
 - Take a deep-dive with these brand loyal consumers into the emotional benefits of the brand
 - We currently use two processes to identify and prioritize the key emotional benefits
 - Then reach consensus on the 3 – 4 key emotional benefits of the brand
 - Determine if any of the competitive set has any of these key emotional benefits as a strength

- Develop a “Straw man” SWOT from the qualitative and quantitative consumer data, management and leadership interviews

- Hard work begins unfolding by determining the Brand DNA — that connection that separates your brand from the rest of the competitive set. Think about the difference between Chipotle, versus Baja Fresh, versus Qdoba. It becomes clear why Chipotle leads the Mexican Fast Casual category!

- Finally take all this information and meet with Senior Brand Leadership Team to fine-tune data and reach consensus. The outcome of this work should yield what you see on the next graphic.



Successful brands are about much more than the product

Once you have the important information you can then move to the next phase in the process, which is developing your Strategic Plan:

Facilitate Strategy Planning Session

The Process for the facilitation of a Brand Strategic planning session should include the following steps:

- Determine an offsite location for meeting — it is very important to have this meeting offsite to separate this important work from the daily important work.
- Develop the Strategy session agenda:
 - Define Ground Rules
 - Review Brand Audit and Architecture
 - Define the desired outcome for the Brand
 - Develop Objectives & Goals for Plan
 - Fine-tune and define SWOT
 - Develop Strategies and Team Leaders
 - Develop Brand Tactics — Important — it should be a few key actionable tactics that align in delivering the emotional benefits and the DNA of the brand.
 - Determine responsibilities and timelines
- Take the work from your planning sessions and develop a draft of the Strategic Plan



- Have a final meeting with Senior Brand Leadership to gain alignment and make any final changes to plan
- Finally, deliver the final Strategic Plan and then start a complete communication process that makes sure that all stakeholders have an opportunity to see the information used to get at the Strategic Plan and the buy-in and support the plan needs going forward. Too often, the plan is not clearly communicated to all stakeholders and it fails to be adopted at the most important level of the organization — the restaurant level. This includes restaurant management, franchisees and all support center management.

At end of this process, what are the deliverables?

- At the conclusion of the Brand Audit several points will be clear:
 - Core Brand Attributes
 - Brand’s Functional Benefits
 - Brand’s Emotional Benefits
 - Brand Position relative to the competition
 - Brand’s DNA

The end-result of the Brand Audit is a complete overview of the Brand’s position, strengths and weaknesses. The next step is to determine where to take the Brand in the future.

- A Strategic Plan that will identify and communicate the following:
 - Objectives & Goals
 - SWOT
 - Strategies and Team Leaders
 - Brand Tactics
 - Responsibilities and time lines

The end-result is a clean road map for leadership to execute, which helps the brand achieve its goals and grow its business

In Summary

As I mentioned earlier, this Bellwether Update is a top-line overview of the chain restaurant brand strategy and DNA development process. In order to keep the length of this Update manageable, the steps outlined above are brief outlines of the work involved. We are happy to explore with you further how you can connect with your consumers at both an emotional and inspirational level. We will continue to provide Bellwether updates and next we will explore the process of developing a communication plan once you have your strategy in place. We



continue to be optimistic about the economic and consumer turnaround beginning in 2009 and look forward to seeing our industry come back strong.

We hope you found this Update useful, and this and all the other Bellwether Updates are contained on our website at www.bellwetherfoodgroup.com. We welcome your comments and feedback on this or any other Update.

Best regards,

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