



Papa John's Benchmark Report

Executive Summary

Papa John's has well established its core menu equity around quality ingredients (Better Pizza. Better Ingredients.) and PJ's clean label ingredient initiative helps the cause. We like its 2018 strategic priorities which include: re-establishing brand differentiation by telling its quality story in a more relevant narrative; providing value that supports customer action; customer facing tech investments to improve product marketing, customer connection & digital ordering; in-store tech investments to increase unit efficiencies & profitability; and labor investments designed to attract the best employees. The chain is well positioned to build on the fact that 60%+ of its sales come from its online ordering platform which helps increase average ticket, frequency and customer satisfaction. To this end, new consumer insight & analytical capabilities will be applied to its Papa Rewards loyalty program and the goal is to leverage digital to customize 1-to-1 marketing capable of delivering the right offerings to the right customers at the right time. The brand recognizes that it's time to stop thinking in TV scripts, rather acting and marketing like an e-commerce company. Also, while Papa John's has historically focused on pizza, the brand is considering the addition of new food categories which will improve menu diversification and variety in order to better compete with the broad offerings available from 3rd party delivery aggregators as well as Domino's. However, the brand has work to do to reignite sales after a PR snafu with the NFL aggravated an already weakening sales trend. The big picture is that it is difficult for Papa John's to continue positioning itself around premium quality as opposed to value while facing such difficult pricing competition from peers, regional players, grocery stores and QSR sandwich players. While the brand has begun to search for a price point deal to connect to an everyday value positioning in the same way that Domino's "owns" the \$5.99 price point, we will have to wait for a final decision while we also wait to assess the effectiveness of its new creative. System challenges are further reflected by an actual decline in 2017 net unit counts with the rate of growth for gross development steadily decreasing over the last 5 years (with 2018 development goals the lowest in 10+ years). **In conclusion, while it appears that Papa John's has the right plan in place to build a more relevant infrastructure around its well established quality positioning, stake holders should consider that it could take some time for this turnaround to gain traction.**

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