

# KFC Benchmark Report

**Executive Summary:**

KFC is a leader in traditional hand-breaded, bone-in Southern fried chicken with considerable brand equity around its Original Recipe seasoning (top selling menu option) & Extra Crispy option. The brand promise is to make "authentic" food, following the authentic Colonel's lead in making chicken "the hard way" and the chain benefits from a resurgence in demand for fried chicken which represents one of the industry's fastest growing menu items. A strong value strategy offers consumers price certainty for complete, "real" meals across a broad range of price points (including \$5/\$20 Fill-Ups) and the brand is contemporized with its "Taste of the South" flavor profiles and equipment upgrade which facilitates system-wide execution of higher-end options like the Crispy Colonel sandwich, pot pies & Famous Bowls. KFC enjoys marketing scale as the largest traditional bone-in player with 42% segment share and its advertising entertains with playful iterations of Colonel Sanders while the intro of cult-favorite foods (like Chicken & Waffles) keeps things fresh. Facilities are also receiving an upgrade consistent with its new brand image and 70% of the system should be updated to its new American Showman fast casual image by 2020. Having said all this, the brand's comp growth over the last couple of years has not been as robust as would be expected given all these improvements. Slow progress reflects the challenge of turning-around an older brand & system (KFC was essentially built out nationally in the 1980's with 5,000+ locations) and Millennial oriented advertising (which is intended to grow another wave of customers) has been more successful in changing attitudes rather than buying habits. Older stores struggle in weaker markets while a sharp ramp-up in chicken PPI over the last 2 years has required the promotion of higher margin products that offer less value in an increasingly price oriented market. **In conclusion, while KFC is making Southern fried chicken cool again with its holistic, 360 degree "re-Colonelization" concept upgrade, it must be mindful not to get too far out in front of its core customer base who maybe simply looking to feed their kids on the fly with something other than pizza or burgers.**

Table of Contents		Page	Table of Contents		Page
Executive Summary		1	Build vs. Buy		12
RR Dashboard		2	Unit Development		13
System Statistics		3	Unit Closings		14
Target Market & Advertising		4	System Condition/Remodeling		15
Menu		5	Franchise Overview		16
New Products & Promotions		6	Menu Exhibit		17
Operations		7	State Unit Maps		18
Technology & Equipment		8	State Unit Detail		19
Sales Trends & Market Share		9	Concept Photos		20
Unit Economics		10	RR Overview		21
New Build Costs		11			

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