



Pizza Hut
RESTAURANTS

LETTING THE DOUGH RISE

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Pizza Hut Restaurants: Letting the Dough Rise

This presentation tells the story
of how research
commissioned by Pizza Hut
Restaurants and conducted
by ONE MS played a crucial
part in turning a business
around.

WHEN DID THE TRANSFORMATION STORY BEGIN?

The commercial change of Pizza Hut started back in November 2012. Prior to this the restaurant chain was part of the Yum! global corporation. Yum! are experts in QSR (quick service retail) rather than in full service restaurants. This was reflected across all Pizza Hut touch points: menus, communications, branding, the restaurants themselves and promotional activity all had a QSR feel.

In 2012 the decision was made to split the Pizza Hut Dine In and Delivery business and the restaurant business was sold London private equity to Rutland & Partners. Whilst they inherited a tired restaurant estate that had experienced years of decline and lack of investment they saw something in the business. Pizza Hut Restaurants was still the biggest casual dining chain with more people visiting each year than any other chain including the likes of Nandos and Pizza Express.





But size is no guarantee of success. 2012 was a period of remarkable change on the High Street. Between 2010 and 2013 111 retailers went into administration with a total of over 7,000 stores being affected. (source Centre for Retail Research)

All of these business were, arguably, lacking relevance for today's customers : they had become tired, obsolete and failed to move with the times.

Pizza Hut Restaurants was in danger of following suit. Whilst they might have been the biggest fast casual dining chain, it didn't hide the fact that the chain had suffered 14 straight years of sales decline. Pizza Hut Restaurants was losing relevance too.



OPERATE IN BRANDED CASUAL DINING SECTOR WORTH £5.5BN



Not only was the brand needing to turnaround in a period of unprecedented change, it was operating in the extremely competitive casual dining landscape.

In total, the eating and drinking out sector is worth approximately £80bn with Pizza Hut Restaurants operating in the Casual Dining sector worth £5bn.

In the last three years there have been impressive new entrants: all of whom are raising the bar and driving continual innovation in the fast casual landscape.

In fact in the last five years alone more than 1000 casual dining restaurants have opened in the UK, mainly targeted at the important Millennial market who spend the most on dining out and dine out most frequently.



Rutland & Partners were committed to investing up to £60M in turning around the Pizza Hut Restaurant business. But how were they to spend that money? **How could Pizza Hut Restaurants become relevant again?**

Pizza Hut Restaurants had a strong and logical turnaround commercial strategy but the team knew that in order to genuinely effect transformation the dining experience had to be drastically improved.

The business was not used to customer focussed decision making...the first challenge was to create an environment where the problem was actively understood rather than jumping to solutions. Helping the management team change from a tactical to a strategic mindset, from QSR thinking to restaurant thinking, from back foot to front foot, from volume of customers to profitable customers.

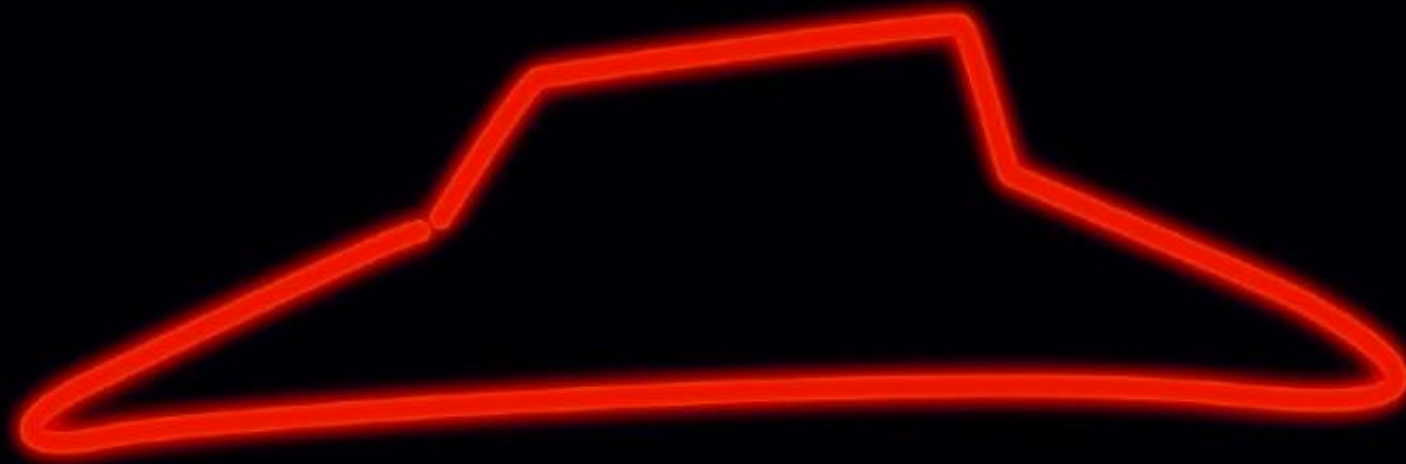


Failure to understand what was good as well as bad with the brand meant that there was no one collective view amongst senior stakeholders about what needed fixing with the restaurant chain.

All we knew was that we needed more people to want Pizza Hut Restaurants and more people to spend more with the brand.

And that's where Insight stepped in.

We began asking key questions... namely, what did people still love about us as well as what was putting people off from visiting the restaurants?



Leading from the front, Insight created an environment where the business could challenge deep seated beliefs, understand issues from a consumer perspective and elevate insight from words on a report to actually experiencing customers real needs and issues.

We needed the message to go from the horse's mouth to the ears of the big cheeses!

Like any established business Pizza Hut Restaurants had a lot of data but as a business it didn't know how to bring that data to life and adequately interpret it.

Pizza Hut Restaurants Insight team and ONE MS developed an insight programme that would allow the management team at Pizza Hut Restaurants learn to think like customers.

OUR RESEARCH PROCESS

GATHERING

WHAT DO WE
ALREADY KNOW?

WHAT ARE OUR
CURRENT
HUNCHES?

WHAT DOES
CONTEXTUAL
DATA TELL US?

DEFINING

WHAT IS THE
SCOPE OF THE
PROBLEM?

IS EVERYONE
ALIGNED?

MEETING

STAKEHOLDERS
MEETING
CUSTOMERS AND
BRAND
REJECTERS

WHAT DO THEY
REALLY THINK OF
OUR BRAND?

DISTILLING

WHAT HAS THIS
TAUGHT US?

WHAT DO WE NEED
TO DO ABOUT IT?

WHAT CAN
WE DO?

To describe the insight programme as simply a research process would be selling it short. It was a vehicle to deliver insight, a start point to generate thinking and a filter to articulate issues.

Our programme took all levels of management including the CEO and Board Members through a process which included reviewing all existing evidence and data and defining the problem together through sharing and shaping hypothesis.

Once we had these, the real power of the programme was a series of accompanied dining experiences across a spectrum of different customer types. From brand rejecters to hard core loyalists.

The final stage of the programme was to workshop all the inputs from a position of evidence based knowledge. The management team were inspired to look at the problems from different angles.

ARTICULATING THE PROBLEM



So what did we discover?

Through the process we were able to articulate and isolate four key barriers: *poor brand image, unclear identity, poor food image and falling saliency.*

These areas then became the strategic pillars and the focus for the business. Insight was able to challenge the business and ask the question: how are these barriers going to be addressed? How are these barriers going to be turned into business opportunities?

Distilling the problems into these 4 areas gave the business focus and made the task of fixing the problems do-able.

Importantly ,the process created an energy within Pizza Hut Restaurants and streamlined the change management process. Insight became the agent for change.



Specifically we were about to undertake a root to branch review of the business. This included:

The refurbishment programme of around 300 stores

Ensuring the range of pizza and broader menu had the right balance between satisfying our large loyal user base but be equipped to attract the millennial market

Creating the right atmosphere and vibe for evening trade in what has traditionally been a day time operation

Ensure our service operation was relevant and up to date by investing in our people, processes and operation

Much of this is still work in progress but with nearly half the estate refurbished, huge improvements to the menu and a new comms platform we have come a long way in less than three short years.



The most important first step was gaining clarity and articulating who we were - namely a brand that embodied the Sprit of America. This gave the menu and new restaurant design a strong focus which you can see in our new identity.

This was our Pizza Hut in Solihull just six months ago....

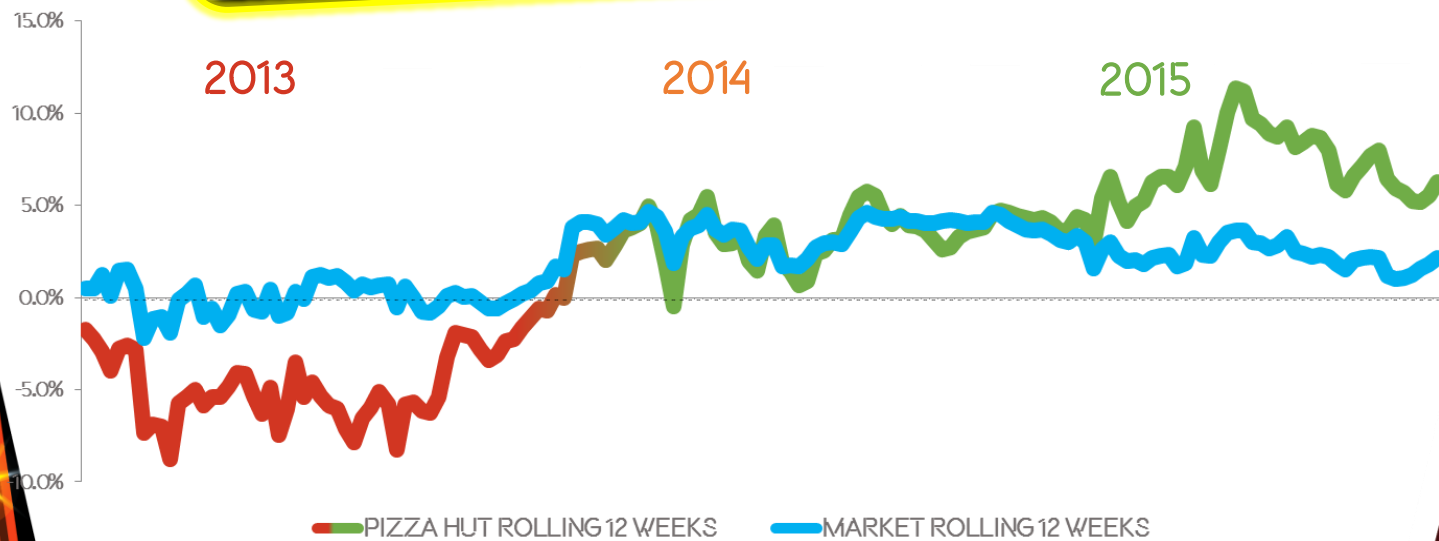


...and this is the restaurant today.

By making these changes all of our key measures relating to satisfaction, likelihood to visit, recommend and brand image are all showing a significant uplift. We saw evidence of key measures shifting particularly measures relating to identity: much stronger agreement relating to modernity, a restaurant with character, a restaurant that is vibrant and innovative.

Importantly the biggest shift came from 16-29 years old, the key millennial target who have responded to the changes and our new 'Taste Freedom' marketing campaign which was developed from the clearer brand essence of 'Be Yourselfes'.

BUSINESS TURNAROUND



This is all very well but metric really need to turn into sales success.

The blue line represents the casual dining market like for like growth data, whilst the red line represents Pizza Hut Restaurants like for like growth. In 2013 the market was pretty flat but Pizza Hut was still in a state of decline. Our first refurbished restaurant went in the ground in October 2013, along with many other changes I have mentioned.

We immediately saw sales uplifts of up to 35% in our larger investments and over the course of the following year not only had we halted the decline, we moved into growth for the first time in 14 years, bringing us pretty much in line with the improving overall market.

And last year Pizza Hut Restaurant achieved sales nearly treble the market growth rate.

OUR TIPS FOR FACILITATING CHANGE



EXCITE & ENERGISE



INVOLVE



PLAN



TRUTH

What has the change process taught us :

We created a safe environment to hear uncomfortable and often unpalatable views on our business. But in doing so we effected true transformation.

So our tips for ensuring that the business faces into the truth are these :

Excite and energise. Our process took Managers away from the everyday and provided a structure for them to meet and learn from customers and rejecters alike.

Involve. We involved senior stakeholders across all management levels ensuring that change can happen within the business... they saw what needed to happen and immediately agreed workstreams to make it happen. They had ownership for the challenges as they identified what they were.



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Plan. A seamless and well planned process was paramount to ensuring enthusiastic participation throughout the process.

The biggest learning was creating an insight programme where the business was able to face into the truth.

For a business in decline knowing what was wrong as well as what was right has allowed us to pin-point and tackle each thorny issue head on leading to a great response from our customers and a dramatic turnaround in fortunes.