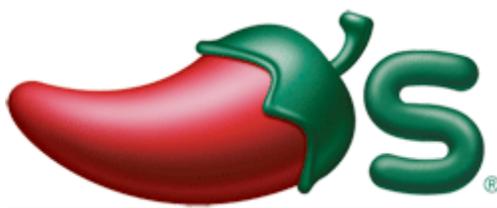


*2007 Application for the
ARF David Ogilvy Research Award*

Chili's – “I Want My Baby Back Ribs”



Advertiser:
Brinker International – Dallas, TX

Ad Agency:
GSD&M – Austin, TX

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Rough Waters

For years Chili's Grill & Bar enjoyed strong growth from both existing restaurants and new units. But by 2005, category dynamics had changed. Many casual dining restaurants (CDRs) began reporting declining customer traffic in existing restaurants – a serious concern. In fact, Chili's business had been declining for many consecutive months and would continue on that trajectory until October 2006, when same-store sales would hit *negative* 1.1 percent (source: Chili's Finance Department). The marketing challenge was straightforward: increase customer traffic growth in existing stores.

In late 2005, much of the brand's fiscal year marketing calendar was already set, so our first opportunity to make big changes was in November of 2006. Therefore, the Chili's team had approximately 12 months to diagnose the issues facing the brand and take action.

As a multibillion-dollar brand that spent hundreds of millions of dollars in advertising, Chili's couldn't afford to operate on guesswork or assumptions. We needed our own research to chart a new course.

Early Diagnosis: Lack of Focus, Little Differentiation, Irrelevance

The first step was to determine what caused the slowdown.

Extensive qualitative research quickly revealed one big problem: Consumers couldn't tell the various CDR brands apart. "They're all basically the same." Lack of differentiation made convenience paramount; if there's no difference between restaurants, customers will simply choose the closest one. Unfortunately, many of our competitors had a greater number of restaurants, many of which were more convenient to many customers than the existing Chili's locations. To increase our traffic, we had to convince people to drive past a closer CDR, which meant that we had to differentiate Chili's from the rest of the pack.

The second problem was related to the first: Chili's lacked focus. In the preceding years, its menu had grown to include a wide range of dishes that would appeal to a wide range of customers. Its marketing was increasingly diffused across the entire adult population. Crucial to differentiating the brand was to regain a sense of focus about what it could deliver and to whom.

A third problem was evident from syndicated data collected by the NPD Group: CDRs were losing relevance to modern consumers. Fast-food restaurants were adding healthier and more adult choices at lower prices and faster speeds than CDRs could manage. Meantime, an entirely new segment emerged: fast-casual restaurants like Chipotle and Panera offered seemingly higher-quality food at reasonable prices in more contemporary stores. Comparing qualitative findings from the early 2000s to other research conducted 10 years earlier, it was evident that Chili's had lost the exciting sense of being "on trend" that it had previously enjoyed. While nobody could turn back the clock to a time when the brand was genuinely new to many customers, we knew that we had to bring back its relevance.

Step 1: Focus the Brand

Chili's and its agency, GSD&M, decided to start by finding a focus for the brand. In a category marked by sameness, nearly every brand attracted the same customers. Standard Simmons analysis of each brand's customer base revealed nearly identical demographics. More detailed data from NPD Group's CREST study indicated slight skews for each brand, but not enough to warrant a shift in marketing dollars or messages. Chili's, like every CDR, was trying to convince every adult in America to patronize its stores, since a narrower focus seemed to require a leap of faith in place of compelling data.

But we didn't give up on the data. We went back to NPD and asked them to re-cut their data with greater precision than they had ever done before, so that we could see year-over-year changes in traffic by daypart and party composition. Suddenly, the customer picture came into focus: The re-cut showed that just six occasions (out of 30 possible occasions) accounted for almost 40 percent of Chili's business, and that four of these were times when 18-34 year-olds were dining without any kids being at the table (source: NPD Crest, 2 years ending Dec. 2004). By contrast, brands like Applebee's gained most of their traffic from occasions with an older skew and when children were present.

So although our overall customer mix was broadly similar to other restaurants, our key occasions were concentrated among younger diners.

Meantime, another study was heading toward the same conclusion. GSD&M had hired Egg Strategy to conduct a needs-based segmentation of the casual-dining universe in hopes of identifying what customers wanted from their experience with the brand. The study quantified five key need-states that customers seek to satisfy when dining out and showed that Chili's was especially advantaged at satisfying the "Reward Me" need-state which accounted for nearly a third of CDR visits. When we looked at this data more closely, we discovered that 18-34 year-olds were far more likely to want a "Reward Me" experience than any other demographic, which indicated that Chili's key strength was especially relevant to younger diners.

Chili's and GSD&M knew that a focus on 18-34 year-olds would have sweeping implications for driving both differentiation and relevance.

Step 2: Finding a Point of Differentiation

As it became clear that focusing on younger diners could indeed help reverse Chili's traffic declines, we set about discovering how we could differentiate ourselves from other CDRs among this audience. We'd solved the *who?*, now it was time to tackle the *how?*.

The first clue came from the aforementioned needs-based segmentation which had uncovered both our strength in the "Reward Me" need-state and the prevalence of this need-state among 18-34 year-olds. Before this study was conducted, Chili's hadn't fully understood the needs behind consumers' dining behavior. By quantifying several thousand customers' restaurant experiences and applying factor analysis, we had arrived at five key need-states, ranging from the functional "Safe and Easy Choice" to the social "Connect Me with Others" all the way to the most emotional: "Reward Me." "Reward Me" is distinguished by the expectation that the experience will lift your spirits, you expect to leave feeling significantly better than when you arrived. It's composed of some specific desires like "enjoy a specialty" and "treat a craving" but is fundamentally an emotional need for uplift. The data showed that Chili's had the potential to capture more of these occasions than other CDRs.

But just how could Chili's uniquely deliver this reward? Chili's and GSD&M went into the field to explore this question qualitatively with 18-34 year-old customers. Not surprisingly for a brand suffering from lack of differentiation, it was difficult for respondents to say what might make Chili's a more rewarding experience. But when they used pictures to create "brand collages" of various CDRs, the answer was clear. By happenstance the set of 150 photos included a half-dozen which featured people of all ages and in all sorts of situations with their hands thrust into the air. And in every single focus group, respondents put all of these pictures into their Chili's collage. Why? Because "Chili's spices up your life." It's a "carefree" place where you can "have a little more fun" with "spicier food" and "a little more attitude." The images of hands in the air had crystallized Chili's latent point of differentiation: It could provide a sense of reward by spicing up everyday life.

Spicing up everyday life was the *how?* we'd been looking for. But how to express it? The creative team wrote five themelines to express this idea, each of which was then attached to an existing creative idea and exposed monadically to 18-34 year-old consumers in an online survey. The respondents were asked to evaluate the piece they'd seen in relation to a brand-positioning statement and to judge it on attributes like appeal, uniqueness and recall. The clear winner was a single word that the creative team had coined: Spicealicious.

Step 3: Driving Relevance

There was one big hurdle left: the suspicion that Chili's had lost relevance for modern diners. We knew *who?* would drive the business and *how?* we should express ourselves to them. But *what?* would we say to them... and *when?* How could we drive relevance?

The NPD Group had identified several factors that seemed to have negatively impacted Chili's relevance, chief among them the renewed vigor of the fast-food category and the emergence of fast casual restaurants. There were also indications from GFK Roper that consumers' evolving lifestyles had changed the rules of the game in favor of the convenience, speed and value offered elsewhere. But these observations simply illuminated ways that our competitors had prospered – they didn't necessarily describe the steps Chili's should take to better meet consumers' emerging expectations. Indeed we knew that a brand lacking strong differentiation couldn't afford to play the "me, too" game by replicating others' actions. Instead the Agency stepped back to explore this issue from consumers' own perspectives. We wanted to know just how they made dining decisions so that we could boost our relevance in ways that would affect those decisions to our advantage. And we wanted to do so by playing to our own strengths. In order to do this, the Agency employed a proprietary technique called INVOLVE™ that enables us to determine when and where messages are best delivered, messages that address specific issues at key stages during the decision-making process.

We started by conducting qualitative research into the dining decision process among 18-34 year-olds. Until that time, Chili's had assumed that a generic decision model (awareness → consideration → trial → loyalty) described this process. But the qualitative research revealed striking new insights. Consideration was indeed important, but it operated in two different ways: first as a macroset of "brands I would consider going to in general" and secondly, as a smaller short-list of "places that make sense for this occasion." Trial was beside the point since nearly everyone who's likely to use the category has already tried all the brands many times. And an important step was missing entirely from the generic model: the negotiation phase in which "I have to convince my friends to go where I want to go." After all, hardly anyone goes to Chili's alone!

To understand Chili's relative strengths and weaknesses within this new decision model, we quantified thousands of 18-34 year-olds' recent restaurant decisions using hypotheses from the qualitative research. And we found that although Chili's enjoyed nearly universal consideration in the abstract, the brand failed to get on many of these diners' short-lists for specific occasions. We also found that the brand struggled to "win" in many of their negotiations.

The quantitative survey broke new ground in research by using multivariate and logic modeling to combine data about decision-making with data about media usage at each decision stage and message importance at each stage. So it went beyond describing the situation to actually providing a step-by-step blueprint for the message and media combinations that would most effectively move consumers through the decision process in Chili's favor. And it differed from traditional message or media research because it examined each step of the decision separately rather than in the aggregate. Of particular utility in this case, it told us just *what messages* – in just *which media* – would improve our performance getting on short-lists and winning negotiations.

And because the study evaluated nearly every possible media vehicle (not just the "usual suspects" like TV, radio and print), it provided quantitative proof that "alternative" media were important, too. This was especially the case when such media were evaluated in the context of specific messaging possibilities, for as it turned out, many alternative media channels were ideal vehicles for communicating certain key messages.

The study told us that short-listing depended on having craveable, unique food items and providing people with a strong value proposition – preferably with some sort of time-sensitive incentive. We needed to give people a real reason to put Chili's on their short-list.

Just as important, though, the data told us how to address our weakness in negotiation. We found that only one thing predicted successful negotiation: If a consumer called a given brand "one of my favorites" at the initial consideration phase, it was very likely that this brand would win the final negotiation (assuming it had also made the short-list, of course). The implication was immediately obvious: Our customers had to have passion for our brand so that they'd be willing to fight for us. And it was clear from the data what would drive that passion. Consumers had to know what Chili's stands for beyond any limited-time offer. They would negotiate on behalf of the brand, not on behalf of a promotion. After all, the study found that consumers had identified their favorites before they had even begun to think about which restaurant would suit their immediate needs. This was a breakthrough – the brand had assumed that tactical promotions were the key to success in a troubled category, but the research showed that brand equity was just as important!

So we approached the promotion in a different way than usual. We carefully considered the different messages that people needed to receive in order to move through the decision process, and we matched those messages with the media that we knew could best deliver them.

We started with the basics – determining which food items to promote. We knew that we needed a dish that's so unique that you can't get it anywhere else and so craveable that it makes you hungry when you think about it. What's more craveable and unique than Chili's Baby Back Ribs, featuring some new flavors from around the country? But we didn't stop there. We created a great value proposition called the Baby Back Bundle. The bundle included a side salad, a half-rack of Chili's famous Baby Back Ribs, french fries, and a dessert, all for just \$9.99. With this limited-time promotion, Chili's was going to get on the target consumers' short-list.

At the same time, we needed people to fight for Chili's in the negotiation phase. The Agency was given a great promotion to work with but needed to find a way to connect with consumers on their terms. We knew that our younger consumer target was interested in exploring new flavors and new places – they liked to travel. The Chili's Baby Back Road Trip was born. We were going to highlight the great new rib flavors that had come from all over the country. And we did it in a way that resonated with our target – a road trip.

The INVOLVE™ study had told us that television advertisements and free-standing inserts (FSI) were great at communicating the messages needed to get Chili's considered and on the short-list of restaurants. We created 15-second television advertisements that ran for three weeks and a national FSI. Both executions highlighted the Baby Back Road Trip and featured the Baby Back Bundle.

Chili's and the Agency really wanted to do more to enhance our chances of winning the negotiation. So to further engage our target and build brand loyalty, we reached out to them in a way that we knew would resonate. Simmons/Behaviorgraphics indicated that 18-34 year-olds over-indexed for all things music-related. Rather than simply rerecording the Baby Back Ribs jingle yet again, we set out to make it more relevant to our younger consumer target. By using a band with a cult following, Chili's proved that we were a brand in-the-know. The Old 97's, a Texas born-and-bred band, fit the bill perfectly and put their own twist on the famous Ribs jingle that was then used in TV and online.

To further leverage the strength of our target's affinity for music, we created an online contest where up-and-coming music artists could submit their own unique rendition of the Ribs jingle to win a "Rockstar Weekend" in L.A. and an introduction to New West Records executives – the Old 97's record label. INVOLVE™ identified social networking sites as ideal for impacting consumer affinity for the brand which would then translate to greater loyalty and more wins in negotiation. Entries were solicited via web banners, the Chili's MySpace profile and a Tom bulletin (essentially a message that goes out to all MySpace users) with the winning entry receiving the highest number of online votes.

Chili's and the Agency had used state-of-the-art consumer research to help them craft a promotion with compelling messages delivered at the right place at the right time.

But would it work?

Success

The Baby Back Road Trip promotion proved that marketing research could drive business success. Chili's improved its traffic by 2.9 percent, moving into positive territory and beating the category for the first time in years. In fact, Chili's achieved the highest traffic levels of any CDR for five of the six weeks of the promotion, according to the industry's KnappTrack study – the first time in quite a while that Chili's had beaten the category in a consistent fashion.

Appendix

Research Methodology Summary

Needographics Segmentation

Phase 1: Qualitative

We conducted 16 qualitative focus groups with regular users of the Casual Dining category. This method was selected to maximize the impact of group dynamics; we wanted respondents to help or inspire each other to think of the many needs they sought to fulfill when dining out.

The objective was to collect a comprehensive catalog of the occasions which comprise dining-out usage and to capture the language with which consumers describe the kinds of needs they seek to fulfill by using the category. This was achieved by storytelling (“the last time I went out...”), aided recall using photos (“this picture makes me think about... which is like when I go out for...”) and diary exercises performed before the group meeting, among other typical techniques.

We also conducted an intensive ideation session with the entire Agency and client teams to further expand the range of occasions and needs which was undertaken at a mid-point work session.

Phase 2: Quantitative

Using the list of occasions and the language of needs that was captured in Phase 1, we fielded a quantitative survey of 3,800 consumers. Each respondent was asked to “walk us through” a recent dining experience – which yielded 7,600 total occasions. In order to ensure full representation of potential need-states and occasions, respondents were directed to describe a particular type of experience (“think about the last time you found yourself in this occasion...”). We captured a wide range of data points for each reported occasion including: ingoing emotions and expectations, brand usage, satisfaction with that brand’s fulfillment of your expectations, the frequency with which that occasion occurs and a full battery of psychographic/demographic markers.

Factor analysis was used to identify clusters of occasions which were revealed as need-states. We were able to size each occasion and need-state based on reported frequency. And we measured both usage and satisfaction for each occasion and need-state for key brands in the category. By looking for areas of high satisfaction and low usage for Chili’s, we identified high-potential opportunities.

Research Methodology Summary

INVOLVE™

Phase 1: Qualitative

We completed 36 interviews with paired respondents (72 total interviews) including friends, family and work colleagues. This method for the qualitative was chosen as the decision to eat out is rarely done alone.

The respondents were also required to complete an online homework assignment prior to the interviews. The homework was designed to help the respondents think about all types of media that they might encounter in a given day – even those they take for granted.

The paired interviews included the following activities:

- Card-sorting for channels most and least used (completed before interview)
- Discussion of general dining-out stories
- Storytelling for decision to eat out at casual dining restaurant – card activity to connect channels back to purchase process
- Brand perceptions within casual dining restaurant category, deep dive on perceptions of Chili's

We held two interim work sessions with the client using the GSD&M Ideation Lab to get direct feedback and ideas from all involved, clients and GSD&Mers.

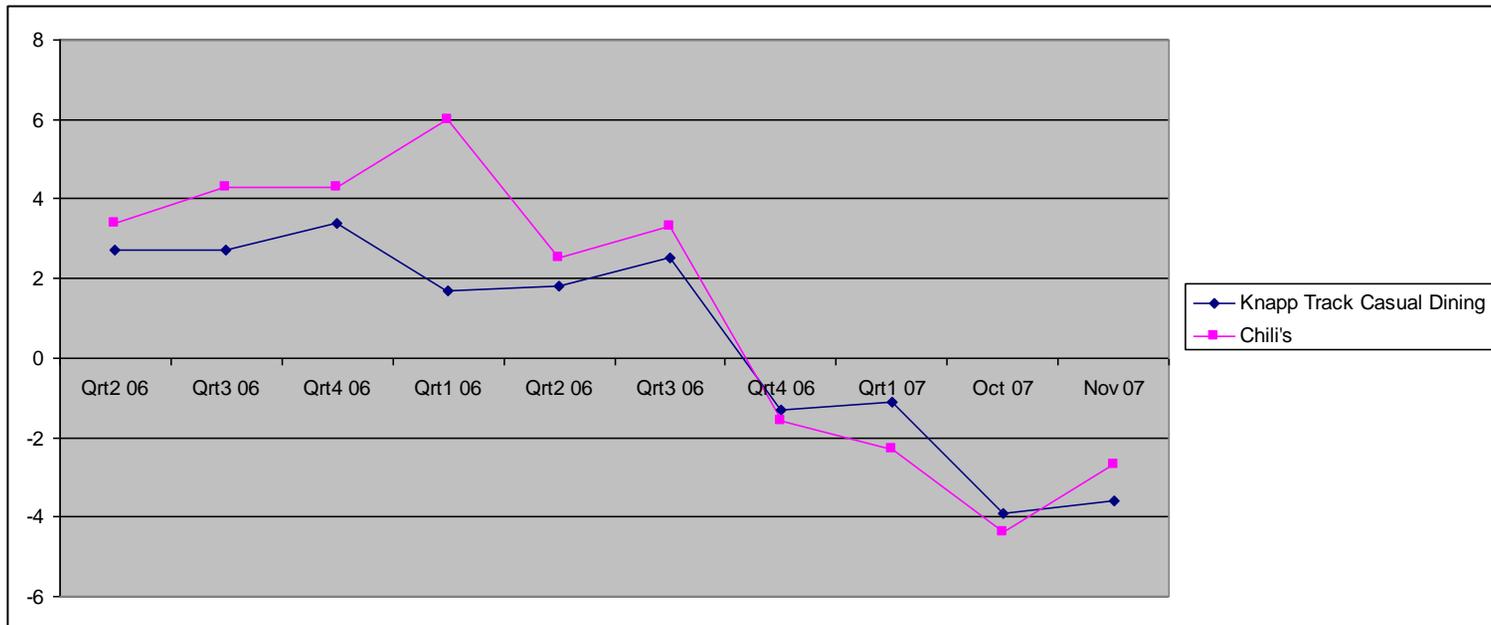
Phase 2: Quantitative

For the quantitative phase, we worked with Harris Interactive to field a quantitative survey among over 2,700 consumers. The questionnaire explored the decision-cycle stages uncovered (including brand performance at each stage), media usage and expectation within the category and brand perceptions.

Through INVOLVE™ we gained direct insight into how our target audience uses and would like to engage with the various media channels available to Chili's. To make these data actionable for our media planners, we created indices for the likely performance of each channel across four dimensions: passion (can't live without this channel in my life); expectation (expect to see restaurant messages in this channel); motivation (messages in this channel motivate me to visit a restaurant); want to see (preference for restaurant messages vis this channel). In addition, we added indices from syndicated media tools that point to reach and penetration of the same list of channels among our target. Built into an interactive tool, our media planners are now able to prioritize expected performance of numerous channels by any combination of criteria across these six dimensions (four custom and two syndicated).

BABY BACK ROAD TRIP RESULTS

Mission Accomplished!



- Chili's outperforms Bar & Grill competitors by 0.9%.
- Chili's rises above Knapp Track average sales, and traffic outperforming the competition, including Applebee's, Olive Garden, and Ruby Tuesday's.
- Chili's rises above Knapp Track average for 5 out of the last 6 weeks, compared to 1 of 52 weeks prior year!

NPD CREST DETAILED TARGET ANALYSIS

4 out of 6 Key Dining Occasions lie in 18-34 year olds dining without their kids

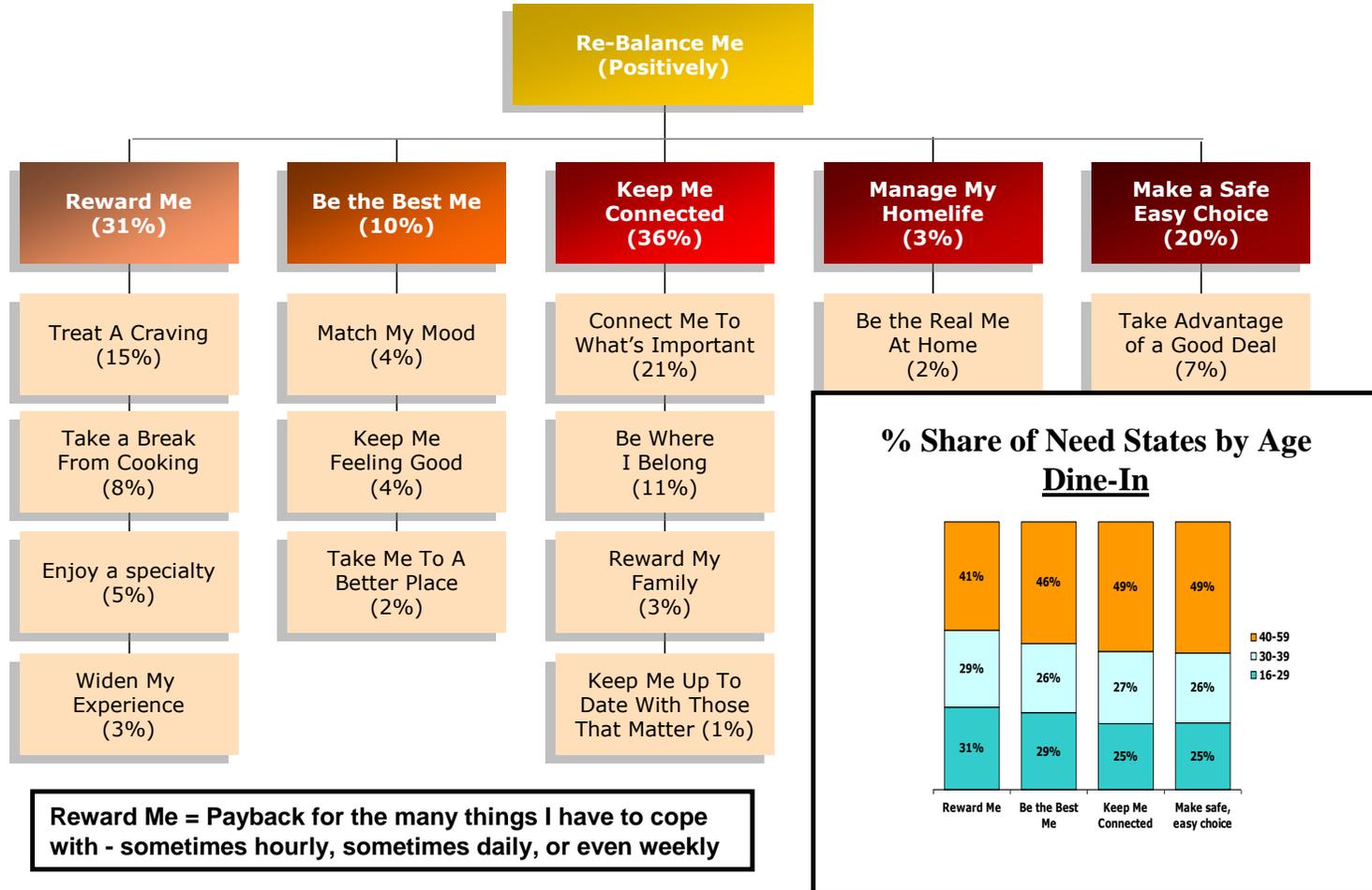
Chili's % Of Traffic & Chg vs Prior Two Years

	On-Premise Lunch 35.7%		On-Premise Dinner 45.7%		Off Premise 13.2%	Other 4.6%
50+ W/ kids 4.4% +1.3%	1.0% +7%	0.5% -1%	1.1% +7%	1.6% +4%	0.1% -3%	0.0%
50+ No kids 17.8% -2%	6.1% +1.0% #4	2.3% +2%	2.6% -2.0%	3.9% -2%	2.4% +8%	0.6% +1%
35-49 W/ kids 12.9% +1.3%	1.4% +2%	2.0% +7%	4.0% +7%	4.0% -2%	1.2% -2%	1.2% +1%
35-49 No kids 21.6% -3%	7.2% -2.2% #2	2.8% +9%	3.8% -3%	3.4% -6%	3.2% +1.4%	0.3% +4%
18-34 W/ kids 13.1% -3%	2.3% +1.0%	2.1% 0%	2.5% -1.5%	4.7% +5%	0.8% -7%	0.7% -4%
18-34 No kids 30.1% -1.8%	6.2% -2.6% #3	2.7% -1.3%	5.9% +7% #5	8.0% +1.6% #1	5.4% -4% #6	1.8% +2%
	Weekday 24.1%	Weekend 12.4%	Weekday 20.0%	Weekend 25.7%	Off Premise 13.2%	Other 4.6%

Source: NPD Crest Two Years Ending Dec. '04 vs 2 years ending Dec '02

NEEDOGRAPHIC SEGMENTATION NEED-STATE MAP

Quant analysis identified 5 distinct Need-states to classify consumer occasions. These 5 Needstates move from more emotional to more functional territories



GSD&M INVOLVE™

CDR Decision Model with Relevant Messaging and Media

