Offering delivery to customers



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# Executive Summary

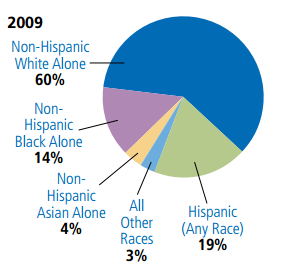
# Qdoba’s Current Target Market is Generation Y

The main target segment for the “fast-casual” restaurant Qdoba is Generation Y. Generation Y describes the generation of people that range in age from 18 to 34. In 2009, MetLife released a demographic profile of Generation Y. This profile discusses Generation Y’s ethnic, gender, and

## Demographic

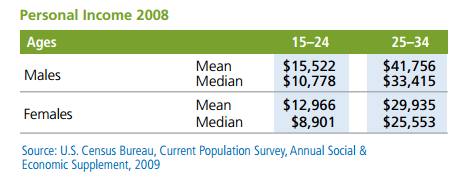
According to this report, Generation Y is mainly comprised of Non-Hispanic Whites (60% of the generation), and Hispanics (14% of the generation) (Demographic Profile America’s Gen Y, 2010). As shown in Figure 1, Non-Hispanic Blacks as well as Non-Hispanic Asians are also included in the racial and ethnic composition of Generation Y (Demographic Profile America’s Gen Y, 2010). Generation Y is also more ethnically and racially diverse than older generations, with people of color making up about 40% of the population (Demographic Profile America’s Gen Y, 2010).

**Figure 1**

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Source: U.S. Census Bureau, National Population

The gender breakdown in the United States of Generation Y during 2009 was 51 percent male and 49 percent female. Moreover, 25% of the U.S. population in 2009 was classified as belonging to Generation Y (Demographic Profile America’s Gen Y, 2010). Financially, the mean personal income of females ages 15-24 was $12,966, while the mean personal income of females ages 25-34 was $29,935. Males between the ages of 15-24, on the other hand, had a mean personal income of $15,522, while males between the ages of 25-34 had a mean personal income of $41,756 (See Table 1 below).

**Table 1**

There are many traits that describe this generation, technically savvy, family-centric, achievement oriented, team-oriented, and attention-craving (Kane).

The current customers of Qdoba use this company because it is convenient for their fast-paced lifestyles. Qdoba uses targeted campaigns at Generation Y focusing on social media, including Facebook and Twitter. Also, “Qdoba is constantly sending out coupons through their permission email channels” (\_\_\_,\_\_\_). Along with other forms of electronic media, there is a mobile rewards loyalty program that targets Generation Y.

# SWOT Analysis

|  |  |
| --- | --- |
| Strengths | Weaknesses |
| * Huge menu/variety * Special promotions i.e. deals for college students in Baltimore * Breakfast and kids menu * Reasonable prices for the quality of food * “Fast-casual" for the families, that want fast, but not fast food * Sponsorships (TU Unitas Stadium) * Online ordering | * Limited geographical presence (Fewer restaurants). * Only Mexican food (can only target families who give importance to it) * Low brand recognition (i.e Chipotle doesn’t need to advertise because they have high brand recognition). |
| Opportunities | **Threats** |
| * Opening new restaurants * Delivery * Frozen dinners * Drive thru with touch screen order forms | * Competition - Chipotle (brand recognition so high) * Economic decline (more people eating at home) |

# New Opportunity Identification: Delivery

After analyzing all of Qdoba’s opportunities, we decided delivery would be their best option. Implementing delivery provides several advantages for not only the customers, but Qdoba as well.

## For Qdoba

* Display Qdoba’s food.When people try and then like the food delivered from a restaurant, it is only natural to share the discovery with friends and family. Restaurants long ago learned the trick of including a menu with a takeout or delivery order so that people can already think about what they might order to be delivered the next time (SuperPages, 2013).
* Targeted advertising. Qdoba can mail out or deliver coupons to neighborhoods a little further away from the restaurant. That way, Qdoba can introduce their restaurant to a larger crowd of people (SuperPages, 2013).
* Competitive Advantage.Qdoba would out-do their direct competitor Chipotle by being the first to offer delivery. This would also give Qdoba the opportunity to increase their brand recognition.

## For customers

* It is simple.Most people, especially Qdoba’s target segment Generation Y, enjoy conveniences that make life easier. They may have a craving for a favorite restaurant, or just want to go out to a restaurant to eat, but they might have to change their clothes and drive out to the restaurant. Of course, a meal out takes quite a bit more time than a meal at home because you have to spend time going there and coming back. With restaurant delivery, all a person does is call and make an order. They then wait for the food to arrive and pay for the order (SuperPages, 2013).
* Dining out at home. For many people, dining out is a great escape and a needed break from cooking and cleaning night after night. Instead, the customer can allow someone else to do the cooking and bring the food directly to him or her (SuperPages, 2013).
* Saves them a little money. When a customer goes with restaurant delivery, there is often no drink or dessert with the meal. Without these meal elements it saves the customer some of the cost (SuperPages, 2013).

# STP Strategy

## Segment:

        If Qdoba were to deliver their menu items to customer's homes, they would continue to target their current target market segment and increase their market share within Generation Y. This generation is also known as the Millennial Generation. There are no precise dates on when Generation Y starts and ends; however, birth dates from the latter [1970's](http://en.wikipedia.org/wiki/1970s), the early [1980's](http://en.wikipedia.org/wiki/1980s), and the early [2000's](http://en.wikipedia.org/wiki/2000s) are generally utilized to define this age range. This age range is 18-34 year olds and is made up of both males and females. (Horovitz, 2012, p.1).

        Generation Y income rates vary; however, their economic prospects have worsened due to the [recession](http://en.wikipedia.org/wiki/Late-2000s_recession) of the last decade. The economic difficulties in the United States have led to dramatic increases in youth poverty, unemployment, and the numbers of young people living with their parents. In April 2012, it was reported that 1 in 2 new college graduates in the United States were still either unemployed or underemployed. High housing prices, the rising cost of higher education, and the relative affluence of the older generation are among the factors that define the economic status of Generation Y (National Radio Project, 2012, p.1).

The two lists below illustrate the values and attributes of Generation Y:

### Values

* Self-expression is more important than self-control
* Marketing and branding self is important
* Violence is an acceptable means of communication
* Fear of living poorly—this is related to lifestyle enjoyment and not wealth
* Respect must be earned; it is not freely granted based on age, authority or title

### Attributes

* Adapt rapidly
* Crave change and challenge
* Create constantly
* Exceptionally resilient
* Committed and loyal when dedicated to an idea, cause or product
* Accept others of diverse backgrounds easily and openly
* Global in perspective (valueoptions.com, 2013, p.4)

        Overall, this generation tends to prefer the fast paced environment combined with an efficient work ethic. Generation Y workers have grown up in an era of technology. They have always been exposed to cable television, cellular phones, pagers, answering machines, laptop computers, and video games. Technological advancements in real-time media and communication drive their expectation for immediacy (valueoptions.com, 2013, p.4).

        Since Generation Y lives in such a rapidly changing world, they must always keep up with the latest trends, while also saving their income. Qdoba’s offerings of high quality and quick service food have proved to be a reason customers continue to patronize the establishment. They want to see a lot of value in a product for a small amount of money.

## Targeting and Promoting:

        With Generation Y's "addiction" to the newest technological advances, we find that they will respond the most to if they are targeted via social media (Shoebridge, 2006, p. 5). Social media promotions have had a positive influence on Generation Y for Qdoba. We should also consider that "[t]he key thing to understand about members of Generation Y is that they love to multi-task...the less structures and more visual the media, the better. They hop around taking a bit from here and a bit from there, normally at the same time, and they show little loyalty to brands" (Shoebridge, 2006, p. 5).

        As we noted earlier, Generation Y will respond to social media marketing, Therefore, Qdoba's best way to promote a new option of delivery would be through social media (Facebook or Twitter). Since people of this generation always seem to be looking at their smart phones, picture advertisements that could circulate through social media would effectively target and segment Generation Y. Qdoba would want their target to know that they can get the delicious food from Qdoba that they love, but with the convenience of home delivery With the fast paced lifestyles of this generation, there are some nights that do not allow for time to cook or to go grocery shopping. For those nights that pizza, subs, or Chinese food will not satisfy a family looking for some high quality food at home, Qdoba would be the best option for delivery.

# Marketing Mix Actions

Qdoba can choose delivery as their new market penetration strategy. This strategy focuses on increasing the sales of their current products to their current market, Generation Y (Kerin, Hartley & Rudelius, 2013). Growing an organization by penetrating their market more thoroughly is typically the first growth strategy most organizations pursue (Ryken, 2012). Market penetration is the least risky growth strategy as the organization's experience with its existing markets increases the odds of success. Market penetration is a valuable growth strategy to many organizations because [retaining existing customers](http://info.sms.uni.edu/customer-satisfaction-loyalty/) is cheaper than attracting new ones (Ryken, 2012). With this consideration, we will describe Qdoba’s new marketing mix catered to their new delivery service, keeping in mind their 4 P’s, product, price, promotion and place.

## Product

Implementing delivery does not affect Qdoba’s first P: the product. Their Mexican inspired dishes can stay the same. Qdoba’s huge variety of products is one of their main strengths. Qdoba’s menu includes classics like personalized burritos, salads, tacos and chips & dip. To complement Mexican classics, Qdoba offers several signature dishes like their version of gumbo, tortilla soup, quesadillas, taco-salads, specialty sauces like Ancho Chile BBQ, kid’s meals, and breakfast. They also offer the *Craft 2*, a plate design by the client that can include two smaller portions of their favorite Qdoba meals (Qdoba, 2013).

## Price

Implementing delivery does not affect Qdoba’s second P: price. Menu prices will stay the same with a range of $4.00 to $8.00 for an entrée. A delivery fee however, will be added to each order and will therefore affect what customers pay. Average delivery fees tend to be from $1.00-$2.00 depending on the restaurant (Foodler, 2013). Generally, the surcharge covers the rising cost of ingredients, hourly wages, the store's automobile insurance, gas, and all other business expenses ("Delivery Q&A," 2013).

## Promotion

Like stated in the STP strategy, the implementation will affect the third P: promotion. Qdoba should take advantage of their social network presence to promote their new delivery service. Currently, Qdoba has a significant presence on social networks. On these networks they engage with customers by asking them what they want, conducting trivia on Fridays, and offering other contest opportunities. They also do local promotions like Facebook Fridays in Colorado, where rewards and reward cards are emailed to customers (Shaw, 2012). All local Facebook pages have freedom to target their market how they want, but at the same time they continue to be an extension of the national brand.

Headquarters communicates with local owners and marketing managers around the country on what the national network is doing. They give them social media guidelines in the brand’s language and help them cater the messages to their respective geographical areas (Shaw, 2012). Because of this interactive relationship with their customers, social media would be the best way to announce this new service. They could also announce the new service with in-store flyers for every walk-in customer. Lastly, whenever the service is in place, menus can be included in every order to encourage future deliveries.

## Place

Similarly to promotion, promoting the new service at their current store will affect their last P: price. The “new” place will be the customer’s homes. As previously mentioned, it would be very convenient and easy for Qdoba’s customers to get the best of both worlds: to dine out and to be in the comfort of their homes. The customers would still get the great prices and delicious specialty food they want, but they would not have to go out of their “busy” routines to get it. As it relates to place, to ensure that the delivery strategy is a viable one, test marketing should be done in some Qdoba locations before implementing on a larger scale.

With place still in mind, the company should choose a few testing locations to see the reaction of the market to delivery. The purpose of test marketing is to gauge how products or service (delivery)  will be received on a wider scale (CBS). Test marketing helps ensure the product/service and marketing strategy are sound, and it can also provide valuable information on customer response, marketing channels, and distribution issues (CBS). With the results from the test market in hand, Qdoba can move forward with the full service launch with confidence, or if necessary, refine the marketing strategy.

# Projected Revenue for the Next Year and ROI

Qdoba’s goal is to increase its market awareness of this new delivery option. Since we have decided to target the Generation Y customers we are going to put heavy emphasis on advertising over social media sights. The majority of our target market has an account on Facebook and/or Twitter. Qdoba already has a Facebook and Twitter account, so there will be no additional costs of starting and managing those sites. Therefore, the goal is to increase the awareness of Qdoba’s new service through Facebook and Twitter.

## Awareness

Qdoba has 50,000 followers already on Facebook and Twitter. In order to increase awareness in the target market, we are going to push the current followers to share Qdoba’s page with all of the target markets’ friends. We will make Qdoba’s current followers aware of Qdoba’s goal by implementing an integrated marketing campaign. We will start posting on Qdoba’s Facebook and Twitter account to achieve Qdoba’s goal of reaching a higher number of followers. This will make Qdoba’s current followers aware of what we want to accomplish.

## Interest

In order to create interest among Qdoba’s followers we will offer promotions and coupons on Qdoba’s pages for all of the followers for a certain amount of time. We will also partner with the Cool Kids Campaign. The Cool Kids Campaign provides kids diagnosed with cancer with a higher quality of life for themselves and for their families through resources such as care packages.

## Desire

In order to make Qdoba’s current customers move to the action stage and share our link with all of their friends, we will offer 10 cents to the Cool Kids Campaign for every follower we have on our Facebook and Twitter account. Qdoba’s current followers will most likely share Qdoba’s page with their friends because they want to help out the cause.

## Action

If each follower has approximately 500 friends on Facebook and Twitter, and if we get 5% of Qdoba’s current followers to share their page with their friends, that will increase Qdoba’s target awareness market by 1,250,000 followers. We will then follow the same integrated marketing campaign and make Qdoba’s new followers aware of our team’s goal of increasing Qdoba’s target market awareness, and will continue to donate 10 cents to the Cool Kids Campaign for every follower we have on Facebook and Twitter. If we get another 5% to share with all of their friends we have then increased our followers by 31,250,000. After two short pushes to increase our we went from 50,000 followers to 32,550,000 followers.

Now that we have increased our target market awareness, it is now time to focus on making the followers aware of our new delivery option Qdoba has.

## Awareness

In order to make Qdoba’s followers aware of the new delivery option, we will start posting statuses and tweeting making it known that Qdoba now offers delivery. We will also use point of sale advertising and put up banners in our stores to promote the delivery option.

## Interest

This will naturally interest Qdoba’s followers because not even their main competitor, Chipotle, offers delivery.

### Desire

In order to make Qdoba’s followers move from the desire stage to the action stage, we will offer free guacamole and chips with every delivery order. We will also make Qdoba’s followers want to use the delivery option by promoting that we will deliver their order within 45 minutes or less or we will offer them a 10% discount on their purchase.

### Action

Most of Qdoba’s followers will use the delivery option because of the free chips and guacamole in addition to the assurance of fast delivery. If we can get 50% of Qdoba’s followers to order delivery, that is 16,275,000 delivery orders. If on average each person spends $7.00 at Qdoba, we will have increased Qdoba’s revenue by $113,925,000.

## Cost to implement Delivery

|  |  |
| --- | --- |
| **Expenses** | **Per Year** |
| Salary Cost | $22,464,000 |
| Automobile Cost | $36,000,000 |
| Late Deliveries | $2,278,500 |
| Gas Money | $2,100,000 |
| Repair and Maintenance | $1,440,000 |
| Advertising/Promotion Cost | $25,000,000 |
| Total | $89,282,500 |

(The Appendix contains details on the amounts assigned to each expense)

## ROI

ROI= ($ 113,925,000-$89,282,500)/$89,282,500 = .276

An ROI of 27% is a good percentage. The rate of return on the investment will increase from year to year until we have to factor in the depreciation and eventual replacement of the vehicles. Also, if we continue to increase our target market awareness we will gain more customers and more business. We believe that offering delivery will give Qdoba the cutting edge and guide them to the top of the leader board.

# 

# Appendix

It is important to note that all of the costs stated below are based on the 600 Qdoba locations that currently exist.

|  |  |
| --- | --- |
| **Salary Cost** | |
| Average salary for a line server at Qdoba | $8.00 (Qdoba Salaries) |
| Additional employees to help with delivery per store | 2 |
| Total cost per year | [(45 hours per week\*$8 an hour\*52 weeks per year)\*(600 stores\*2 additional employees)] = $22,464,000 per year |

(We understand that each employee costs more than just the stated salary when we consider benefits and the demands of the Human Resources Department)

|  |  |
| --- | --- |
| **Automobile Cost** | |
| Average cost of an automobile | $30,000 (Average) |
| Additional automobiles for each location | 2 |
| Total cost per year | [(600 stores\*2 additional cars)\*$30,000] = $36,000,000 |

|  |  |
| --- | --- |
| **Late Deliveries** | |
| Orders for delivery | 16,275,000 |
| Number of late deliveries | (16,275,000\*.20) = 3,255,000 |
| Total cost of late deliveries (all stores) | [(3,255,000\*$7)\*.10] = $2,278,500 |

|  |  |
| --- | --- |
| **Gas Money** | |
| Average cost of gas in US | $3.50 (Daily) |
| Estimated miles per vehicle per year | 15,000 miles |
| Estimated miles per gallon per vehicle | 30 mpg |
| Estimated yearly gas costs per vehicle | 500 gallons of gas\*$3.50 = $1,750 |
| Total yearly gas costs (all stores and all vehicles) | (1200 cars\*$1,750) = $2,100,000 |

|  |  |
| --- | --- |
| **Repair and Maintenance** | |
| Cost of repair and maintenance per month for 1 car | $100 (What) |
| Total cost for repair and maintenance (all stores and all vehicles) | [(1200 cars\*$100)\*12 months] = $1,440,000 |

|  |  |
| --- | --- |
| **Advertising Cost** | |
| Point of Sales | $5,000,000 |
| Facebook and twitter advertising | $5,000,000 |
| Promotions/Discounts/Donating to the Cool Kids Campaign/ | $15,000,000 |
| Total | $25,000,000 |

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