

Santa Fe Feast Sandwich

Team B

MKT 551

Jack McGowan

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EXECUTIVE SUMMARY

The recent successes of McDonald's new salads, the growing popularity for lighter, healthier meals and the abundance of alternative protein choices in today's marketplace have given birth to a new sandwich, the Santa Fe Feast. Our ultimate goal is to provide our customers with a new way to enjoy a burger, from the patty up, without diverging from the popularity of a hot meal that you can eat with your hands. To ensure that we appeal not only to meat eaters, but also to more health- and socially-conscious customers, we have ensured our new sandwich contains no meat. The heart of this new sandwich is not a meat substitute, but an entirely new product with its own unique flavor—a new twist on an old standard that features ciabatta rolls instead of buns and a spicy Southwest sauce. The Santa Fe Feast will integrate well with the current menu, offering our customers a change from the same old burger selection, and a cost in line with our higher end offerings. Supplying and storing the new patty and buns will take very little space and effort, as our supplier already carries the items and can include the order in with current shipments. The preparation of the new sandwich will take no space in the frying area, as the black bean patty is well suited to steam and microwave heating. The toppings are already available at all stores, so the only new products to order and store are the patty and roll. Our black bean Santa Fe Feast on a ciabatta roll and spicy sauce is sure to draw current as well as new customers in for a healthy, quick meal that can be ordered as-is or piled high with more traditional burger toppings.

A trial marketing program will take place initially in select cities, and a plan to rollout to remaining locations has been developed. The projected costs and revenues for

the rollout have been analyzed and the details of these, including management and control functions, are also presented.

SITUTION ANALYSIS

Jack in the Box, Inc. Background

Founded in 1951 and headquartered in San Diego, Calif., Jack in the Box, Inc. (JBX), is a major player in the quick service restaurant industry, with more than 1,900 restaurants in 17 states—primarily in the west and south-central United States (“Pressroom”, 2003, para. 1 & 2; “Locations”, 2003). The company differentiates itself from the competition through an emphasis on high-quality products, exceptional drive-through service times, a menu which reaches beyond the burgers and fries that are the cornerstone of the quick service restaurant sector, and a fun, friendly corporate identity displayed everywhere from the company’s light-hearted commercials to its annual reports (“Investors,” 2003, para. 4-8; Jack’s Illustrated, 2003).

Following seven years of successfully building and growing Jack in the Box market share, slipping revenues in 2002 prompted the company to re-evaluate its business strategy and develop a new marketing direction, seeking to broaden its market base beyond the 18-34 year-old males that comprise the core of the quick service restaurant (QSR) target market (Jack’s Illustrated, 2003, pp. 6-9). This new strategy includes the promotion of premium salads and other items that appeal to a customer base that Chief Executive Officer Bob Nugent described in the company’s 2002 annual report as “looking for something beside a bargain-basement quick-service experience” (Jack’s Illustrated, 2003, p. 8)

Buyer Behavior

Jack in the Box's shift in marketing focus comes at a time when consumer behavior is changing as well. Consumers are looking for flavorful alternatives to the high fat content currently offered by typical fast food chains. The landscape of the American fast food industry has shifted dramatically since the 1980s, responding to a growing nation of consumers working longer hours and demanding greater convenience in the foods they eat (Lord, 2003). "High pressure lifestyles and prudent selection of healthy foods has not reduced the need for exciting and enjoyable food and drink, with continuing demand for novel and fun, indulgent and premium, and ethnic and exotic meal solutions," noted Reuters' analyst Daniel Lord (2003).

Several fast food lines have attempted to offer low calorie alternatives on their menu with limited success (Fry, 2003). According to the study done by Hurley and Liebman (1995), a sandwich that came from a typical deli or sandwich shop adds a lot more to your diet—not to mention your waistline, artery blockages, and blood pressure—than you think. Add cheese (extra fat) and a pickle (extra salt) to a typical tuna salad sandwich and you've got almost as much fat as a Kung Pao Chicken dinner.

To address these trends, Burger King recently introduced a “veggie-burger.” To be blunt, the sandwich was awful. Poor flavor, terrible texture, and even a rather unpleasant scent have combined to make this sandwich an unappetizing choice for even the most die-hard vegetarian.

Burger King's attempt, however, draws attention to a valid gap in the fast food market: the need for a flavorful, quick, and inexpensive meal for health conscious or

vegetarian consumers. The Santa Fe Feast meets the need for a healthy alternative to meat, while fulfilling a much better taste alternative to the average soy-protein veggie-burger.

Product Specifications

The Santa Fe Feast begins with a formed black bean patty weighing approximately a quarter pound, resembling in size and shape a quarter-pound beef patty. The rationale for the size and shape is two fold: first, similarities between the bean patty and a beef patty do not provide a cue for consumers to think of the bean patty as significantly different; second, keeping product size and shape similar to other Jack in the Box offerings provides ease of storage and preparation.

In developing the "meat" of the sandwich, developers focus on formulas which meet the following criteria: (1) consistent texture; (2) a mild spice and herb mixture which is pleasing to consumers as well as emphasizing the flavors which align with the "Southwest" theme of the product (chili powder, cumin, cilantro, to name three); (3) ease of preparation; (4) pleasing taste.

The Santa Fe Feast will be presented on a vegetarian-friendly multigrain bun shaped similarly to a traditional hamburger bun, such as a ciabatta roll. The ciabatta roll is a bit healthier and more upscale than a standard sponge-type bun, but is soft and grills nicely. The bread should be slightly denser than a traditional bun without being perceived by consumers as "heavy," "tough," or "coarse."

Condiments for the Santa Fe Feast could be either a layer of sliced onion, one tomato slice, and one lettuce leaf (non-iceberg varietal), or shredded lettuce and a salsa fresca of chopped onions and tomatoes with cilantro prepared fresh daily at each

location. Additional options could include a spicy pepper jack cheese or guacamole (at an additional cost to the consumer).

The signature flavor will be a smoky Southwest-style barbecue sauce—a tomato-based sauce which uses only vegetable oils for emulsification and leans heavily toward the mildly spicy flavors of mole or adobo sauces to enhance the flavor of the sandwich, without being an overwhelming focal point.

Martin (2003) states that a recent survey by Sandelman & Associates, a consumer research company, highlighted fast food's dilemma. Nearly two-thirds of those surveyed believed the quantity and nutritional value of fast food contributed in some way to the nation's obesity problems, and roughly the same percentage complained that fast-food restaurants don't provide enough low-fat, low-calorie menu items (para. 11). The overall content of Santa Fe Feast would be low in saturated fat, cholesterol and sodium, but moderately-high in calories. Such specifications would project the health-friendly image of Santa Fe Feast and at the same time substantiate the meal as a healthier alternative to hamburgers.

Presentation of the product to the consumer will include the distinctive paperboard box designed using Southwest colors and lettering to both preserve the product's physical integrity prior to consumption and distinguish it as something more special than an ordinary burger.

Competitive Situation and SWOT Analysis

Jack in the Box's stated company objective of broadening market base, its already-broad menu selection, and its position near the top of the quick serve restaurant industry indicate that the company can competitively and successfully introduce the

Santa Fe Feast to an increasingly health-conscious market base. SWOT analysis confirms this assertion (an overview is provided in Table 1).

Strengths

Jack in the Box has a stable, experienced management team with a long track record for adaptability, innovation, and performance. With the exception of the hiring of a new CFO in 2001—who replaced a retiring 22-year company veteran -- executives at Jack in the Box have all been with the company for more than 10 years, many for more than 20 (Executive Bios, 2003).

In addition, the company is well established with a 52-year history and current base of over 1900 restaurants in the Western and Central United States (Locations, 2003). These features provide brand recognition and strong economies of scale within select geographical regions.

With multiple venues, Jack in the Box, is positioned well to capitalize on market diversity for a new product launch. Offering a new product that targets a wider range of customer demographics from two primary venues is consistent with the current Jack in the Box five-year corporate plan (Jack's Illustrated, 2003).

Weaknesses

Jack in the Box is an innovative fast-food franchising chain that has seen significant growth in the past few years. While this is a positive step, the company had made a few missteps that have weakened its position.

On October, 23, 2003, Bruce Morton reported that Moody downgraded Jack in the Box's debt ratio to "negative;" the company was previously rated as "stable" (Morton & Woodruff, 2003, para.1). A negative rating is two notches below investment grade.

The company has overextended its resources and not planned growth carefully, resulting in slipping profit margins.

Another problem analysts see on the horizon is a lack of identity within the corporate structure. Jack in the Box is struggling to reinvent itself to be a more upscale, healthy alternative to standard fast-food fare. But in targeting a healthier lifestyle, which plays well primarily to women, Jack in the Box risks alienating its core market, men aged 18-34 (Jack Slims Menu, 2003, para. 1).

The different interests and focuses of the marketing team members could lead to group think or focusing solely on certain market segments—for example, vegetarian and health-conscious consumers—at the expense of its core market.

Opportunities

Health Benefit of a Vegetarian Diet.

The claim that vegetarian food reduces the risk of some chronic diseases is well documented. Consumers already aware of these benefits—health conscious individuals or those with high blood pressure, heart disease, high cholesterol, for example—have incentive to try the Santa Fe Feast as an alternative to more widely available hamburgers. More importantly, some people that are not specifically dealing with these issues might still try the product if it is readily available, especially if it is offered with financial incentives: a discount or coupon.

Taste

The success of Boca burger has proved that taste is the key; their soy based hamburger tastes so much like regular meat that it is gaining popularity among the meat eating population. Jack in the Box is already known for having a more inventive and

expanded menu than the competition. The Santa Fe Feast will fit comfortably into this expanded line up. The added advantage of Santa Fe Feast over Boca burger is it does not try to imitate a meat texture like a soy-based burger. Even the best soy-burger does not have an identical texture to meat. Since the Santa Fe Feast does not attempt to imitate meat, there are no poor comparisons. Therefore, Santa Fe Feast has the potential to penetrate a bigger market than a soy-based burger.

Availability

The biggest problem with maintaining a healthy diet is availability of dining out options. Many people do not know how to cook vegetarian dishes and most restaurants do not offer a selection of vegetarian dishes, other than salad. People who want or need to eat vegetarian food could feel deprived when they go to a restaurant. Fast food is almost exclusively meat-based as well, and many young people eat fast food several times per week. Introducing a healthier alternative that is tasty, convenient, and offered in a known venue will draw in the younger consumer, helping this product develop new lifetime customers, as well as appealing to consumers outside the core market of 18-34 year-old males.

Threats

Perhaps the biggest threat to the successful launch of this product is gaining significant market attention at a time when many major fast-food chains are attempting to establish their own footholds in the healthy fast food market.

The closest competing product would be the Burger King offering, which can be described both as healthy and flavorful and is endorsed by FoodTV notables such as Rachel Ray, to emphasize that it meets both criteria. While Santa Fe Feast should be able

to compete successfully on the basis of nutrition, the challenge will be to overcome the public's perception of healthy or vegetarian food as being bland or having an unpleasant texture.

OBJECTIVES AND GOALS

The main concern for Jack in the Box Inc. is what it wants to achieve by introducing a new product (Santa Fe Feast) in the market. One goal outlined by the 2002 Annual Report is to pull in (limit) new store openings in order to devote capital to "brand reinvention" (Jack's Illustrated, 2003, p. 9). The addition of a new product or product line can contribute to this goal, when combined with a well-planned promotional strategy. The following are overall objectives of JBX has listed as corporate priorities:

1) Corporate Related Objectives

- a) Promote company image
- b) Create awareness and goodwill through establishing relationships.
- c) Reassure shareholders
- d) Improve overall marketing mix

2) Product Related Objectives

- a) Promote product image
- b) Promote product awareness

3) Sales Objective

- a) Increase short-term sales through incentives and introductory coupons
- b) Increase long-term sales through effectively drawing target demographic
- c) Create buying impulses

4) Customer Hospitality

- a) Influence customers
- b) Entertain customers

The sales objectives are easily measurable by sales data. Measuring other objectives such as goodwill, customer awareness, and product recognition will require follow-up customer surveys and other market research methods. Since this is a new product, it will be relatively easy to measure customer awareness by isolating the source of customer knowledge, which is, in this case, marketing campaigns associated with the Santa Fe Feast. Customer awareness will increase as advertising allows more people to recognize the product by its name or contents.

From a corporate point of view, the most important objective is revenue growth, which will be achieved by developing product that adds to the corporate plans for brand reinvention. [Table 3](#) below gives the next five years' revenue projections, which are based on last five years ([Table 2](#)) actual revenue. [Table 4](#) (below) describes the Santa Fe Feast's projected revenues vs. other Jack in the Box menu items.

MARKETING STRATEGY STATEMENT

Kotler (2000) states "Marketers use numerous tools to elicit the desired responses from their target markets. These tools constitute a marketing mix. The marketing mix is the set of marketing tools that a firm uses to pursue its marketing objectives in a target market" (pp. 11). The strategy for marketing Santa Fe Feast will make use of all four of the P's of the marketing mix; Product, Price, Place, and Promotion.

The Santa Fe Feast product is a suitable alternative to a hamburger or chicken burger for those consumers seeking a healthier or vegetarian choice. This unique offering is expected to be very attractive due to its healthier slant, delicious flavor, satisfying substance, convenience, and reasonable price. Initially, however, limited test markets will be used to verify preliminary research and product testing results. Should the test marketing effort prove successful, accelerating rollouts to remaining restaurants will be scheduled. Marketing projections are optimistic, based not only on current market position, but that the Santa Fe Feast will likely help in attracting a broader market base.

The strategy includes keeping pricing near the level of consumers' current purchases but with the addition of a small premium for the novel offering. At the same time, it is not to be priced so high that price becomes a detrimental factor or that the Santa Fe Feast is priced significantly above its competitors' offerings in the same category.

In taking the Santa Fe Feast to market (the place), limited geographical areas have been selected for initial rollout. Trial marketing will start in selected cities in the westernmost states. Depending on development time, the new product is expected to be available at the end of the first quarter of 2004. The market trial in these areas will run during the second quarter of 2004, and a successful trial will lead to rapid full expansion throughout the West Coast states, then to remaining JBX locations. The initial target areas include five cities in three states. The cities are listed below next to the corresponding number of JBX locations in each city (Locations 2003):

- Seattle, Washington (from Tacoma to Everett): 60

- Spokane, Washington: 6
- Portland, Oregon: 12
- Sacramento, California: 16
- Stockton, California: 6

These target markets have been selected for several important reasons. First of all, these cities have a population demographic that is presumed to fairly representative of the national population, so that results from the initial launch can be assumed to be reasonably representative of a national response (Segal 1991). While these are not the only cities that have this characteristic, the geographic localization makes them convenient for product testing. Seattle is the main target; the others have been selected to provide additional points of reference to validate the results of testing in Seattle. Since these 90 locations represent less than 5% the total number of JBX locations, the sample size is conveniently small, but statistically significant. However, if discrepancies are found between tested locations, a broader market test might be warranted. Nevertheless, these markets have been found effective in test marketing by the Dancer-Fitzgerald company that launched an extraordinarily successful marketing campaign for Wendy's (Farrel 1998).

The new Santa Fe Feast offering will use the existing distribution network used by the other product-lines from the Jack in the Box Inc. Eventually, within the next five years the distribution line is to be expanded to encompass the East Coast and Midwest where JBX currently has limited market penetration. Additionally, franchisees will be encouraged to use the Internet for a new ordering service. The company will share the

initial cost of equipment and software with the franchisees for setting up Internet ordering system.

Promotional efforts will be synchronized with the phased rollout. Advertising during the initial launch and expansion will include local television and newspaper spots and offer discounts to consumers. The consumer promotions will center on the good health aspect that is becoming a popular trend and will also focus on flavor and robustness. The targeted demographics will go beyond the core customer base of 18-34 year males and try to attract a broader base of customer, including a wider age group and vegetarian segments. Incentives will also be provided to location managers to motivate them to help promote and move as much of the new product as possible.

As an essential part of this marketing strategy, customers will be surveyed for their experience with the new Santa Fe Feast. The data gathered would provide helpful information with regard to what might be needed to change or add to the marketing test, flavor, size and other characteristics of the Santa Fe Feast offering.

ACTION PLANS AND MARKET MIX

Product

Product is one of the most important elements of marketing mix. Kotler (2000) states that a product is anything that can be offered to a market to satisfy a want or need (pp. 191). A new product venture team is developing the Santa Fe Feast to meet this demand. This team is not only comprised of individuals from the new product development department but also includes other cross-functional departments. The focus of the product venture team in developing a formula/recipe for the Santa Fe Feast that

meets following criteria: (1) consistent texture; (2) a mild spice and herb mixture which is pleasing to consumers as well as emphasizing the flavors which align with the "Southwest" theme of the product (chili powder, cumin, cilantro, to name three); (3) ease of preparation; (4) pleasing taste.

The budget for the development of the Santa Fe Feast is \$700,084 for year 2004, which amounts to 4% of the overall estimated revenue. The development time for the Santa Fe Feast offering is estimated at between four to six months. It is important to have this short development time to enter the market at the right time so as to position and reach the targeted market and to be able to quickly make adaptive changes if necessary.

Presentation of the product to the consumer will include the distinctive paperboard box designed using Southwestern colors and the lettering to both preserve the product's physical integrity prior to consumption and distinguish it as something more special than an ordinary burger.

Price

Kotler (2000) states that in the entire marketing mix, *price* is the one element that produces revenue; the others produce costs. Price is also one of the most flexible elements; it can be changed quickly, unlike product features and channel commitments (pp. 221). The price objective for the new Santa Fe Feast product would be to position it as a High-Value product. The new offering will have a price little above the competitor's and other similar products-lines while giving high quality food to its customers.

Christopher (1997) quoted Hermann Simon, who suggested that the value equation involves relationships among a firm's price, its competitor's prices, and the non-price attributes of both the firm and its competitors. The management of these

relationships will have an impact on the firm's market share and its profitability (para. 11). The product's position in the market near the crest of the consumer trend for healthy convenient food, its higher-than-a-burger cost of production, the desire to invite consumers to step away from traditional meat-burgers, and its relative position versus its nearest competitors - Burger King's veggie burger and Smoky BBQ Fire-grilled Chicken Baguette - indicate that the Santa Fe Feast should be priced above core menu items such as burgers and chicken sandwiches, but only slightly so. The rationale is to make sure that Santa Fe Feast is not priced so high that customers would shy away from even trying the new Santa Fe Feast option.

In the Chicken and More category, which includes the Philly Cheesesteak sandwich and other specialty items, most of the offerings are priced in the neighborhood of \$2.39 alone, or \$5.89 as a combo meal, with fries and a drink. The new Santa Fe Feast would fit perfectly in the Chicken and More category and pricing scheme because it compares favorably to these items and makes a suitable, satisfying alternative to one of these traditional choices. Therefore, the price of the new Santa Fe Feast will be priced accordingly, at \$2.79.

At this price, the Santa Fe Feast is priced near the high end of Jack in the Box's current menu offerings. The higher price is necessary because its cost for production is higher than that of traditional burgers. However, a higher offering price is warranted in the market by its broad appeal and high quality, which is significantly better in taste and texture than its nearest competitor, the Burger King veggie burger.

Place

Corey was quoted by Kotler (2000) as saying that a distribution system is a key external resource. Normally it takes years to build, and it is not easily changed. It ranks in importance with key internal resources such as manufacturing, research, engineering, field sales personnel, and facilities. It represents a significant corporate commitment to large numbers of independent companies whose business is distribution—and to the particular markets they serve. It represents, as well, a commitment to a set of policies and practices that constitute the basic fabric on which is woven an extensive set of long-term relationships (pp. 241).

JBX will capitalize on its current distribution channels in a phased approach. Presuming test marketing has proved successful by the end of the second quarter of 2004, the West Coast expansion will occur over the next two quarters and includes the remainder of Washington, Oregon, and California, which total 1012 locations—approximately half of the total number of JBX locations. The expansion of the Santa Fe Feast offering across the rest of the locations in the remaining 14 states will occur over a subsequent 6-month period for a company wide rollout that is to be complete mid-2005. The phased approach ensures effective cost amortization over the rollout period while also controlling resources usage for promotion, training, and other considerations.

Promotion

Kotler (2000) states that modern marketing calls for more than developing a good product, pricing it attractively, and making it accessible to target customers. Companies must also communicate with present and potential stakeholders, and with the general public. The marketing communications mix consists of five major modes of

communication: advertising, sales promotion, public relations and publicity, personal selling, and direct marketing (pp. 277).

Kotler (2000) also states the percentage of people who value physical fitness and well-being has risen steadily over the years, especially in the under-30 group, the young women and upscale group, and people living in the West. Marketers of health foods and exercise equipment cater to this trend with appropriate products and communications (pp. 94). The Santa Fe Feast offering will target such core values and beliefs that form the basis for searching the health-friendly meal alternative to unhealthy fast food.

The promotional tools that would be used to communicate the new Santa Fe Feast offering include advertising, sales promotion and public relations. The initial advertising effort will include local television and newspaper spots. Local media are used to gain as wide a distribution as possible in the test markets. As the product is rolled out in fully in each state, some economies of scale will be achieved where possible by statewide advertising and integration into the standard JBX advertising protocols. Advertising will highlight the Santa Fe Feast as the high quality, tasteful and healthy meal alternative to meat burgers. For the first three months, the franchisee would be offered 5% discount in the price if they sell more than 1000 units every month. A special public relation program will be launched for raising public awareness for obesity and health problems due to eating unhealthy fast food. In addition, discounts on full meal combination orders will be available for a short time, and frequency cards provided to encourage repeat visits.

MARKETING BUDGET CONTROL

The keys to ensuring that a marketing budget is being used in an effective manner are planning, monitoring and measurement. Planning for how the budget will be used involves developing marketing concepts and beginning in a control group to determine initial effectiveness. Our projected marketing budget is presented in [Table 5](#) below. For a new product rollout, test marketing to a smaller segment of the population (for example a city or region) allows the marketer a more controlled study of reaction. This then allows for a limited amount of the overall budget to be used while modifying the message one or more times for best effect.

Once a budget has been set, defining specific goals that are measurable at predetermined intervals must be done. For example, a control schedule may look something like this:

Item:	Time Frame (in weeks)			
Test Market	1-3	4-6	7-9	10-12
Sales Goal	40	75	77	82
Media Effectiveness	35	80	81	85
Ad Evaluation	50	75	76	80
Average Score	41.67	76.67	78.00	82.33
Expand Test Market	13-15	16-18	19-21	22-24
Sales Goal				
Media Effectiveness				
Ad Evaluation				
Average Score	-	-	-	-
Full Implementation	25-27	28-30	31-33	34-36
Sales Goal				
Media Effectiveness				
Ad Evaluation				
Average Score	-	-	-	-

- Ratings:
- 0-20% Poor - Urgent Immediate Review
 - 21-40% Mediocre - Immediate Review
 - 41-60% Fair - Review within 2 weeks
 - 61-80% Good - Monitor at next milestone
 - 81-100% Excellent - Feedback and implementation

The ratings are calculated based on whatever categories the marketer and the company deem important. The goals must have measurable results. For this particular example, the sales category is simply a percentage of budgeted sales achieved. Media effectiveness would involve customer surveys and focus group testing, and advertisement evaluation would be based on items such as coupon redemption levels compared to other coupons run in the same period. The important thing about monitoring and measurement is that the monitoring is done on a regular, scheduled basis (such as weekly) and measurement has specific, predetermined responses. In the case of the above table, monitoring is done weekly, and measurement and review is done every 3 weeks. If an average score falls within the mediocre to poor range, immediate reevaluation of the marketing plan is necessary to ensure no budget is wasted. If an individual category performs poorly, but, overall, the test is acceptable, evaluation of that phase of the strategy will ensure a maximum cost/benefit is achieved. The evaluation team should be drawn from the marketing department, with one accounting person and (at least) one operations person to allow additional controls to be maintained.

CONCLUSION

The Santa Fe Feast Sandwich represents an opportunity to build market share, take advantage of consumer trends, and build a loyal customer base outside of the 18-35 male market segment that Jack in the Box, Inc. cannot afford to pass up. The Feast is what the American fast food customer is asking for: health-conscious, flavorful, novel, and fresh. In addition, it speaks to a market segment virtually ignored by the remainder of the QSR industry: vegetarians and others seeking for a convenient, meatless meal. Jack in the Box already has the infrastructure in place to produce and promote this product

effectively, as well as an existing menu into which this alternative sandwich fits neatly. In short, it is an investment worth the company's time and serious consideration for development and launch in 2004.

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Appendix A: Tables

Table 1: Summary of SWOT Analysis for Santa Fe Feast from Jack in the Box Inc.

Internal Environment Analysis		External Environment Analysis	
Strengths	Weaknesses	Opportunities	Threats
<ul style="list-style-type: none"> Experienced Staff 	<ul style="list-style-type: none"> Negative investment rating 	<ul style="list-style-type: none"> Health benefit 	<ul style="list-style-type: none"> Establishing foothold in <i>healthy</i> segment of fast-food market
<ul style="list-style-type: none"> Strong brand name 	<ul style="list-style-type: none"> Slipping profit margins 	<ul style="list-style-type: none"> Tasteful and Flavorful 	<ul style="list-style-type: none"> Burger King Veggie burger
<ul style="list-style-type: none"> 52 year History in fast-food business 	<ul style="list-style-type: none"> Lack of identity in corporate structure 	<ul style="list-style-type: none"> Convenience and easy availability 	
	<ul style="list-style-type: none"> Group thinking within marketing team 	<ul style="list-style-type: none"> Larger market penetration being attractive alternative for meat eaters 	

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Table 2

Actual Revenue of Jack In The Box Inc. by menu category

Menu Category	Sales %	Actual Revenues				
		2002	2001	2000	1999	1998
Hamburgers (including Combos)	55%	\$ 1,002,596,100	\$ 942,769,300	\$ 841,130,400	\$ 755,094,450	\$ 611,602,750
Chicken & More (including Combos)	15%	273,435,300	257,118,900	229,399,200	205,934,850	166,800,750
Breakfast	10%	182,290,200	171,412,600	152,932,800	137,289,900	111,200,500
Tacos & snacks	10%	182,290,200	171,412,600	152,932,800	137,289,900	111,200,500
Salads	5%	91,145,100	85,706,300	76,466,400	68,644,950	55,600,250
Shakes & Desserts	5%	91,145,100	85,706,300	76,466,400	68,644,950	55,600,250
	100%	\$ 1,822,902,000	\$ 1,714,126,000	\$ 1,529,328,000	\$ 1,372,899,000	\$ 1,112,005,000

[Note: From *Independent Auditor's Report for October 1, 2002* (p. 16) and *Independent Auditor's Report* for October 1, 2000 (p. 3), by KPMG LLP, San Diego, California.

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Projection Calculation

<u>Years</u>	<u>1998-1999</u>	<u>1999-2000</u>	<u>2000-2001</u>	<u>2001-2002</u>	<u>Average</u>
% Increase/Decrease:	19.00%	10.23%	10.78%	5.97%	Change
Rate of % change:	-8.77%	0.55%	-4.81%	-4.35%	11.49%
Projected annual rate of increase/decrease:					7.15%

Table 3

Projected Revenue of Jack In The Box Inc. by menu category without menu changes

Menu Category	Sales %	Projected Revenues				
		2008	2007	2006	2005	2004
Hamburgers (including Combos)	55%	\$ 1,416,053,207	\$ 1,321,566,008	\$ 1,233,383,538	\$ 1,151,085,108	\$ 1,074,278,102
Chicken & More (including Combos)	15%	386,196,329	360,427,093	336,377,329	313,932,302	292,984,937
Breakfast	10%	257,464,220	240,284,729	224,251,552	209,288,201	195,323,291
Tacos & snacks	10%	257,464,220	240,284,729	224,251,552	209,288,201	195,323,291
Salads	5%	128,732,110	120,142,364	112,125,776	104,644,101	97,661,646
Shakes & Desserts	5%	128,732,110	120,142,364	112,125,776	104,644,101	97,661,646
	100%	\$ 2,574,642,195	\$ 2,402,847,288	\$ 2,242,515,523	\$ 2,092,882,015	\$ 1,953,232,912

Note: Authors' own calculation

Table 4

Revenue Projection for Santa Fe Feast Sandwich

New Menu	Projected Sales Change	2008	Final					2002-2003				
			Sales % in 2008	2,007	Sales % in 2007	2006	Sales % in 2006		2005	Sales % in 2005	2004	Sales % in 2004
Hamburgers (inc. Combos)	-1%	\$ 1,390,306,785	54%	\$ 1,302,343,230	54.20%	\$ 1,219,928,445	54.40%	\$ 1,142,713,580	54.60%	\$ 1,070,371,636	54.80%	\$ 1,002,596,100
Chicken & More (inc. Combos)	-2%	334,703,485	13%	321,981,537	13.40%	309,467,142	13.80%	297,189,246	14.20%	285,172,005	14.60%	273,435,300
Santa Fe Burger*	5%	128,732,110	5%	96,113,892	4.00%	67,275,466	3.00%	41,857,640	2.00%	19,532,329	1.00%	0
Breakfast	0%	257,464,220	10%	240,284,729	10.00%	224,251,552	10.00%	209,288,201	10.00%	195,323,291	10.00%	182,290,200
Tacos & snacks	-1%	231,717,798	9%	221,061,951	9.20%	210,796,459	9.40%	200,916,673	9.60%	191,416,825	9.80%	182,290,200
Salads	-1%	102,985,688	4%	100,919,586	4.20%	98,670,683	4.40%	96,272,573	4.60%	93,755,180	4.80%	91,145,100
Shakes & Desserts	0%	128,732,110	5%	120,142,364	5.00%	112,125,776	5.00%	104,644,101	5.00%	97,661,646	5.00%	91,145,100
0%*		\$ 2,574,642,195	100%	\$ 2,402,847,288	100%	\$ 2,242,515,523	100%	\$ 2,092,882,015	100%	\$ 1,933,232,912	100%	\$ 1,822,902,000

* Sales are projected to increase by 1% incremental each year for the next five year assuming no new market share is acquired.

Note: Authors' own calculation

MARKETING BUDGET

Jack in the Box, Inc.
 Segmented Forecast by Product
 Santa Fe Feast
 2004 through 2008

	2004	2005	2006	2007	2008
Projected Unit Sales	7,000,835	15,002,738	24,113,070	34,449,424	46,140,541
Projected Revenues					
Restaurant Sales :					
Santa Fe Feast	19,532,330	41,857,639	67,275,465	96,113,893	128,732,109
2.79 per Unit					
Total Revenue by Product	\$ 19,532,330	\$ 41,857,639	\$ 67,275,465	\$ 96,113,893	\$ 128,732,109
Projected Cost of Goods Sold					
Restaurant Cost of Sales:	6,445,669	13,813,021	22,200,904	31,717,585	42,481,596
Projected Gross Margin	13,086,661	28,044,618	45,074,562	64,396,308	86,250,513
Projected Administrative Costs					
Development	700,084	1,350,246	1,929,046	2,411,460	3,229,838
Test Markets	1,750,209	1,350,246	1,205,654	1,033,483	922,811
Advertising	3,500,418	6,001,095	9,645,228	13,779,770	18,456,216
Education & Training	2,100,251	3,000,548	4,822,614	5,167,414	6,921,081
Printed Materials	1,750,209	3,750,685	4,822,614	6,889,885	9,228,108
Miscellaneous	1,050,125	1,800,329	1,929,046	1,722,471	2,307,027
Total Projected Net Income by Product	2,235,367	10,791,469	20,720,361	33,391,827	45,185,432
Projected Per Unit Net Income :	0.32	0.72	0.86	0.97	0.98

Notes to Accompany Santa Fe Feast Forecast

- A. Year one sales are based on a segmented roll out, with test markets being utilized for the first 2-3 months of 2004.
- B. Cost of Goods sold is based on the Jack in the Box historic average of 69% Gross Margin, less 2 % new merchandise start up.
- C. Cost Schedule (Dollars per unit)

Development	0.10	0.09	0.08	0.07	0.07
Test Markets	0.25	0.09	0.05	0.03	0.02
Advertising	0.50	0.40	0.40	0.40	0.40
Education	0.30	0.20	0.20	0.15	0.15
Print	0.25	0.25	0.20	0.20	0.20
Misc.	0.15	0.12	0.08	0.05	0.05
Projected Per Unit Overhead Costs	\$ 1.55	\$ 1.15	\$ 1.01	\$ 0.90	\$ 0.89