Pollo Campero in the USA

Esteban R. Brenes
Strategy Department, INCAE Business School, Alajuela, Costa Rica
Amitava Chattopadyay
INSEAD Business School, Singapore, Singapore
Luciano Ciravegna
International Development Institute, King's College London, London, UK and INCAE Business School, Alajuela, Costa Rica, and
Daniel Montoya
INCAE Business School, Alajuela, Costa Rica

Abstract

Purpose – This case illustrates the challenges that Pollo Campero, a Guatemalan fast food company, faces when expanding in the US market. The purpose of this paper is to stimulate a discussion about consumer segmentation, competitive strategy and the internationalization of emerging market multinationals.

Design/methodology/approach – The case study is based on primary research conducted in conjunction with the company, including interviews with senior management and an ample review of documents. Secondary sources have been used to gather information about the industry, the US market and consumer segments.

Findings – The case illustrates that Pollo Campero was initially very successful in the US market because it appealed to consumers of Central American origin. It found it harder to appeal to a broader range of US consumers, who had no emotional attachment to the brand.

Originality/value – This is a complex, in-depth case study suitable for use with advanced MBA students and practitioners. Depending on the aims of the instructor, different aspects of the case can be highlighted and it can be used in a competitive strategy class as well as in a corporate strategy class or a strategic marketing course. It can be used in a class focussing on brand, positioning and consumer segmentation, a class on competitive strategy in the fast food industry, or a class on the international strategy of emerging market multinationals.

Keywords Business strategy, USA, International marketing strategy, Emerging market multinationals, Fast food industry, Internationalization

Paper type Case study

On a hot, steamy summer afternoon in Dallas, Roberto Denegri, President and COO of Campero USA (CUSA) – a wholly-owned subsidiary of Guatemalan fast-food company Pollo Campero Corporation – sat in his air-conditioned office in the Lincoln Centre Tower II, grappling with the question of what CUSA's growth strategy should be over the next years. Pollo Campero Corporation entered the US in 2002 with a single restaurant in Los Angeles (LA). Since then, it had expanded, largely because of its popularity with customers of Central American origin. In 2007, the Board of Directors of Pollo Campero Corporation moved CUSA from Guatemala to Dallas to better manage its operations in the US Pollo Campero had an ambitious goal for CUSA – to open approximately 300 restaurants by 2014. Now, in 2010, the number of Pollo Campero restaurants had reached 48, covering 12 states and Washington, DC – not a bad result *per se*, but not on pace with the goals set in 2007. The market research report sitting on Denegri's desk provided a clear picture of industry trends and consumer segments in the US market. Pollo Campero's Board of Directors had stated

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very clearly to Denegri that it expected CUSA to continue to be a key growth driver for the corporation.

Denegri needed to evaluate the situation and prepare his recommendations for the next Board meeting, happening in two weeks. Among other things, Denegri was asking himself if it was time to change the way their brand and their company were positioned in the USA.

Pollo Campero

Pollo Campero, loosely translated to “country chicken,” was founded in Guatemala in 1971. It offered customers a new fast-food concept in terms of flavor: a tender, juicy, crispy chicken, marinated with a mix of spices highlighting Central American flavors. In 1972, Pollo Campero expanded to neighboring El Salvador, taking advantage of similarities in consumer tastes. By 1982, the company had 18 restaurants in Guatemala and seven in El Salvador. In 1992, the company opened its first restaurant in Honduras, where it had also acquired a poultry farm. Guatemalans, Salvadorians and Hondurans traveled frequently throughout Central America, which helped Pollo Campero become a well-known brand in the region. In 1997, Pollo Campero developed a franchise program, which allowed the company to open stores in Panama and later in Nicaragua, Costa Rica, Ecuador and Mexico.

Between 1997 and 2000, Campero became the most internationalized Latin American fast-food chain, with 143 restaurants and nearly 6,000 employees. By 2001, Pollo Campero had decided to enter the USA, encouraged by the large number of people buying their fried chicken in El Salvador and Guatemala to bring to their relatives in the USA. Pollo Campero Corporation CEO Juan José Gutierrez said[1]:

> When boarding a flight from El Salvador or Guatemala to Los Angeles and other destinations, you could smell the chicken all the way, so the Campero management team, further motivated by suggestions from airline managers, resolved to take this opportunity to offer their product to this market niche, and we did so through franchisees just as we had been doing in Latin American countries.

In 2002, Pollo Campero opened its first US restaurant in LA through a franchise agreement with ADIR Restaurants Corp., a sister company of La Curacao. La Curacao sold consumer electronics, such as home computers and digital cameras, and home appliances. It was an ideal partner for Pollo Campero because it was based in LA, the US city with the largest number of Central Americans and, thus, catered specifically to that population. For example, La Curacao provided export delivery services to Guatemala and El Salvador. ADIR became a master developer in 2001 and was the only sub-franchisor licensed by Pollo Campero to offer sub-franchises in California, Washington, Oregon, Nevada, New Mexico and Arizona (Campero USA Corp, 2011).

The restaurant openings broke sales records in the industry, hitting $1 million in its first 22 days (Arndt, 2010). Juan José Gutierrez commented:

> People came to the newly-opened Pollo Campero and for several months, especially at the beginning, the restaurant was full of customers. That was very encouraging. We found that more people than normal came because some drove from far off places to visit, but only at the opening time. Of course, after that they did return but just occasionally; therefore, we had to keep with the Central Americans living near the restaurant.

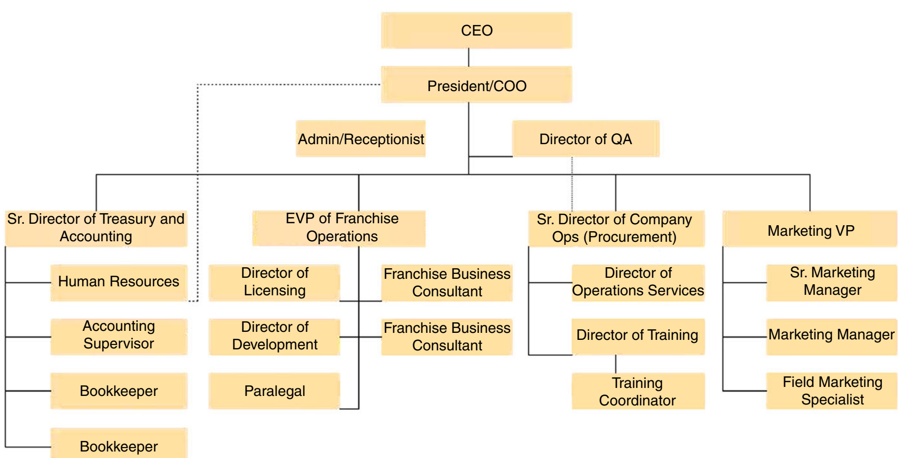
Campero opened stores in other cities and states, especially those with large settlements of Central Americans, such as DC, Texas and New York. In 2003, Pollo Campero created CUSA, an organizational unit located in Guatemala, to manage the operations in the USA. Operations Manager of CUSA Rodolfo Bianchini said:

> Restaurants required someone to break in hands and make them ready for opening, so we stayed between two and three weeks working on them. We spent about half of the year in the United States.

Between 2002 and 2007, Pollo Campero opened 30 restaurants, targeting mainly the Central Americans living in the USA. During the opening weeks, sales ranged between US $10,000 and $50,000 per day in each restaurant, which, according to Denegri, was above the average sales of competitors.

In 2007, the Board of Directors established a set of strategic objectives for the future. Its objectives for the US market were to be among the top 50 quick-service restaurants (QSRs) in terms of average annual sales, and to open approximately 300 restaurants by 2014. In order to facilitate learning about the US market, the Board of Directors moved CUSA to Dallas. Dallas was chosen because of its proximity to Guatemala (a three-hour flight) and because it was a strategic location for operations' logistics. Roberto Denegri, a manager with previous experience in the fast-food industry, was appointed President and COO of CUSA, together with a finance director, an operations manager and a person in charge of granting franchises. Denegri hired four new managers to improve the marketing and operations of CUSA. Denegri had to report to Juan José Gutierrez, CEO of Pollo Campero Corporation, and to the Board of Directors. The Board gave Denegri the responsibility for ensuring that CUSA's strategy was suited to achieving the long-term objectives they had set (see Figure 1).

Initially, the restaurants in the USA were a simple copy-paste of its offering in Central America. Waiters and cashiers spoke better Spanish than English since many of them were Central Americans. In order to test new concepts and improve CUSA's organizational learning in the US market, Denegri decided to open some company-owned restaurants. In 2007, CUSA opened two new restaurants in Dallas and bought back 50 percent of a restaurant established in 2004 in a joint venture with a franchisee. Dallas had 449,600 households with an average of 2.6 members and an average household income of US $41,800. The Hispanic population accounted for 42.4 percent



Source: Pollo Campero USA Corp.

Figure 1.
Pollo Campero USA Corp. (CUSA) organization chart

of the entire population, most from Mexico and Central America, and whites and blacks accounted for 28.8 and 25 percent, respectively. Neighboring cities, such as Irving and Farmer Branch, also had large Hispanic communities.

By late 2007, there were 36 restaurants under the name of Pollo Campero. The increase in restaurant openings was the result of an increased number of franchisees (from seven to 20), each responsible for a smaller territory of three to five restaurants in smaller geographical areas. The franchise opportunities were offered under a disclosure document and were only for the development and operation of Pollo Campero restaurants outside of the ADIR territory and within the USA. In November 2007, the company also entered into an agreement with Wal-Mart to run Pollo Campero restaurants inside Wal-Mart stores. It was a great opportunity to open stores nationwide. Guiselle Ruiz, Vice-president and Regional General Manager of Wal-Mart Stores, USA, said:

> Our customers today come from many different backgrounds and all walks of life. Many are Latin American, and they are among our fastest-growing markets. It stands to reason that our offerings reflect the needs of the communities we serve. We know Pollo Campero will add value to Wal-Mart with its premium Latin American restaurant brand (Marketwire, 2007).

Lorenzo López, Wal-Mart Stores Inc. spokesman, stated: "It's kind of like when we're looking at salsa versus ketchup and tortillas versus bread" (*Daily News*, 2008).

Between 2008 and 2009, CUSA achieved an improvement in its financial results (see Tables I and II).

However, by June 2010, the growth rate defined during the 2007 strategy session and the goal of 300 restaurants by 2014, were not being accomplished. Pollo Campero had only 48 stores in 12 states and Washington, DC (see Table III).

Pollo Campero restaurants feature brightly colored booths with Latin authenticity, and 50 percent of them have drive-through windows (see Plate 1). The US menu included fried plantains and milky *horchata*, drinks from its original menu, but also uniquely American dishes such as grilled chicken and mashed potatoes, aimed to appeal to US consumers at large (see Figure 2). The cooking process of chicken, marinated with over 20 ingredients, including spices native to Central America and breaded by hand, made the flavor penetrate to the bone. The chicken was juicy and free of trans-fat, differentiating Campero from other restaurants. The beans cooked and served at the restaurants resulted from a blend of nine ingredients.

Campero's prices varied all across the USA. On average, they tended to be on par with KFC and a little less than Popeye's. However, both of those brands invested large sums on TV advertising, generating a stronger value perception with consumers. Campero, lacking the resources to compete with KFC and Popeye's through advertising, introduced new promotions. It imitated its competitors by offering eight pieces of chicken for $7.99 and by adding snacks to the menu with prices from US $0.99 for products such as a tortilla with chicken, which attracted new consumers. CUSA soon realized that the copy-paste approach would not work everywhere. In Central America, Pollo Campero is well recognized. In the USA, the name was totally unfamiliar, except to customers with Central American roots. Rodolfo Bianchini clearly appreciated this and said with regard to the restaurant in Wal-Mart:

> Most people didn't know the brand. However, we are simply a "chicken" concept. So people came over and tried the product and in most cases they ended up very pleased (*Daily News*, 2008).

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	414,597.00	1,217,233.00
Accounts receivable, net of allowance for doubtful accounts of approximately US $ 67,000 and US $38,000 as of June 30, 2009 and 2008, respectively	219,967.00	330,819.00
Due from related parties and others	494,482.00	307,130.00
Prepaid expenses and other current assets	64,441.00	127,275.00
Total current assets	1,193,487.00	1,982,457.00
Restricted cash	267,317.00	255,000.00
Note receivable, franchisee	1,080,000.00	–
Property and equipment, net	533,738.00	347,656.00
Due from related parties, less current portion	608,722.00	1,182,205.00
Deposits and other assets	60,905.00	24,071.00
Total assets	3,744,169.00	3,791,389.00
Liabilities and stockholder's deficit		
Current liabilities		
Accounts payable	202,299.00	727,518.00
Accrued expenses	458,301.00	745,105.00
Deferred revenue	768,750.00	1,220,000.00
Due to related parties – current portion	77,928.00	–
Total current liabilities	1,507,278.00	2,692,623.00
Due to related parties, less current portion	2,309,498.00	1,080,243.00
Deferred revenue	839,687.00	1,240,000.00
Total liabilities	4,656,463.00	5,012,866.00
Commitments and contingencies		
Stockholder's deficit	(913,294.00)	(1,221,477.00)
Total liabilities and stockholder's deficit	3,743,169.00	3,791,389.00

Source: Campero USA Corp. (2011, p. 365)

Table I.
Pollo Campero USA corp. (CUSA) 2008 and 2008 balance sheet

	2009	2008
Revenues		
Royalties	2,856,503.00	2,497,954.00
Store development fees	1,409,063.00	243,750.00
Franchise fees	80,000.00	70,000.00
Others	98,923.00	70,095.00
Total revenues	4,444,489.00	2,881,799.00
Expenses		
General and administrative expenses	1,204,765.00	1,391,182.00
Advertising and marketing	136,139.00	499,624.00
Professional fees	784,611.00	1,553,020.00
Project development	36,959.00	321,799.00
Salaries and payroll taxes	3,412,549.00	3,505,202.00
Travel	561,183.00	723,917.00
Total operating expenses	6,136,206.00	7,994,744.00
Loss before provision for income taxes	–	–
Net loss	(1,691,717.00)	(5,112,945.00)

Source: Campero USA Corp. (2011, p. 365)

Table II.
Statement of operations

Table III.
Campero chicken restaurants in the USA

State	Year	Outlets at beginning of year	Outlets opened	Terminations	Non-renewals	Re-acquired by franchisor	Ceased operations - other reasons	Outlets at year end
Arizona	2008	0	0	0	0	0	0	0
	2009	0	1	0	0	0	0	1
California	2008	15	3	0	0	0	1	17
	2009	17	1	0	0	0	4	14
Florida	2008	0	1	0	0	0	0	1
	2009	1	2	0	0	0	0	3
Georgia	2008	0	1	0	0	0	0	1
	2009	1	2	0	0	0	0	3
Illinois	2008	1	1	0	0	0	0	2
	2009	2	0	0	0	0	0	2
Maryland	2008	3	0	0	0	0	0	3
	2009	3	1	0	0	0	0	4
Massachusetts	2008	0	0	0	0	0	0	0
	2009	0	2	0	0	0	0	2
North Carolina	2008	0	0	0	0	0	0	0
	2009	0	0	0	0	0	0	0
New Jersey	2008	0	0	0	0	0	0	0
	2009	0	1	0	0	0	0	1
New York	2008	2	2	0	0	0	0	4
	2009	4	4	0	0	0	2	6
Rhode Island	2008	0	0	0	0	0	0	0
	2009	0	1	0	0	0	0	1
South Carolina	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
Texas	2008	5	0	0	0	0	1	4
	2009	4	3	0	0	0	0	7
Virginia	2008	2	0	0	0	0	0	2
	2009	2	1	0	0	0	0	3
Washington DC	2008	1	0	0	0	0	0	1
	2009	1	0	0	0	0	0	1
Total USA	2008	30	8	0	0	0	2	36
	2009	36	19	0	0	0	6	48

Source: Campero USA Corp. (2011, p. 365)

Less than 1 percent of the US population identified themselves as Central Americans. Their family income did not exceed $40,000 per year. They visited QSRs about five times per week, spending between US $22 and US $26 per week. Attracting Central Americans to its restaurants had been easy, but their small numbers limited the prospect for Campero's future growth in the US Denegri realized that in order to decide which strategy to adopt, CUSA needed to understand how the broader set of US consumers perceived Pollo Campero and its main competitors: how did they perceive the name, the facilities, the products, and the experience? Were they comfortable in different environments, such as the "Latin" environment of Campero? What did they expect from going into a Campero restaurant? Was it feasible to target mainstream Americans? Or were there other groups that CUSA could target? To analyze the engagement of customers, Denegri used an analytic framework provided by an external consulting firm (see Figure 3).

Plate 1.
Restaurant

Source: Pollo Campero USA Corp.

The core customers, Central Americans, focussed on the quality of the food and overlooked other components of the experience because their cultural heritage strongly connected them with the brand. However, new consumers were not familiar with Pollo Campero and lacked this clear connection. Brand elements, such as the name and the logo, were unclear and confusing to them. The consultants from ABC Consulting Co.[2], a firm hired by CUSA in 2009 to help it change its strategy, mentioned that "the little chicken" in the logo was infantile, cheap and did not reflect the food quality of Campero. In addition, the logo typography had some cowboy features; its shape was similar to that of many of their competitors; and, like Campero, some competitors also used the Spanish word "Pollo" in their names.

According to the market research carried out by ABC Consulting Co., the atmosphere of Pollo Campero attracted Central Americans and, in some cases, Hispanics. They suggested to Denegri that such a Hispanic environment may not be appealing to non-Hispanic Americans, who comprised the largest percentage of population and had the most purchasing power (see Figure 4).

In addition to its foray into the USA, Pollo Campero Corporation crossed the Atlantic in 2006 to open a restaurant in Spain and then one in Andorra. It did so through a joint venture between Pollo Campero Corporation and Agrolimen, a Spanish business group, through its affiliate company Eat Out Group, owner of the Pans and Company chain, ranking number one in bocadillo/sandwich sales in Spain. Their franchise in Central America was run by Pollo Campero Corporation. In the following years, the group entered China, Indonesia, Bahrain and India through joint ventures with local businesses. By the summer of 2012, Pollo Campero Corporation accounted for US $400 million. Revenue came from the more than 80 million customers it served yearly in 14 countries (see Table IV) through a network of some 330 + restaurants. The Corporation had three divisions: The Latam division based in Guatemala ran the Latin American business; CUSA ran the USA out of the Dallas HQ; and a third division called Campero International Franchising ran the rest of the world from its headquarters in Spain.

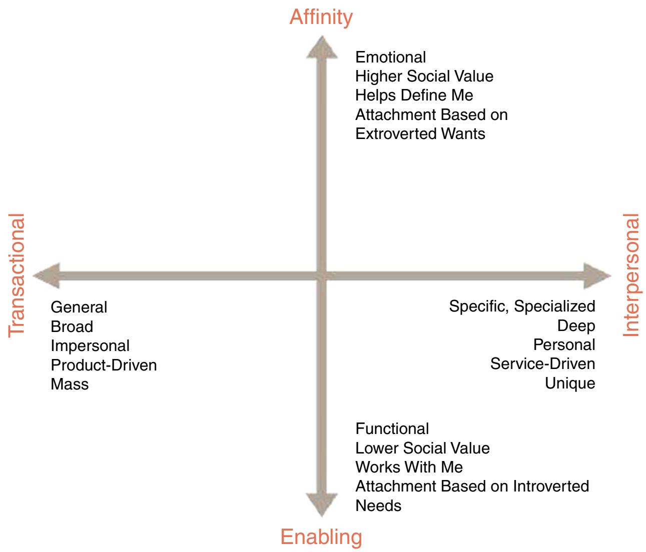
Figure 2.
Pollo campero menu

Source: Pollo Campero USA Corp.

Franchise agreement

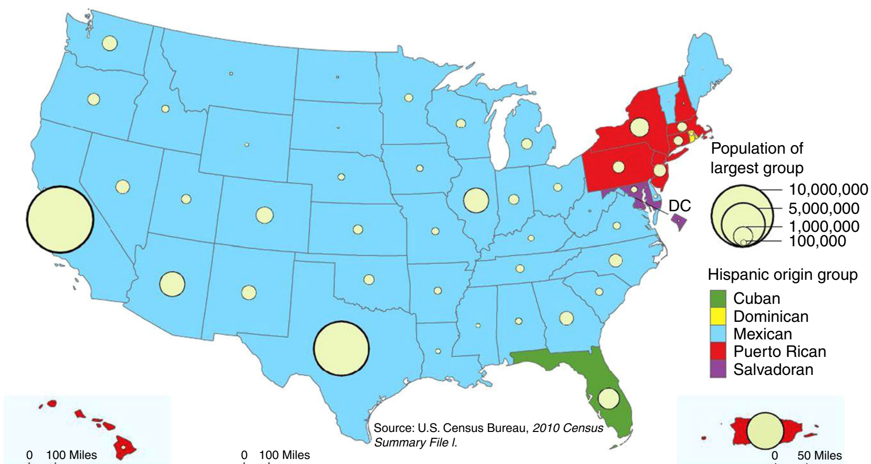
Through its franchises, CUSA allowed franchisees to operate Pollo Campero stores that sold the unique Pollo Campero chicken products. Franchisees signed a Store Development Agreement to develop a single specific location or a network of Pollo Campero stores within a targeted area under the Store Development Program. A network typically consisted of three or more stores. In addition to the typical Pollo Campero Store, CUSA granted to qualified prospects the right to operate a Pollo Campero "Express Unit." An Express Unit was suited to some urban areas and special venues, where conditions required a more-concise format, such as inside shopping malls and airports, and could include special distribution opportunities offered to franchisees (Campero USA Corp., 2011).

All Pollo Campero stores had to be developed and operated to meet CUSA specifications and standards. The Franchise Agreement was limited to specific location(s), and CUSA had the right to set up restaurants or issue franchises aiming to



Source: InterBrand Design Forum, "Segmentation and Brand Strategy", Pollo Campero, June 18, 2010

Figure 3.
Framework of analysis: engagement



Source: United States Census Bureau (2011b)

Figure 4.
Distribution of hispanic population in the USA

capture customers in the same geographic area, subject to the limited territory granted in a Store Development Agreement. The specifications and standards included a distinctive exterior and interior design, decor, color and identification schemes and furnishings; special menu items; the unique flavor of their fried chicken, marinated and breaded with a secret formula; standards, specifications and operation procedures; quality of products and services offered; management programs; training and assistance; and marketing and promotional programs, all of which CUSA could change, supplement, and further develop.

Table IV.
Pollo Campero global expansion

	Franchises	Country	Stores
Affiliates	Pollo Campero, S.A ("PC"),	Guatemala	139
	Pollo Campero de El Salvador, S.A. de C.V. ("PCES")	El Salvador	89
	Pollo Campero, S.A ("PC"),	Honduras	15
	Varesse, S.A. de C.V. ("VAR")	Mexico	3
	Inversiones 12,995, S.A.	Costa Rica	19
	Campero International, Corp. ("CIC"),	Nicaragua	5
	Campero USA Corp. (CUSA)	USA	50
	Pollo Campero Iberia, ("PC Iberia")	Spain	8
	Pollo Campero Iberia, ("PC Iberia")	Andorra	1
	Pollo Campero Iberia, ("PC Iberia")	Indonesia	3
	Pollo Campero Iberia, ("PC Iberia")	Bahrain	2
	Pollo Campero Iberia, ("PC Iberia")	Ecuador	5
	Pollo Campero Iberia, ("PC Iberia")	India	2
	Pollo Campero Iberia, ("PC Iberia")	UK	1
	Pollo Campero of Canada, Inc.	Canada	0

Source: Campero USA Corp. (2011, p. 365)

CUSA had three different store formats. The Free-Standing Pollo Campero retail stores did not share any common walls with a third party and had their own parking areas. They generally required a lot ranging from 1,400 to 4,000 m^2 (15,000-43,000 sq. ft.) and a building ranging from 170 to 260 m^2 (1,800-2,800 sq. ft.) in size. The total investment required to begin operation of a Free-Standing location ranged between \$826,537 and \$1,652,500. The second format, In-Line Pollo Campero stores were mid-sized restaurants located in commercial properties sharing a common wall with a third party, such as in a strip mall. They were generally 185 to 300 m^2 (2,000-3,200 sq. ft.) in size. Total investment for an In-Line location ranged from \$651,950 to \$1,433,500. Finally, the Express Pollo Campero units were smaller restaurants, such as a counter at a food court in a shopping mall. They were generally from 65 to 150 m^2 (700-1,600 sq. ft.) in size. Total investment for this format ranged from \$312,421 to \$679,500.

These investment ranges included a \$40,000 initial franchise fee, and if the franchisee leased or subleased the premises from CUSA, \$5,000 for the security deposit and prepaid rental charges would be required, for a total of \$45,000 in initial fees that had to be paid to CUSA or its affiliates before the franchisee opened for business (see Table V). Two others fees, the "Continuing Franchise Fee" and the "Continuing Advertising Fee," each amounting to 5.0 percent of gross sales, had to be paid weekly. Monitoring of sales and operating costs at different types of stores showed variability in performance between the eastern and western regions of the USA (see Tables VI and VII).

US industry and competitive landscape

In 2009, there were over 945,000 food-service outlets in the USA employing 12.7 million people. The National Restaurant Association (NRA) projected a 2.5 percent increase in industry revenues in 2010 over 2009, reaching US \$580 billion (see Table VIII). Stores were categorized by their nature as either commercial sites, accounting for 91.4 percent of revenues, or non-commercial ones, accounting for 8.6 percent (see Table IX).

Table V. Free-standing and inline stores estimate initial investment

Type of expenditure	Amount	Method of payment	Due	Pay to
Free-standing stores estimate initial investment				
Initial franchise fee	$40,000	Lump sum or per payment schedule for qualified incentive programs	Generally paid at time of execution of the Store Development Agreement ("SDA")	Campero USA Corp.
Real property: building/build out costs	$373,147-$623,500	Lump sum or financed	As incurred, before opening	USA or third parties (franchisee landlord and/or contractor)
Real property: site development costs, free-standing	$50,000-$197,500	Lump sum or financed	As incurred, before opening	USA or third parties (franchisee landlord and/or contractor)
Additional development costs	$37,000-$173,000	Lump sum or financed	As incurred, before opening	USA or third parties (franchisee landlord and/or contractor)
Restaurant equipment, fixtures	$167,000-$275,000	Lump sum or financed	As incurred, before opening	Approved suppliers
Signs	$17,000-$60,000	Lump sum or financed	As incurred, before opening	Approved suppliers
POS	$22,000-$45,000	Lump sum or financed	As incurred, before opening	Approved suppliers
Play area equipment	$19,140-$35,000	Lump sum or financed	As incurred, before opening	Approved suppliers
Opening inventory	$15,000-$30,000	Lump sum	Before opening	Approved suppliers
Miscellaneous opening costs	$6,750-$27,000	Lump sum	As incurred	Suppliers, utilities, employees, etc.
Uniforms	$1,500-$2,500	Lump sum	Before opening	Approved suppliers
Insurance	$20,000-$50,000	Lump sum	Before opening	Insurance company/agent
Travel and living expenses while training	$2,000-$15,000	Lump sum	As incurred, during training	Airlines, rental car agencies, restaurants, hotels, etc.
Marketing start-up expenditure	$20,000	Lump sum	As per contract, before opening	Third parties, approved suppliers
Additional funds for the first six months of operation	$36,000-$ 50,000	Lump sum	Monthly and as incurred	Third parties and employees
Totals	$826,537-$1,652,500		Does not include real estate costs	
In-line stores estimate initial investment				
Initial fee franchise fee	$40,000	Lump sum or per payment schedule for qualified incentive programs	Generally paid at time of execution of the Store Development Agreement ("SDA")	Campero USA Corp.
Real property: building/build out costs	$210,000-$697,000	Lump sum or financed	As incurred, before opening	USA or third parties (your landlord and/or contractor)

(*continued*)

Type of expenditure	Amount	Method of payment	Due	Pay to
Real property: site development costs, free-standing	$0-$27,500	Lump sum or financed	As incurred, before opening	USA or third parties (your landlord and/or contractor)
Additional development costs	$6,000-$80,000	Lump sum or financed	As incurred, before opening	USA or third parties (your landlord and/or contractor)
Restaurant equipment, fixtures	$167,000-$275,000	Lump sum or financed	As incurred, before opening	Approved suppliers
Signs	$6,000-$50,000	Lump sum or financed	As incurred, before opening	Approved suppliers
POS	$20,000-$45,000	Lump sum or financed	As incurred, before opening	Approved suppliers
Play area equipment	$15,000-$30,000	Lump sum or financed	As incurred, before opening	Approved suppliers
Opening inventory	$15,000-$30,000	Lump sum or financed	As incurred, before opening	Approved suppliers
Miscellaneous opening costs	$6,750-$27,000	Lump sum	Lump sum as incurred	Suppliers, utilities, employees, etc.
Uniforms	$1,200-$2,000	Lump sum	Before opening	Approved suppliers
Insurance	$18,000-$45,000	Lump sum	Before opening	Insurance company/agent
Travel and living expenses while training	$2,000-$15,000	Lump sum	As incurred, during training	Airlines, rental car agencies, restaurants, hotels, etc.
Marketing start-up expenditure	$20,000	Lump sum	As per contract, before opening	Third parties, approved suppliers
Additional funds for the first six months of operation	$35,000-$50,000	Lump sum	Monthly and as incurred	Third parties and employees
Totals	$651,950 to $1,433,500		(Does not include real estate costs)	
Express Unit				
Initial fee franchise fee	$40,000	Lump sum or per payment schedule for qualified incentive programs	Generally paid at time of execution of the Store Development Agreement ("SDA")	Campero USA Corp.
Real property: building/build out costs	$48,000-$205,000	Lump sum or financed	As incurred, before opening	USA or third parties (franchisee landlord and/or contractor)
Real property: site development costs, free-standing	n/a	Lump sum or financed	As incurred, before opening	USA or third parties (franchisee landlord and/or contractor)
Additional development costs	$10,000-$40,000	Lump sum or financed	As incurred, before opening	USA or third parties (franchisee landlord and/or contractor)

(*continued*)

Table V.

Table V.

Type of expenditure	Amount	Method of payment	Due	Pay to
Restaurant equipment, fixtures	\$130,000-\$180,000	Lump sum or financed	As incurred, before opening	Approved suppliers
Signs	\$6,000-\$40,000	Lump sum or financed	As incurred, before opening	Approved suppliers
POS	\$16,071-\$32,000	Lump sum or financed	As incurred, before opening	Approved suppliers
Play area equipment	n/a	Lump sum or financed	As incurred, before opening	Approved suppliers
Opening inventory	\$5,000-\$15,000	Lump sum	Before opening	Approved suppliers
Miscellaneous opening costs	\$6,750-\$27,000	Lump sum	As incurred	Suppliers, utilities, employees, etc.
Uniforms	\$600-\$1,500	Lump sum	Before opening	Approved suppliers
Insurance	\$8,000-\$14,000	Lump sum	Before opening	Insurance company/agent
Travel and living expenses while training	\$2,000-\$15,000	Lump sum	As incurred, during training	Airlines, rental car agencies, restaurants, hotels, etc.
Marketing start-up expenditure	\$10,000-\$20,000	Lump sum	As per contract, before opening	Third parties, approved suppliers
Additional funds for the first six months of operation	\$30,000-\$50,000	Lump sum	Monthly and as incurred	Third parties and employees
Totals	\$312,421-\$679,500		Does not include real estate costs	

Source: Campero USA Corp. (2011, p. 365)

Limited-service restaurants, which included fast-food chains (QSRs), provided a quick and cheaper alternative to traditional full-service restaurants. This industry was estimated to be worth around US $164.8 billion in 2009. In this type of restaurant, consumers served themselves by bringing food to their own tables and pouring drinks from a fountain. The average customer paid US $3.90 in the morning, US $5.60 for lunch, US $6.00 for dinner and $3.50 for a snack in the course of the afternoon (Campero USA Corp, 2011).

The "fast-casual restaurants" (FC) were a limited-service category of restaurants, serving fast, convenient food, but focussing on providing a great experience for customers through food with good taste, appearance and freshness in addition to a friendly atmosphere and excellent service. These restaurants combined the strategy of full-service restaurants with that of QSRs. The average meal sold for US $10 (Green, 2012). Although customers and industry experts valued what these restaurants offered, they continued to classify them as QSRs. Fast-casual was the only category of

Region Type of unit	Eastern[a] Average gross sales	Western[b] Average gross sales
Free-standing	1,743,155	978,731.00
In-line	1,154,894	1,374,825.00
Express n/a		553,547.00

Notes: [a]States: AK, AL, CT, DC, DE, FL, GA, HI, IL, IN, KY, MA, MD, ME, MI, MS, NC, NH, NJ, NY, OH, PA, RI, SC, TN, VA, VT, WV, WI; [b]states: AR, AZ, CA, CO, IA, ID, KS, LA, MD, ME, MI, MS, NC, NH, NJ, NY, OH, PA, MN, MO, MT, ND, NE, NM, NV, RI, SC, TN, VA, VT, WV, WI, OK, OR, PR, SD, TX, UT, WA, WY
Source: Campero USA Corp. (2011, p. 365)

Table VI. Average gross sales per restaurant

Region	Eastern			Western		
	At/Below			*At/Below*		
Type of unit	*Number*	*Percentage*	*Avg. food and paper cost (%)*	*Number*	*Percentage*	*Avg. food and paper cost (%)*
Free-Standing	4	40	32.0	3	47.1	33.1
In-Line	2			5		
Express	0			0		
	At/Below			*At/Below*		
Type of unit	*Number*	*Percentage*	*Avg. labor cost (%)*	*Number*	*Percentage*	*Avg. labor cost (%)*
Free-Standing	4	33.3	22.8	2	41.2	27.6
In-line	1			5		
Express	0			0		

Notes: During the reporting period, there were ten Free-standing units and five In-Line units in the Eastern Region and nine Free-Standing units; seven In-Line units; and one Express unit in the Western Region. Food/Paper (referred to below for convenience as "food") means food, beverages and items served or associated with the food or beverage, such as cups, napkins, straws, bags, plastic utensils and wrapping paper. Labor means salaries, payroll, and similar related expenses. % At/below average means the percentage of stores included in the data whose applicable costs are at or below the stated average. The above food and labor costs are stated as a percentage of gross sales (excluding sales tax and discounts)
Source: Campero USA Corp. (2011, p. 365)

Table VII. Operating costs by region and restaurant type

Year	US \$ current growth (%)	Real growth (%)
2000	5.50	3.00
2001	4.60	0.80
2002	5.30	1.20
2003	4.50	2.10
2004	6.20	3.00
2005	5.30	2.20
2006	4.70	1.60
2007	4.80	1.00
2008	3.20	−1.20
2009	−0.70	−2.90
2010[a]	2.50	−0.10

Note: [a]Estimated
Source: Miller and Associates (2011, p. 416)

Table VIII. Restaurant industry sales growth

restaurants experiencing growth after the 2009 recession. The NRA vice-president for research said that fast-casual restaurants would have a better performance than the rest of the industry since it captured the sweet spot between QSRs and casual dining. Fast and convenient service was like QSRs, but had much-higher-quality food, an atmosphere similar to that of casual dining, and reasonable prices that fell between the two.

In general, 43 percent of sales in this industry were made at dinnertime, 31 percent at lunchtime and 9 percent at breakfast. The remaining 17 percent of sales took place while customers traveled (10 percent) or purchased snacks (7 percent) (Miller and Associates 2011). The restaurant industry operations report developed by NRA indicated that full-service restaurants' sales of solid food accounted for 79 percent of total sales, with drinks accounting for 21 percent. The figures for limited-service restaurants were 86 and 4 percent, respectively, plus 10 percent for other products. The most important cost for both full- and limited-service restaurants was raw materials used in the preparation of dishes – US \$61.1 billion and US \$48.8 billion, respectively (see Table X).

In 2003, 53 percent of customers visited one of the big restaurant chains, while 14 percent visited a small chain and 33 percent visited independent or local restaurants. Six years later, in 2009, 59 percent of customers visited the big chains, 11 percent small chains and 30 percent independent or local restaurants.

In the US there were 196 full-service restaurant chains and 99 limited-service chains. Full-service restaurant chains included Applebee's, Neighborhood Grill & Bar, Chili's Grill & Bar, TGI Friday's, Olive Garden, On the Border Mexican Grill & Cantina, Red Lobster, Outback Steakhouse and Denny's. Limited-Service QSR chains included McDonald's, Burger King, Taco Bell, KFC, Wendy's, Subway, Popeye's Chicken & Biscuits, Church's Chicken and Pollo Campero. Limited-Service fast-casual chains included Panera Bread, Chipotle Mexican Grill, Qdoba Mexican Grill and Chick-fil-A (*Franchise Times*, 2008).

Chipotle Mexican Grill specialized in offering a broad range of ingredients that customers could choose for their burritos, tacos and salads. An important ingredient was chicken, described as follows: "It comes from naturally-raised chicken and is marinated overnight with our spicy smoked chipotle, then grilled. Grill marks give it a subtle, caramelized flavor" (Chipotle Mexican Grill, 2012a).

Table IX.
Food service industry structure and income distribution

Category	US$ Billions	%	Growth 2009-2010
Restaurant and food services industry	580.00	100	2.5
Commercial	530.31	91.4	–
Eating and drinking places			
Full-service restaurants	184.17	31.8	1.2
Limited-service (including QSR and fast casual) restaurants	164.83	28.4	3
Snack and non-alcoholic beverage bars	24.73	4.3	2.4
Bars and taverns	18.84	3.2	2
Social caterers	7.09	1.2	4.5
Cafeterias, grill-buffets, and buffets	7.67	1.3	2.2
Total	407.35	70.2	2.1
Food service contractor-managed services			
Colleges and universities	13.64	2.4	5.7
Manufacturing and industrial plants	6.65	1.1	−0.5
Primary and secondary schools	5.86	1.0	5.4
Recreation and sports centers	5.02	0.9	4
Hospitals and nursing homes	5.05	0.9	6.7
Commercial and office buildings	2.56	0.4	1.8
In-transit foodservice (airlines)	2.06	0.4	0.7
Total	40.84	7.0	4
Retail and lodging			
Retail-host restaurants	30.93	5.3	4.9
Hotel restaurants	26.53	4.6	4.6
Recreation and sports (includes movies, bowling lanes, recreation, and sport centers)	12.52	2.2	2.5
Vending and non-store retailers (includes sales of hot food, sandwiches, pastries, coffee, and other hot beverages)	11.1	1.9	1.2
Mobile caterers	0.635	0.1	−1.7
Other accommodation restaurants	0.407	0.1	3.2
Total	82.12	14.2	2.5
Noncommercial	49.68	8.6	–
Noncommercial restaurant services (businesses, educational, government, or institutional organizations which operate their own restaurant services)			
Hospitals (includes voluntary, proprietary hospitals, long-term general, TB, nervous and mental hospitals, state and local short-term hospitals, and federal hospitals)	15.22	2.6	4.7
Clubs, sporting, and recreational camps	8.55	1.5	0.9
Nursing homes (includes homes for the aged, blind, orphaned, and the mentally and physically disabled)	7.14	1.2	2.6
Public and parochial elementary, secondary schools	6.14	1.1	2.2
Colleges and universities	6.08	1.0	−1.4
Community centers	2.14	0.4	4.8
Transportation	1.83	0.3	4.3
Employee restaurant services	0.426	0.1	2.1
Total	47.52	8.2	2.5
Military restaurant services			
Officer and NCO clubs (open mess)	1.48	0.3	3.7
Military exchanges	0.679	0.1	3.1
Total	2.16	0.4	3.5

Source: Miller and Associates (2011, p. 416)

Chipotle also sold beef, pork, vegetables, rice, beans, guacamole, sour cream and spicy sauces. Guacamole was made onsite; and fresh foods, such as onions, were cut and prepared manually. Steve Ells, Chipotle founder and CEO, said that the atmosphere at these restaurants was a simple but unique experience:

> Perceiving sounds and smells and seeing when something is cooked can really help whet your appetite. Unfortunately in many restaurants the "cooking" part is more like a science experiment. For this reason, each Chipotle is designed with an open kitchen facing the entire restaurant (Chipotle Mexican Grill, 2012b).

Ten chains with chicken as their main course ranked among the top 50 QSR chains in the USA (see Table XI). Kentucky Fried Chicken was the largest, with revenues of US $4.9 billion, 5,200 stores in the USA and 15,580 worldwide.

Every day, more than four million people are served at KFC restaurants in the USA. Every year, they ate 800 million muffins, 45 million kilograms (almost 100 million pounds) of coleslaw and 90 million kilograms (almost 200 million pounds) of mashed potatoes. Annual chicken sales were estimated at US $1.8 billion. The main product was the original recipe. Chicken was marinated with 11 different species and cooked under pressure. It was also sold as extra crispy or in strips. Also on the menu was

Table X. Pollo Campero in the USA, 2009 cost structure for full-service and limited-service restaurants

Categories	Restaurants Full service	Restaurants Limited-service
Cost of food and beverages sold	32	33
Salaries and wages	30	30
Restaurant occupancy costs	7	6
General and administrative expenses	3	8
Pretax income	4	3
Other (including direct operating expenses, marketing, utilities, maintenance, depreciation, administrative, interest, and corporate overhead)	20	20

Source: Miller and Associates (2011, p. 416)

Table XI. Pollo Campero in the USA, major limited-service restaurant chains specializing in chicken

Chains	Total sales US$ million	Annual sales per unit US$ thousands	Units: Under license or franchise	Units: Company-owned	Units: Total
KFC	4,900.0	960.00	4,307	855	5,162
Chick-fil-A	3,217.0	2,095.00	205	1,275	1,480
Popeye's	1,597.0	1,057.50	1,539	37	1,576
Church's Chicken	835.0	680.00	975	287	1,262
Zaxby's	718.0	1,581.00	406	86	492
Bojangles'	659.5	1,556.40	296	163	459
El Pollo Loco	582.0	1,600.00	243	172	415
Boston Market	545.0	1,020.00	0	520	520
Wingstop	306.6	744.00	425	23	448
Wing Zone	56.0	580.00	96	4	100

Source: QSR magazine, www.qsrmagazine.com/reports/chicken roasted chicken with hot sauce or BBQ sauce. Individual dishes could cost US $1 if the products were on promotion, but usually they were around US $6 with side dishes and beverage (soda or iced tea.) They offered children's menu and family combos (around US $18 for five people) and focussed on serving customers quickly and only at the counter, where customers ordered, paid for and picked up their food. Customers could not see the kitchen from the counter, as it was after hidden behind dispensers for ready-packed food to serve customers quickly (Kentucky Fried Chicken, 2012).

Chick-fil-A, based in Atlanta, Georgia specialized in marketing sandwiches made with breaded boneless chicken breast. Sandwiches featured different cheese types, salsa and lettuce or tomato. The menu also included nuggets, wraps, and a wide range of salads in large plates or bowls, chicken soup with tortilla and chicken breast soup with vegetables, French fried potatoes and coleslaw. Tables were decorated with natural flowers. Restaurants offered a welcoming family-oriented environment. Chick-fil-A had some 500 stores in 39 states and Washington, DC and was a strong supporter of the local communities.

The Popeye's fried chicken chain featured a restaurant and menu design reflecting the excitement of New Orleans, where it began in 1972. It offered marinated chicken in the traditional Louisiana style, characterized by a spicy condiment, as well as dishes such as mashed potatoes, muffins, coleslaw, red beans and rice, green beans and applesauce. Service and promotions were very similar to KFC's, as were their different forms of chicken and sauces. Unique products on their menu included a flour-tortilla burrito, made with red beans, rice and chicken (Popeye's, 2012).

Originally from San Antonio Texas, Church's Chicken was another chain specializing in fried chicken. Their products and service closely resembled KFC's. They described their product as high-quality, freshly prepared chicken that was different from their competitors' product as a result of care taken in preparing the food. In addition to its original fried chicken, Church's offered spicy chicken, boneless chicken wings with spicy sauce, BBQ or sweet and sour chicken, chicken burgers, chips, handmade muffins, corn, fried jalapenos and coleslaw. It was present in 22 countries, with 1,625 restaurants (Church's Chicken, 2012).

The "Pollo Loco" chain, founded in Mexico in 1975, had more than 400 restaurants in California, Arizona, Nevada, Texas, Illinois, Connecticut, Oregon and Utah. However, most of their restaurants were located in LA, where they had their real market share; they had not been able to expand successfully outside LA. By 2010, most of its restaurants in others states were closed, with only a handful remaining.

Pollo Loco stressed as its priority providing healthy food options to customers. It constantly brought fresh dishes to its menu inspired by Mexican cuisine, such as grilled chicken, fresh vegetables, pinto beans, chicken fajitas bowls, tortilla soup with chicken and crispy, fresh salads as a side to chicken or other main courses. It offered its own hot sauce, red chili hot sauce, jalapeno sauce, *pico de gallo*, guacamole, sour cream and flour tortillas, plus a wide variety of soft drinks, iced tea and horchata (El Pollo Loco, 2012).

Despite not being among the top ten restaurants, Pollo Tropical advertised itself as the place to relax and enjoy a great meal prepared with fresh products and served quickly. Originally from Miami, with its first store opening in 1998, by 2009, the company had about 70 stores in Florida, as well as in cities including Brooklyn, New York and Woodbridge, North Bergen, Little Ferry and Clifton, New Jersey (Enotes, 2012). It described its product as chicken always fresh, never frozen, freed of hormones and trans-fat, marinated in citrus and then cooked on the grill. The chain estimated that it cooked about 11 million kilograms (about 20 million pounds) of chicken per year. Its menu also included pork, *quesadillas*, sandwiches, white rice, yellow rice, beans, fried cassava, and cassava and plantains with cheese. Average income per transaction was US $9.38, with entrees priced between US $4 and US $9 (Pollo Tropical, 2012). Customers purchased and paid at the counter and brought the product to their table. However, CEO Larry J. Harris regarded Pollo Tropical as a fast-casual restaurant due to product taste and also because customers were allowed to observe food preparation, giving a sense of transparency and security about food safety and ensuring freshness. Industry experts, however, considered this chain closer to QSR than fast-casual.

US customers

The US population had grown at a rate of 0.9 percent annually over the last five years, reaching 307 million people (Denavas *et al.*, 2011; United States Census Bureau, 2011a). Four ethnic groups predominated. People who identified themselves as white accounted for 64 percent of the entire population, including citizens with family roots in Europe, the Middle East and North Africa. The Hispanic group consisted of people from Cuba, Mexico, Puerto Rico and Central and South America and accounted for 16 percent of the population. African Americans accounted for 13 percent and included people from countries such as Kenya, Nigeria and Haiti. Asians accounted for 5 percent and consisted of people from Southeast Asia, the Far East and India, and countries such as China, Japan, Cambodia, the Philippines, Malaysia and Vietnam. The remaining 2 percent consisted of Native Americans from Alaska and Hawaii, among other groups (United States Census Bureau, 2011a).

Hispanics had the fastest growth rate among all ethnic groups, nearly 4 percent per year between 2000 and 2009, reaching 49.1 million people in 2009. Mexicans accounted for 63.0 percent of the Hispanic population, followed by Puerto Ricans (9.2 percent), Cubans (3.5 percent), Salvadorans (3.3 percent), Dominicans (2.8 percent) and Guatemalans (2.1 percent). Among Central Americans, Hondurans accounted for 0.7 percent, and Nicaraguans and Costa Ricans each accounted for 0.3 percent. Note that in 2000, Salvadorans accounted for 1.9 percent of this population and Guatemalans for 1.1 percent. Both increased substantially and reached greater representation among Hispanics, as mentioned above (United States Census Bureau, 2011b).

It was predicted that, by 2010, 41 percent of Hispanics would be living in the Western US and would account for 29 percent of the region's total population, while 36 percent of Hispanics would be living in the South and comprising 16 percent of the region's population. In total, 14 percent of the Hispanic population lived in the Northeast and accounted for 13 percent of the total population in the region, while the Midwest was inhabited by 9 percent of Hispanics, who accounted for 7 percent of that region's population (see Figure 4 and Table XII). Of the Hispanic population, 75 percent was concentrated in California, Texas, Florida, New York, Illinois, Arizona, New Jersey and Colorado. The state with most Mexicans was California (11.4 million), followed by Texas (7.9 million), Arizona (1.6 million), Illinois (1.6 million) and Colorado (0.7 million). The Salvadoran population was concentrated in California (570,000), Texas (220,000), New York (155,000), Virginia (124,000) and Maryland (124,000). Guatemalans were found in larger numbers in California (330,000), Florida (84,000), Texas (74,000), New York (66,000) and New Jersey (49,000) (United States Census Bureau, 2011b). ABC Consulting indicated that using this information and the current number of restaurants in each state, it was possible, based on current restaurants' density, to estimate the potential number of restaurants targeting Central Americans in

Table XII.
2010 estimations for Hispanics living in the USA per state and region

Area	Total population	2010 Hispanic population Number	2010 Hispanic population % of total population	Area	Total population	2010 Hispanic population Number	2010 Hispanic population % of total population	Area	Total population	2010 Hispanic population Number	2010 Hispanic population % of total population
Region				*States*				*States*			
USA	308,745,538	50,477,594	16.3	Kentucky	4,339,367	132,836	3.1	South Carolina.	4,625,364	235,682	5.1
Northeast	55,317,240	6,991,969	12.6	Louisiana	4,533,372	192,560	4.2	South Dakota	814,180	22,119	2.7
Midwest	66,927,001	4,661,678	7	Maine	1,328,361	16,935	1.3	Tennessee	6,346,105	290,059	4.6
South	114,555,744	18,227,508	15.9	Maryland	5,773,552	470,632	8.2	Texas	25,145,561	9,460,921	37.6
West	71,945,553	20,596,439	28.6	Massachusetts	6,547,629	627,654	9.6	Utah	2,763,885	358,340	13
State				Michigan	9,883,640	436,358	4.4	Vermont	625,741	9,208	1.5
Alabama	4,779,736	185,602	3.9	Minnesota	5,303,925	250,258	4.7	Virginia	8,001,024	631,825	7.9
Alaska	710,231	39,249	5.5	Mississippi	2,967,297	81,481	2.7	Washington	6,724,540	755,790	11.2
Arizona	6,392,017	1,895,149	29.6	Missouri	5,988,927	212,470	3.5	West Virginia	1,852,994	22,268	1.2
Arkansas	2,915,918	186,050	6.4	Montana	989,415	28,565	2.9	Wisconsin	5,686,986	336,056	5.9
California	37,253,956	14,013,719	37.6	Nebraska	1,826,341	167,405	9.2	Wyoming	563,626	50,231	8.9
Colorado	5,029,196	1,038,687	20.7	Nevada	2,700,551	716,501	26.5	Cities			
Connecticut	3,574,097	479,087	13.4	New Hampshire	1,316,470	36,704	2.8	New York, NY	8,175,133	2,336,076	28.6
Delaware	897,934	73,221	8.2	New Jersey	8,791,894	1,555,144	17.7	Los Angeles, CA	3,792,621	1,838,822	48.5
District of Columbia	601,723	54,749	9.1	New Mexico	2,059,179	953,403	46.3	Houston, TX	2,099,451	919,668	43.8
Florida	18,801,310	4,223,806	22.5	New York	19,378,102	3,416,922	17.6	San Antonio, TX	1,327,407	838,952	63.2
Georgia	9,687,653	853,689	8.8	North Carolina	9,535,483	800,120	8.4	Chicago, IL	2,695,598	778,862	28.9
Hawaii	1,360,301	120,842	8.9	North Dakota	672,591	13,467	2	Phoenix, AZ	1,445,632	589,877	40.8
Idaho	1,567,582	175,901	11.2	Ohio	11,536,504	354,674	3.1	El Paso, TX	649,121	523,721	80.7
Illinois	12,830,632	2,027,578	15.8	Oklahoma	3,751,351	332,007	8.9	Dallas, TX	1,197,816	507,309	42.4
Indiana	6,483,802	389,707	6	Oregon	3,831,074	450,062	11.7	San Diego, CA	1,307,402	376,020	28.8
Iowa	3,046,355	151,544	5	Pennsylvania	12,702,379	719,660	5.7	San Jose, CA	945,942	313,636	33.2

Source: United States Census Bureau (2011b) whole USA. The consulting firm suggested to Denegri that it would be wise to use New York as a benchmark because it had the highest density of restaurants per population, and all of them reported good results.

There were about 117.5 million US households, of which 74 percent were family households and 16 percent were non-families. In 2009, the average household income in real terms was US $50,500. Whites accounted for 71 percent of all households, with an average income of US $55,300. Hispanics accounted for 11.3 percent of households, with an average income of US $38,700. African Americans made up 12.6 percent of households and had an average income of US $33,150. Finally, Asians made up 4.0 percent of households, with an average income of US $66,500 (Denavas *et al.*, 2011).

Household distribution by age of household head resulted in 5 percent led by someone under age 25. Average household income was about US $31,200. In total, 16 percent of households were headed by someone between the ages of 25 and 34, and their average income was US $51,000. Between 18 and 21 percent of households were headed by people between 35 and 44 and 45 and 54 years old. The average income for these groups was US $62,100 and US $65,300, respectively. In all, 17 percent of households were headed by people between the ages of 55 and 64 years, with income around US $58,000. Households headed by people aged 65 or older accounted for 22 percent and had a total income close to US $32,000 (Denavas *et al.*, 2011).

Restaurant – type choices varied by ethnic group and household income and characteristics (see Table XIII). Middle-aged consumers spent more at restaurants, as they had higher incomes and households with more people. In general, householders aged 35-54 spent between 17 and 21 percent more than the average consumer. Older consumers were more likely to choose full-service restaurants. When the head of household was 25 or younger, 57 percent of the household budget was devoted to QSRs. However, the preference for QSRs decreased as age increased. Households with one parent and children tended to visit QSRs and devoted 61 percent of their budget to eating out, whereas households made up of couples without children spent only 33 percent of their budget at QSRs. The largest expenditure on eating out was that of households made up of couples with children of school age or older still living at home. On average, they spent between 50-54 percent more than other households. Couples whose children no longer lived at home devoted more of their budget to full-service restaurants than to QSRs.

Current market data

CUSA executives realized that demographic characteristics alone were not enough to figure out which segment they should target. The marketing experts from ABC Consulting analyzed psychographic characteristics (see Figure 5).

Based on different groups created through psychographics and research-driven analysis, they identified six segments within the USA on which Pollo Campero could focus. These segments were characterized as follows (see Figure 5). First, open-minded food-lovers, which included 17 percent of the population, mostly whites or Hispanics aged between 18 and 35. This group represented 29 percent of the total spending on Limited-Service QSR/Fast Casual (FC) restaurants and was willing to seek new experiences and tastes. Their household income ranged between US $50,000 and US $150,000. They spent close to US $40 per visit in a fast-food restaurant and up to US $50 in fast-casual restaurants. They visited these sites three to four times a week.

Couples without children accounted for 30 percent of the population and represented 15 percent of QSR/FC total spending; this group generally sought highly

Categories	Breakfast Index	Breakfast Market share (%)	Breakfast US$ Per HH	Lunch Index	Lunch Market share (%)	Lunch US$ Per HH	Dinner Index	Dinner Market share (%)	Dinner US$ Per HH
Age of householder									
Under 25	71	5	77	99	7	367	107	7	363
25-34	132	22	143	129	22	477	133	22	449
35-44	128	26	138	131	26	484	131	26	443
45-54	126	26	136	114	24	422	116	24	392
55-64	77	12	84	81	13	301	77	12	258
65-74	62	6	67	60	6	222	55	5	185
75 and older	28	3	30	28	3	103	23	2	76
Household income									
Under $20,000	44	10	48	46	10	169	46	10	155
$20,000-$39,999	81	19	88	80	19	297	77	18	259
$40,000-$49,999	92	9	99	83	8	308	109	10	337
$50,000-$69,999	127	19	137	113	17	417	114	17	386
$70,000-$79,999	113	7	122	119	7	442	118	7	397
$80,000-$99,999	148	13	161	135	12	500	153	12	482
$100,000 and above	143	23	155	165	26	612	156	25	526
Type of household									
Married couples w/o children	93	20	100	93	20	346	89	19	302
Married couples, oldest child under 6	121	6	131	152	7	561	149	7	504
Married couples, oldest child 6-17	137	18	148	154	20	569	167	21	563
Married couples, oldest child 18 or older	153	11	165	135	10	501	144	10	487
Single parent with child under 18	91	6	99	85	5	314	117	7	394
Single person	62	18	67	58	17	213	46	14	155
Race and ethnicity									
Asian	110	4	119	128	4	475	119	4	403
Black	92	11	110	90	11	332	102	12	343
Hispanic	137	16	149	122	14	453	107	12	362
Non-Hispanic white and other	95	73	103	98	75	364	99	76	333
Region									
Northeast	132	25	143	95	18	350	90	17	304
Midwest	72	16	78	85	21	316	98	22	332
South	97	35	105	104	38	385	98	35	331
West	106	24	115	114	23	421	114	25	386

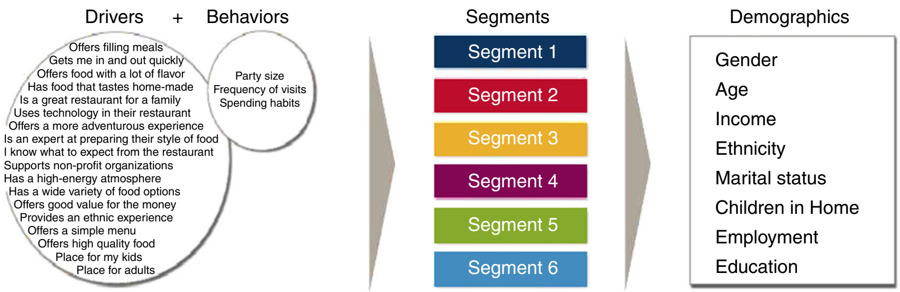
Note: The index is the spending ratio by segment in relation to the overall population. For example, an index of 100 indicates per household spending by a segment equal to that of the average household. An index of 150 indicates spending by a segment 50 percent higher than the average household. The market share is the percentage of total spending by each segment

Source: Miller and Associates (2011, p. 416)

Table XIII.
Demographic assessment of consumer spending for breakfast, lunch and dinner at limited-service restaurant

convenient places. Household income ranged between US$50,000 and US$100,000, and they spent about US$11 and US$20 in quick-service and fast-casual restaurants, respectively. They visited these places three to four times per week.

Then there were families with children, which represented 17 percent of the population and 13 percent of total QSR/FC spending. They did not seek new flavors, so traditional fast food was their main choice. Their household income varied greatly, usually US$75,000 or less. They spent around US$20 at QSRs and US$28 at fast-casuals, and they visited these places at least three times per week.



Source: InterBrand Design Forum. "Segmentation and Brand Strategy", Pollo Campero, June 18, 2010

Figure 5. US mainstream customers: drivers and behaviors

Some customers, approximately 15 percent of the population, saw quick service as the most important factor. They were usually single and had no children. They visited restaurants by themselves at least three times a week, so the limited-service restaurants met all their needs. This group represented 4 percent of total spending on QSR/FC. Household income was generally US$30,000 or less or between US$50,000 and US$100,000. They usually spent about US$6 at QSRs, and they rarely visited the fast-casual restaurants, where they spent US$8.

About 12 percent of the population looked for healthy food and were concerned about the restaurant doing something good for the world. Committed to corporate social responsibility and sustainability, they analyzed options in detail before making a decision. This segment made up primarily of couples without children and with annual household income ranging between US$50,000 and US$100,000, represented 6 percent of total spending on QSR/FC. They visited quick-service and fast-casual restaurants three days per week and spent US$13 and US$20, respectively.

The last segment identified was made up of the new urban family, estimated at 7 percent of the population and representing 33 percent of total QSR/FC spending. This segment is comprised of parents aged 26-55, most with two children, and belonging to the white or Hispanic ethnic group. With household incomes over US$100,000, they visited a restaurant about seven times per week and spent between $63 at QSRs and $67 at the fast-casual ones.

The problem at hand

In 2010, it seemed that CUSA might not be able to achieve the targets that the Board of Directors established for it back in 2007. As President and COO, Denegri needed to define a strategy and propose a concrete plan to the CEO and the Board of Directors of Pollo Campero Corporation in Guatemala. After revising the reports produced by ABC Consulting, Denegri had to make some clear choices: should CUSA continue the growth process based on the current brand and company positioning in the USA, or should it change its positioning in the near future? Specifically, should CUSA expand its customer base to include not only Central Americans, but also Hispanics from other parts of Latin America and Americans who do not perceive themselves as Hispanic? If so, what changes should be made for Pollo Campero in the USA?

Notes

1. At the time of the case, Juan José Gutierrez was Pollo Campero Corporation's CEO. Denegri was the President and COO of CUSA and, thus, reported to the CEO of Pollo Campero Corporation and to its Board of Directors.

2. ABC Consulting Co. is a fictitious name since we were not allowed to use the real name of the consulting company.

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Appendix. Teaching note

Statement of Relevance

Internationalization strategies are becoming more and more important for companies based in emerging economies (Cuervo-Cazurra, 2012; Contractor *et al.*, 2007). This case focusses on the expansion of Pollo Campero Corporation, a Guatemalan fast-food company, in the US market. Pollo Campero Corporation entered the USA in 2002. In 2003, it created CUSA, a division of the company in charge of the US market. In 2007, it moved CUSA from Guatemala to Dallas to accelerate organizational learning about the US market. CUSA reported its activities to the headquarters in Guatemala, but had a full mandate to develop and execute strategy for Pollo Campero in the US market. Between 2002 and 2007, Pollo Campero had experienced very fast growth, which led its Board of Directors to set a high growth target for the coming years – to be among the top 50 quick-service (QSR) chains in the USA and have approximately 300 restaurants by 2014. However, by 2010, CUSA's growth rate was much slower than anticipated.

The case is presented from the perspective of the decision maker – Roberto Denegri, President and COO of CUSA. In 2010, Denegri had to formulate CUSA's future strategy and present it to the Board of Directors. One option was to focus more explicitly on Central Americans living in the USA, exploiting the appeal of the nostalgia marketing. Alternatively, CUSA could broaden its target market beyond that of Central Americans. The case provides the basis to discuss the critical decisions that a company has to make when expanding in a foreign market. It shows how a firm's competitive strategy, especially the way it positions itself, is related to the group of consumers it targets. Students are expected to point out that the geographic structure of CUSA's expansion strategy in the USA should be linked to the competitive strategy it aimed to adopt. Using the information provided, students can identify the challenges of targeting different groups of potential customers and discuss the importance of aligning the marketing strategy, including the logo and the setup of shops, with the broader competitive strategy chosen by CUSA. The case illustrates the discussion of alternative growth strategies in a developed economy for a business based in an emerging economy.

Alternative uses of the case study

The case is in-depth and complex and is suited for use with advanced MBA and EMBA students, as well as with practitioners. Depending on the instructor's needs, different aspects of the case can be highlighted, and it can be used in a course/module focussing on business strategy, competitive strategy and/or international marketing.

In a class focussing on competitive strategy and positioning, the case can be used to illustrate how companies develop their brand positioning. The case is linked to both Porter's market perspective of strategy and the resource-based view of the firm (Hoskisson *et al.*, 2000; Porter, 1980, 1996; Brenes and Mena, 2006). It illustrates the key methods that a company uses to position the brand in a given environment. However, the discussion should reveal that focussing on Central Americans through "nostalgia marketing" – i.e. exploiting their emotional link to the brand, which reminds them of home – can hinder the potential for reaching a larger number of customers, including other Hispanics and Americans with different ethnic backgrounds (Holak and Havlena, 1998).

Participants can be called on to answer a few questions at the beginning of the class in order to understand the company's current positioning:

(1) Where does Pollo Campero position itself?

- Segments, customers, products and services, geographic scope, vertical and horizontal scopes (Porter, 1980, 1996; Brenes and Mena, 2006). The instructor should ask students to outline the structure of the fast-food industry in the USA, explaining the difference between segments in terms of average prices, growth trends, and target clients.

(2) How does CUSA compete in the US market?

- Is the company pursuing a low-cost or a high-perceived-value generic strategy? Is the company targeting a specific market niche? (Porter, 1980, 1996; Brenes and Mena, 2006). Having outlined the fast-food industry in the USA, the instructor can ask students to provide their own critical assessment of CUSA's competitive strategy at the time of the case.

(3) What are the strengths and weaknesses of Pollo Campero's strategy and brand?

- Building on the previous point, the instructor can lead students to identify the competitive strengths of CUSA, such as its emotional appeal to Central American consumers. The answers can be structured by building a SWOT matrix on the board.

(4) What was Denegri's mandate?

- In the summer of 2010, Roberto Denegri, President and COO of CUSA had the mandate to present strategic growth options to the CEO and the Board. Even though CUSA was growing in its number of restaurants, it was not growing at the pace expected from their 2007 strategic planning session (page 1) – i.e. 300 restaurants by 2014 and joining the ranks of the top 50 QSR in the US (page 5). Students can be asked to perform the task that Denegri had to perform in 2010 – explain to the Board of Directors why CUSA's performance in the USA had been less positive than expected, and formulate a strategy for the coming four years.

The case allows for discussion of Pollo Campero's international marketing strategies in the context of the US restaurant industry (Chattopadhyay *et al.*, 2012a, b, c, d). The instructor may begin the class discussion by asking students a few questions regarding the structure of the industry in the USA, and how they consider Pollo Campero to be positioned in such market. For example, students can be asked some of the following questions:

(1) Can you describe the restaurant industry in the US? What are the key types of restaurants and how do they differ from each other?

(2) How did Pollo Campero enter the US market?

(3) How do you think US customers perceive Pollo Campero?

An alternative way of starting the class is to ask whether anyone knows Pollo Campero and to explore their perception of the product and brand. Typically, students from Central America, such as Salvadorans and Guatemalans, will quickly identify the brand and its products. This can open a discussion about their reasons for being clients and about how their perception of the company compares to that of students who do not have a Central American background.

Teaching objectives

(1) to exemplify strategic positioning;

(2) to illustrate the challenges of understanding and targeting different groups of consumers in a foreign market;

(3) to discuss brand, positioning and segmentation in the restaurant industry;

(4) to examine the role of ethnic groups of consumers in the US market;

(5) to illustrate the challenges of brand building and internationalization for emerging-market multinationals; and

(6) to discuss strategies to expand into different consumer segments.

Teaching strategy statement

The discussion should be guided in order to determine what the positioning of CUSA was until 2010 and what should it be in the future. The instructor should raise the following issues: which segment or segments should CUSA target? What changes, if any, should CUSA pursue in its restaurants to reach new customers? What other strategic issues should be considered? Students are expected to explore the following three strategic scenarios.

Scenario A. CUSA continues to focus on Central Americans living in the USA, exploiting its emotional appeal through targeted "nostalgia" marketing. In this case, students should point out that Campero's geographic distribution needs to be adjusted so as to increase its presence where the Central American population is concentrated within the USA. It is then possible to ask students to evaluate how much Pollo Campero could grow in the USA if it served mostly the Central American market, Salvadorians and Guatemalans in particular. In a marketing class, the instructor can lead students to reflect upon the possibilities of growing in the USA through a strategy of brand extension, such as selling Central American style food items, such as hot sauce or spices, with a Pollo Campero brand.

The case provides enough information to construct a table to estimate the number of restaurants that CUSA could develop in the USA if it chose to target customers with Salvadorian and Guatemalan backgrounds. The information provided on page 16 can be used to calculate the total number of Salvadorians (3.3 percent of total Hispanics) and Guatemalans (2.1 percent of total Hispanics) living in the USA and their specific number in states for which data are available. Table III shows the current number of restaurants in each state.

The case explains that ABC Consulting suggested that Denegri use New York as a benchmark because it is the state with the lowest number of people of Salvadoran and Guatemalan descent per restaurant (approximately 37,000), or, in other words, the state with the highest density of restaurants per population, all of them reporting good results. The instructor can ask students to estimate the maximum number of restaurants that CUSA can open in each state if targeting only Guatemalans and Salvadorans, using New York as a benchmark of the maximum number achievable. Students can be asked to build a table similar to Table AI.

The numbers indicate that CUSA could add a total of 24 new restaurants, far from the 300 restaurants expected by 2014 (see Table AI). The conclusion of this analysis is that it is necessary to reach other customers besides Central Americans if the growth pace set back in 2007 is to be maintained. This confirms the statement on page 7 that says, "Attracting Central

State	El Salvador (thousands)	Guatemala (thousands)	Total (thousands)	Current no. of restaurants	Population/ restaurant	Potential no. of restaurants	Needed no. of restaurants based on NY pop./rest. (36,833)
CA	570	330	900	14	64,286	24	10
TX	220	74	294	7	42,000	8	1
NY	155	66	221	6	36,833	6	0
NJ	na	49	49	1	49,000	1	0
MD	124	na	124	4	31,000	3	−1
VA	124	na	124	3	41,333	3	0
FL	na	84	84	3	28,000	2	−1
Total	1,193	603	1,796	38			11
Missing	427	428	855	10	?	23	13
Total USA				48			24

Source: Elaborated by the authors with data from the case study "Pollo Campero in the USA"

Table AI. Teaching note

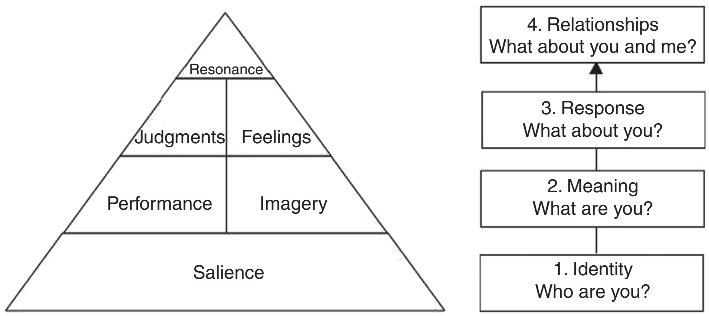
Americans to its restaurants had been easy, but their small numbers limited the prospect for future growth in the US for Campero."

Alternatively, Denegri could propose lower growth targets, in line with a strategy focussing mainly on Central Americans. Students are expected to explain that through emotional appeal and nostalgia marketing, CUSA is likely to maintain its competitive advantage when targeting Central Americans living in the USA, which makes this the least risky strategy. They should also point out the limitations of this strategy – that it allows for only limited growth in the US market and entails changing the growth targets established in 2007. The instructor can lead students to develop a clear plan of the locations where CUSA should open its restaurants, using Table AI as a guideline.

Scenario B. The second strategic option that should be discussed in class is that CUSA extends its appeal to all Hispanics living in the USA, building on its current image, but also better defining its positioning (how it differs from other Latino/Hispanic themed fast-food restaurants and from other chicken-based fast-food chains) through product innovation and marketing. As mentioned in the case, there are approximately 49.1 million Hispanics in the USA. That is a big jump from the 3.3 million Central Americans (Salvadorians, Guatemalans, Hondurans, Nicaraguans and Costa Ricans). It is likely that many students, especially those without an Hispanic background, would propose this option, arguing that CUSA should expand its appeal to a broader range of customers with an Hispanic background.

The instructor should direct the discussion so that students point out the differences between Latin Americans. Students are likely to argue that CUSA could not leverage its nostalgia marketing with customers who are not of Central American descent. The instructor can ask students whether they know the Pollo Campero brand. Students who know the brand are likely to be from, have traveled to, or have lived in Central America. Other students are likely to be unfamiliar with the Guatemalan fast-food chain, even if they are from other Latin American countries. Students are likely to say that they are familiar with different chicken-based fast-food restaurants. This can be used as a starting point for a discussion on the challenges of targeting Latinos/Hispanics in the USA. An important point to be raised is the fact that other Hispanic minorities in the USA, such as Mexicans, are already targeted by a broad range of fast-food restaurants from their own countries, which may use a "nostalgia marketing" strategy similar to CUSA's. For these potential customers, Pollo Campero may not be different from other chicken-focussed fast-food chains. The instructor should lead students to note that appealing to Latinos/Hispanics other than Central Americans entails a strategic challenge that is similar to that of appealing to all US consumer groups, only with a smaller population target.

Scenario C. The third strategic option is for Campero to target the general population of the USA, regardless of ethnic background, by repositioning itself in ways that appeal to other segments of the market. For example, it could improve its brand and presentation and provide a more-premium feel. In this scenario, students should discuss the dangers of converging toward the competitive arena with larger and more resourceful competitors, such as KFC. Students are likely to point out the danger of moving from a highly differentiated and niche generic positioning (that of fast-food chain appealing to Central Americans) to one where Pollo Campero restaurants become similar to any other fast-food restaurants in the USA (Porter, 1990, 1996). They should explain mechanisms through which CUSA could provide customers with an attractive value proposition that is in line with its resources and yet different from that of competitors. In a marketing class, the instructor should lead students to consider the necessary steps to make mainstream American consumers not merely aware of the Pollo Campero brand, but aware of its value proposition and how it differs from other fast-food chains (Brady *et al.*, 2009). Keller's Pyramid (see Figure A1) can be used to distinguish the brand equity position of Pollo Campero for Central Americans and for other US consumers (Keller, 2002). With Central Americans, Pollo Campero has achieved "Brand Resonance" – i.e. an emotional bond that leads to repeat purchases and consumer loyalty. With other consumers, it has to become visible and acquire "Salience" – i.e. a brand identity that is easily recognizable. Students should develop their



Source: Keller (2009, p. 144)

Figure A1. Teaching note, Keller's Pyramid

argument about how to position Pollo Campero with average American consumers (those who lack a Central American background), taking into account the key questions related to brand identity and brand equity, such as:

"Who are we?"

"How do mainstream consumers see us?"

"Do they see us as we intend to be seen?"

"How do we differ from our main competitors?" (Keller, 2002; Brady *et al.*, 2009).

Another concern that students are expected to raise is that the new value proposition could affect or change the brand and the company's current positioning and, therefore, its target market niche. As mentioned, Central Americans have been, until now, an important source of growth and competitive advantage (Miller, 1992; Stonehouse and Snowdon, 2007; Porter, 1996). By changing its positioning, CUSA could make Pollo Campero restaurants less attractive to Central Americans living in the USA, who have, thus far, contributed the lion's share of the company's revenues. The instructor should lead students to discuss the factors that CUSA could change to broaden its appeal without becoming less attractive to the consumers who have a nostalgic, emotional link to it.

In this scenario, changes to the current Pollo Campero brand and company positioning should be based on the restaurant's industry and its customers' psychographic characteristics. The combination of trends in the restaurant industry and consumers' behavior could be used to create a new value proposition to attract mainstream Americans.

It is important that the instructor lead students to analyze industry trends – different types of restaurants, how they differ, and how they are performing in the USA. It is worth mentioning, as an example, that "fast-casual was the only category of restaurants experiencing growth after the 2009 recession" (page 11 in the case). The instructor should explore the characteristics of the different market segments, questioning whether the company is addressing the right segment or should target others. Students can be asked to use the case data to carry out a marketing analysis; for example, they might use Figure 5 as a starting point to talk about market drivers. In addition, pages 19-21 describe in detail the consumption patterns of each segment. Finally, it is essential that the instructor lead a detailed analysis of competitors, discussing how they execute their strategy and comparing aspects such as price, products, services and the segments they target. Students can also use Figure 3 to explain where Pollo Campero and its major competitors are positioned.

This discussion should lead to finding a "new game" brand and company positions (see, for example: "Creating New Market Space," Kim and Mauborgne, *Harvard Business Review*, 1999; or Buaron, 1981). On the basis of this, students can develop their own understanding of the three scenarios through brief group work, identify the advantages and disadvantages of each of them, and explain which scenario they would choose and how they would deploy their strategy if they were in charge of Campero.

Assignment questions

- What are the key decisions facing President Roberto Denegri and his crew?
- Where does Pollo Campero compete? How does Pollo Campero compete?
- What are the strengths and weaknesses of Pollo Campero?
- What is the message to consumers that underlies the Pollo Campero brand?
- Do you think that this message would play in the USA? If so, is there a particular segment that you would prioritize? Which one(s) and why?

Research statement

The case is based on primary research with the company, including interviews with senior management – Roberto Denegri, President and COO; Lisken Kastalanych, VP of marketing; and Rodolfo Bianchini, Operations Manager. It is also based on secondary research on relevant industry trends and characteristics. The case includes the company history; a description of the competitive landscape (fast-food industry); a description of the USA consumer profile; and market information.

Conclusions

This case will be useful in generating ideas and conclusions about appropriate ways to introduce a brand from an emerging economy to a develop economy. It focusses on what the company's positioning should be, as well as the challenges of executing a new strategy. Examining the international strategy of Pollo Campero allows exploring different strategic scenarios, such as focussing on consumers that have a nostalgic link to the brand or targeting mainstream consumers.

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About the authors

Dr Esteban R. Brenes is The Steve Aronson Chaired Professor in Strategy and Agribusiness and Chairman of the Strategy Department at the INCAE Business School in Alajuela, Costa Rica. Professor Brenes holds a PhD from the University of Florida. His research has appeared in international journals. In addition to his academic work he is a consultant in business and corporate strategy, mergers and acquisitions, new venture development and family business management. He also sits on the boards of several regional companies. Dr Esteban R. Brenes is the corresponding author and can be contacted at: esteban.brenes@incae.edu

Dr Amitava Chattopadyay is The GlaxoSmithKline Chaired Professor of the Corporate Innovation at the INSEAD Business School, Singapore. Professor Chattopadhyay holds a PhD from the University of Florida. His research focusses on branding and emerging multinational companies and has appeared in several leading journals.

Luciano Ciravegna is an Associate Professor in Strategy and International Marketing at the University of London (Royal Holloway) and INCAE Business School. Professor Ciravegna holds a PhD from the Development Studies Institute at the London School of Economics. His research focusses on firms' internationalization process and different ways of doing business in emerging market environments, especially Latin America. He also has worked as a Consultant on competitiveness, cluster development and investment risk in emerging markets both in Latin America and Europe.

Daniel Montoya is pursuing an MBA at the INCAE Business School and graduated with honors as an Agronomist from the EARTH University in Limón, Costa Rica. He has been a Research Assistant for the Steve Aronson Chair of Strategy and Agribusiness.