

2005-2006 Case Competition

**“Promoting Kwik Trip as a Food Destination
and the Introduction of
Cheese Mountain Pizza”**

Sponsored By:

KWIK TRIP, INC.



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2005-2006 American Marketing Association Collegiate Case Competition

Kwik Trip, Inc.



An invitation to all AMA Collegiate Chapters & Advisors:

Kwik Trip, Inc. welcomes all collegiate chapters to participate in the 2006 Case Competition and provide your analysis, interpretation, and suggestions. Your marketing plan and ideas will become the property of Kwik Trip, Inc.

PLEASE REMEMBER THAT YOU HAVE AGREED TO COMPLETE A CONFIDENTIALITY AGREEMENT REGARDING KWIK TRIP COMPANY INFORMATION.

Case Challenge (Problem to Address)

Kwik Trip is currently focusing on marketing its line of prepared fresh foods, including both the Hot Spot and Fresh Case. The main objective behind current marketing and research conducted on behalf of Kwik Trip focuses on becoming a food destination for all consumers. In addition to the overall promotion of Kwik Trip as a food destination, Kwik Trip is in the process of rolling out their new “Cheese Mountain” pizza line available to customers by the slice and whole pizza. Customers also have the option of a take-and-bake pizza that can be made at home later on. The rollout of this line should be one of the key components of your advertising campaign.

Kwik Trip’s current promotions for the Hot Spot and Fresh Case heavily cover the 25- to 55-year old market, with very few if any marketing strategies geared toward the 18- to 24-year old market. You are charged with seeking marketing and promotion solutions to two key problems:

- How to become the “food destination” for Hot Spot and Fresh Case food items for the 18- to 24-year old market?
- Building on what you propose for accomplishing the food destination object, groups are also charged with developing a marketing and advertising campaign for the roll-out of Cheese Mountain pizza for the 18- to 24-year market.

Groups are encouraged to also consider other markets, but the primary target should be the 18- to 24-year old demographic. Teams should develop marketing and brand strategies that concentrate on attracting and retaining this demographic to purchase Hot Spot and/or Fresh Case items from Kwik Trip, and most important the Cheese Mountain pizza line.

Hot Spot Description

The Hot Spot consists of three different display areas located near the entrance of the store. The three areas are: (1) the front of the Hot Spot where breakfast sandwiches, burgers, and pizzas are kept warm, (2) the Roller Grill where hot dogs, specialty sausages, egg rolls, and tornados are available, and (3) a condiment and soup area where customers can place their own condiments on the Hot Spot items and grab a bowl of soup. Together these three areas make up the “Hot Spot.” During the day the Hot Spot breakfast line is rotated out at approximately 10:30 AM and replaced by the lunch/dinner menu. For a complete list of the items available at the Hot Spot see *Appendix A*. Pictures of the Hot Spot area are also available on the Case Competition website located at <http://www.research-pyramid.us/AMA.htm>.

Fresh Case Description

The Fresh Case is another prepared food area at Kwik Trip where customers can purchase fresh, healthy food options. Two formats for displaying the fresh food items can be found in Kwik Trip stores, due in most part to the various layouts and size of certain stores. The Fresh Case “Island” format is in most of the newer/large stores. The Island has an oval/circle design and customers can walk completely around it. The “Wall Unit” is a stand-up refrigerated case similar to what most convenience stores use to display milk, single unit soft drinks, etc. A complete list of products available from the Fresh Case is included in the *Appendix B*. Pictures of both types of Fresh Case displays can be found on the Case Competition website located at <http://www.research-pyramid.us/AMA.htm>.

Cheese Mountain Pizza Description

Kwik Trip is currently in the process of introducing a new pizza line in their stores. The pizzas are available in three different forms: (1) by the slice, (2) whole pizza, and (3) ready-to-bake whole pizza. Slices are available in the Hot Spot Case for \$1.99 while customers can phone in for a whole pizza or ready-to-bake. The ready-to-bake pizzas are also available in a refrigerator next to the Hot Spot. The pizza variety available includes: cheese, pepperoni, sausage, and sausage/pepperoni. Additional toppings are also available for purchase. The expected sales for the pizza program per store at the start of the program is 10 full pies per day and by the end of the year it is expected to be at 14 pies per store per day (10 of which are expected to be take and bake).

Of interest, one of Kwik Trip’s competitors, Casey’s General Store, has over 600 convenience stores found primarily in small towns, sells an average of 20 pizza pies per store per day and have been in the pizza business for 5 plus years.

Kwik Card Description



Another unique aspect of Kwik Trip is their credit card, the Kwik Card. It is Kwik Trip's version of the VISA card, but can only be used at Kwik Trip and Kwik Star locations. Kwik Card is available in both a personal (seen above) and business card. The Kwik Card provides cardholders with a quarterly rebate check including 3¢ per gallon on gasoline and 5% on certain inside purchases. Currently the Kwik Card is the second most used credit card behind VISA and accounts for 16% of all forms of payment (by comparison cash/check accounts for 55% of all transactions). A total of 28% of all credit transactions are pay-at-the-pump, of which 23% use the Kwik Card. Kwik Trip has 160,000 Personal Card accounts (60% active) and 26,000 Business accounts (65% active). (In order to be considered active the card must be used at least once per month).

Case Directions/Guidelines

Teams can be as creative as they would like, however, please keep in mind the background information included with this case. Kwik Trip would like you to provide ideas that you believe are new or improved as opposed to things you determine they have already done.

In consideration of the above challenge, preliminary judges, who will read and evaluate the written case, will expect to see how you give your attention to some of the following issues:

- Utilization of research, which can be found on the Case Competition web site.
- Market segmentation
- Segmentation/profiles of the 18- to 24-year old market and others that you consider.
- Your suggested marketing mix (i.e. the 4 P's: product, price, place, and promotion) for each segment/sub-segment.
 - Overall positioning of Kwik Trip as a food destination, including Hot Spot, Fresh Case, and Cheese Mountain Pizza.
 - How to specifically market the New Cheese Mountain Pizza Line to the target market and any secondary markets including both by-the-slice and whole pies (prepared/uncooked and take-and-bake).
 - Any new product ideas, also strategies for both product lines (Hot Spot & Fresh Case).
 - Development of a sales promotion strategy.
 - Development of advertising campaign and other promotions.
 - Logo/brand design for Hot Spot & Fresh Case food items (i.e. a common label name and packaging design).
 - Any other marketing strategies/tactics you feel would work well.
- Best ways to reach this intended target market while maintaining existing markets.
- Other relative issues.

Kwik Trip has provided a list of the following strategies that **should not** be included by participating teams. While these concepts may be possible solutions to the stated problem, Kwik Trip has already dismissed these strategies and therefore teams that utilize them are likely to have lower evaluations than groups that create original concepts that Kwik Trip can utilize. During the Case Competition participating teams should refrain from the following suggestions or ideas:

- Co-branding Kwik Trip with an established restaurant chain such as McDonalds (etc.),
- Redesigning the store layout (i.e. making the store bigger),
- Suggesting that sandwiches be made in front of the customer (such as Subway), and
- Expanding the chain into new locations outside of their current markets (WI, MN, IA).

About Kwik Trip

Company Profile

Kwik Trip, Inc. is a regional convenience store chain located in the Midwest. The privately-owned company was started in 1956 and operates over 320 stores in Wisconsin, Minnesota, and Iowa (known as Kwik Star in Iowa). A unique aspect of the company is its vertical integration of almost every aspect of its business. The vertical integration allows Kwik Trip to closely monitor the quality and freshness of the items sold in their stores. The company operates its own dairy, bakery, and commissary where fresh sandwiches and salads are made each day. The company markets several products under its own private label brands and has its own credit card.

Kwik Trip Inc. Mission Statement

"To serve our customers and community more effectively than anyone else by treating our customers, co-workers and suppliers as we, personally, would like to be treated."

In addition to the company background provided here, several files will be made available on a website to provide teams with information about Kwik Trip. Teams will receive access to this password-protected directory after registering with the AMA National Headquarters for the 2005-2006 Case Competition. The directory will include past and current research studies conducted for Kwik Trip, television and radio advertisements, as well as digital photographs of stores and products and can be found at <http://www.research-pyramid.us/AMA.htm>.

Quick Facts & Figures

- Kwik Trip has 322 convenience stores located in Wisconsin, Minnesota, and Iowa. In Iowa, Kwik Trip is called Kwik Star, though only the name differs in any marketing communications. However, for the case use Kwik Trip in all of your marketing efforts.
- 3.7 million customers per week visit Kwik Trip (figure includes all stores).
- Kwik Trip's success in the convenience store industry was recognized in 2004 when they were selected as the National Convenience Store Chain of the Year by C-Store Decisions, an industry publication. To view this article, go to <http://www.c-storedecisions.com>. You will first need to register on the web site. Then click on Article Archive, Past Articles, 2004.
- Annual sales in excess of \$2 billion (includes inside sales and gasoline).
- Past research has indicated customers are highly satisfied with various aspects of Kwik Trip.

Product Categories & Sales Figures

As mentioned, Kwik Trip's vertical integration means they carry several products under their own private label brand. Exhibit 1 provides a list of product categories Kwik Trip sells in their stores followed by a brief description of each.

Exhibit 1

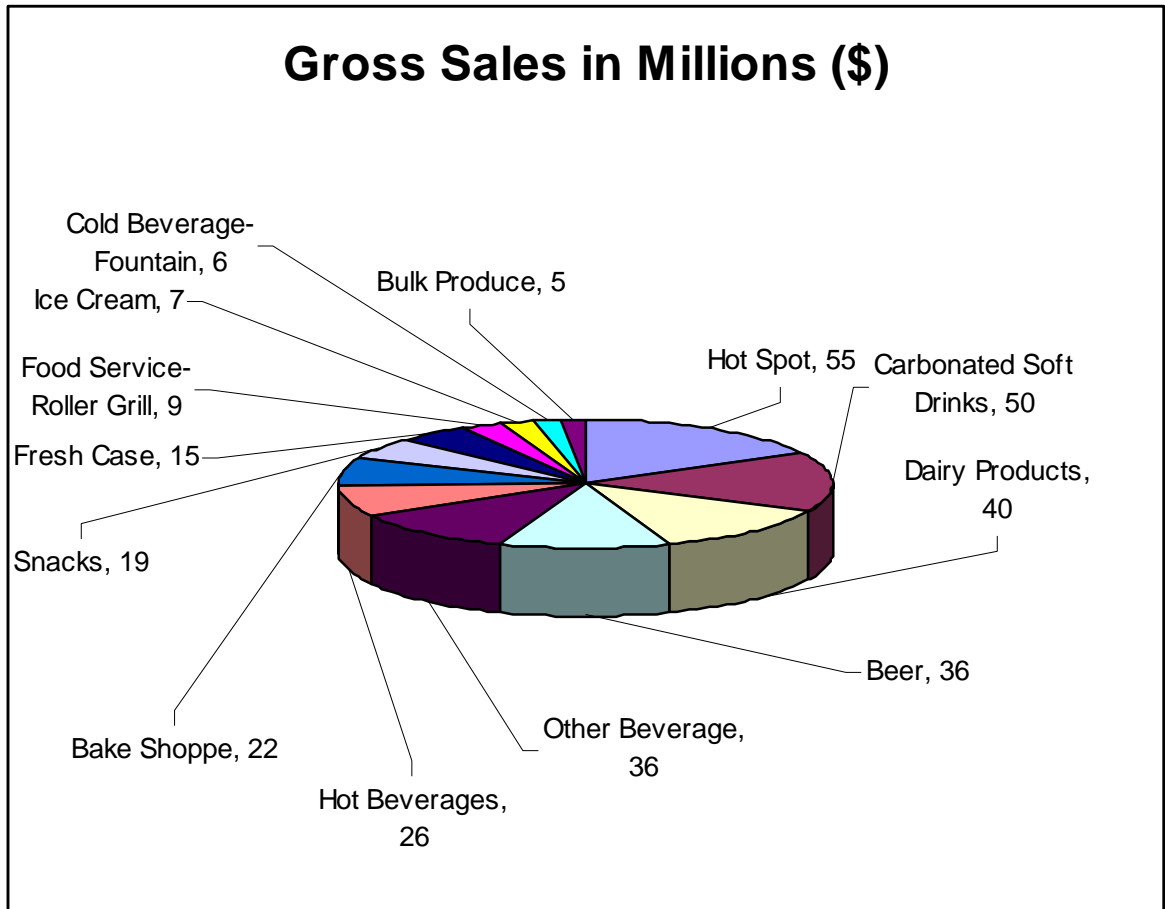
Product Category	Product Description
Beer	All beer sales/packages
Carbonated Soft Drinks	Packaged Soft Drinks
Other Beverages	Sport Drinks, Fruit/Vegetable Juices, Iced Tea, Bottled Water
Snacks	Chips, Nuts, Meat Snacks, Granola/Fruit Bars, Energy Bars
Dairy Products	Fluid Milk
Ice Cream	Packaged Ice Cream & Novelties
Fresh Case	Fruit, Salads, Desserts, Premium Sandwiches
Bake Shoppe	Donuts, Glazers, Other Thaw & Frost Bakery
Hot Beverages	Coffee, Latte, Cappuccino
Cold Beverage-Fountain	Fountain Soda
Food Service-Roller Grill	Hot Dogs, Tornados, and Egg Rolls
Hot Spot	Sandwiches, Pizza, Cookies, & other warm Breakfast, Lunch & Snack items
Bulk Produce	Bananas, Potatoes, Onions

As mentioned earlier, Kwik Trip currently has annual sales over \$2 billion. In order to help you better understand the contribution of the different product categories toward annual sales, especially the Hot Spot and Fresh Case, the following sales figures are provided in Exhibit 2.

Exhibit 2

Product Category	Gross Sales in Millions (\$)	Margin
Beer	36	13%
Carbonated Soft Drinks	50	29%
Other Beverages	36	43%
Snacks	19	34%
Dairy Products	40	27%
Ice Cream	7	46%
Fresh Case	15	30%
Bake Shoppe	22	35%
Hot Beverages	26	70%
Cold Beverage-Fountain	6	28%
Food Service-Roller Grill	9	42%
Hot Spot	55	38%
Bulk Produce	5	25%
TOTAL ALL DEPTS.	700	23%

Chart 1



Other Key Sales Figures and Information

Other key sales figures and information that will be helpful for you when formulating your budget and strategies are presented below. Exhibit 3 provides figures for in-store sales per store per week, including average, high-end, and low-end stores to show the variance between stores. The average retail prices for Hot Spot, Fresh Case, and Roller Grill items are shown in Exhibit 4, while Exhibit 5 shows the average sales figures for each category per store per day. Marketing strategies should focus on increasing these sales figures.

Exhibit 3

Store Volume	In-Store Sales
Average	\$40,000
High-end Stores	\$65-70,000
Low-end Stores	\$20-22,000

Exhibit 4

Store Volume	Average Retail Price
Hot Spot	\$1.60
Roller Grill	\$.85
Fresh Case	\$1.35

Exhibit 5

Store Volume	Sales Per Day		
	Hot Spot	Roller Grill	Fresh Case
Average	200	95	93
High-end Stores	390	250	290
Low-end Stores	80	40	40

Areas of Concern/Industry Background

The convenience store industry has seen several changes over the years. Profit margins on gasoline are very minimal, with some store locations forced to sell gasoline to consumers below cost. However, inside purchases provide the stores with higher profit margins that can offset losses that may occur at the pump. Therefore, it is becoming even more important for convenience stores such as Kwik Trip to drive traffic inside. Due to innovations such as pay-at-the-pump many of today's customers never enter the actual store at all, opting to pay with their credit card right at the pump. Marketing strategies for Kwik Trip, as well as other convenience stores, must focus on driving customers into the store to make additional purchases. The case study for this year will allow you to help develop such strategies for Kwik Trip, specifically when it comes to Hot Spot and Fresh Case sales and the Cheese Mountain Pizza launch.

About the Target Markets

One consumer group Kwik Trip is interested in attracting to purchase from the Hot Spot and Fresh Case is the younger demographic of 18-24 year olds. Currently, many of the company's promotions focus on the 25+ market, with few geared toward the 18-24 market. Kwik Trip would like to increase their promotions to this market and want your help to become the "food destination" for these consumers. Also a key part of the campaign should be to promote the Cheese Mountain pizza line that is currently being introduced.

The Opportunity

The challenge to participating teams is to provide Kwik Trip with information and ideas leading to creative strategies for marketing the Kwik Trip as an overall destination store for the 18-24 year old market, specifically when it comes to food. Kwik Trip would also like to better understand the

decision making process of these customers when selecting their “food destination,” whether it be a fast food restaurant, convenience store, or other alternatives. Kwik Trip’s introduction of the Cheese Mountain Pizza Line should be a key part of any advertising and marketing campaign. *As a note, approximately 70% of Kwik Trips marketing dollars will be targeted toward establishing Kwik Trip as a food destination.*

About Recent Research- Kwik Trip and APR: Destinations Together

Kwik Trip in cooperation with their research company, Applied Ph.D. Research, LLC, has made several research results and reports available to participating teams. This information is **strictly confidential and is password-protected** in the directory at www.research-pyramid.us (<http://www.c-storedecisions.com>).

Recent research has focused on the Hot Spot and Fresh Case lines of food available from Kwik Trip. The studies are geared to help develop strategies for Kwik Trip to become the “food destination” of customers for these two lines of prepared foods. While the research conducted has focused on all consumers, many of the participants in the various stages of the research included customers in the 18- to 24- year old demographic.

About Recent Advertising

Kwik Trip’s advertising has focused on becoming a “destination store” rather than simply being a convenience store. One of the current campaigns focuses on stressing the freshness of Kwik Trip’s products, specifically the Hot Spot and Fresh Case. Sample television and radio advertisements are available through the online directory. Advertising campaigns for the current year focus on the Hot Spot and Fresh Case as a food destination, No Fee ATM’s, Top Tier Gasoline, Café Karuba (coffee and bakery destination), and the Kwik Card (Kwik Trip’s alternative to the a VISA credit card). Groups should consider these other campaigns in addition to the pizza roll-out campaign when looking at the advertising budget for 2005-2006.

Kwik Trip utilizes several different types of media for campaigns including:

- Billboards (\$1.3 million),
- Radio (\$2 million),
- TV (\$2 million),
- Print Media including:
 - Newspaper inserts (\$1.1 million),
 - Store signage (\$800,000).

Teams will be judged based on how well their strategies cover the various campaigns while focusing mainly on Kwik Trip as a destination and the pizza roll-out. **NOTE THAT THESE NUMBERS ARE FOR ALL ADVERTISING AND NOT SOLELY FOR HOT SPOT, FRESH CASE, AND PIZZA.**

Evaluation Criteria

Teams should develop complete marketing campaigns to help Kwik Trip be a food destination for Hot Spot and Fresh Case food items. In addition to the guidelines provided earlier, the following is a breakdown of how the Case Competition's written portion will be evaluated by the preliminary judges.

The written portion of the case should not exceed 25 pages in length, excluding the appendix.

<u>Item</u>	<u>Description</u>	<u>Point Value</u>
Situational Analysis	An analysis of Kwik Trip's standing in the convenience store industry including strengths, weaknesses, opportunities, and threats.	
Target Market	Description of your primary and any secondary target markets for the proposed marketing strategies. Teams are free to sub-segment the 18-24 year old market and any other secondary markets.	
Marketing Plan & Strategies	A strategic plan that focuses on attracting and retaining customers in the target market to consider Kwik Trip as their primary "food destination" as related to the Hot Spot and Fresh Case food items, as well as focusing on the pizza roll-out.	
Advertising/Promotion Campaign	A campaign that reinforces your overall strategies to attract and retain your target markets while also covering the other campaigns.	
Advertising Budget	Effective utilization of advertising dollars from Kwik Trip's total allocation.	
Grammar & Punctuation	Proper usage of grammar, punctuation, etc.	

Additional Information

Kwik Trip constantly works to improve their service and products, carefully monitoring freshness and quality through their vertical integration. What they hope and expect to gain from this Case Competition is a better understanding of the 18- to 24- year-old market and the opportunity to put your suggestions into practice in a timely manner. We appreciate your participation in the AMA's 2005-06 Case Competition.

Teams looking for additional information may find it at the following websites:

www.kwiktrip.com

www.research-pyramid.us

www.marketingpower.com

www.c-storedecisions.com

Teams may also utilize other websites and resources not listed above to gather information for their solutions.

Any questions regarding the case and Kwik Trip can be addressed to Dr. Jimmy Peltier at peltierj@uww.edu. Phone numbers: Home: 608-838-6468, School: 262-427-5474, Cell: 608-220-0619.

Only one member from each group should contact Dr. Peltier so as to not repeat questions from the same group. A FAQ section will be posted on the directory if it is deemed necessary.

Appendix A:

List of Hot Spot Food Items

The following is a list of all the hot food items considered when Kwik Trip calculates Hot Spot sales.

Breakfast Items

Sausage/Egg Croissant	Ham/Egg Burrito
Ham/Egg Croissant	Sausage/Egg Burrito
Bacon/Egg Croissant	Feature Muffin
Bacon/Egg Muffin	Breakfast Pizza
Ham/Egg Muffin	Hash Browns
Sausage/Egg Muffin	Cinnamon Roll

Sandwich Items

Jr. Burger	Jr. Chicken Sandwich
Beef/Cheese Burrito	Double Jr. Burger
Chicken/Cheese Burrito	Philly Steak Sandwich
Hot Ham & Cheese	Cheeseburger
Burger	Fish Fillet Sandwich
Corn Dog	Garlic Herb Chicken Sandwich

Cheese Mountain Pizza

Pepperoni Pizza	Sausage Pizza
Sausage/Pepperoni Pizza	Sausage/Mushroom Pizza
Cheese Pizza	16" Pepperoni Pizza
16" Cheese Pizza	16" Sausage/Pepperoni Pizza
16" Sausage Pizza	

Side Items

Cup of Soup	Cup of Chili
Bowl of Soup	Bowl of Chili
Large Bowl of Soup	Large Bowl of Chili
Sugar Cookie	Chocolate Chunk Cookie
Macadamia Nut Cookie	Peanut Butter Cookie
Button Cookie	English Toffee Cookie
Mini Cookies	Apple Pie
Nachos	Breadsticks
Cheese Filled Breadsticks	Roasted Potato Wedges
French Bread	Pesto Bread
Sourdough Bread	Garlic Cheese Bread
Pizza Bread	

Appendix B:

List of Fresh Case Food Items

Dessert Items

Boston Crème Parfait	Cherry Cheesecake
Strawberry Parfait	Chocolate Chip Cheesecake
Black Forest Parfait	White Chocolate Raspberry Cheesecake
Raspberry Parfait	Plain Cheesecake
Chocolate Pudding	Strawberry Yogurt
Tapioca Pudding	Raspberry Yogurt
Rainbow Gelatin	Cherry Yogurt
Strawberry Gelatin	Strawberry Banana Yogurt
Lo Carb Gelatin	Vanilla Yogurt
Dannon Lite N Fit Strawberry/Banana Smoothie	Lite Strawberry Yogurt
Dannon Lite N Fit Mix Berry Smoothie	Lite Raspberry Yogurt
Strawberry Cheesecake	Lite Blueberry Yogurt
Key lime Cheesecake	

Fruit/Vegetable Cups and Trays

Cantaloupe Chunks	Red Grapes	Petite Baby Carrots
Pineapple Chunks	Veggie Bowl w/Dip	Dill Dip
Watermelon Chunks	Dippin Carrots N Ranch	Kosher Dill Pickles
Mixed Fruit Chunks	Dippin Apples N Carmel	
Green Grapes	Baby Carrots	

Fresh Salads & Side Items

Chicken BLT Salad	Potato Salad
Chef Salad	Macaroni Salad
Chicken Caesar Salad	Cole Slaw
Napa Spinach Salad	Snack Pack Hard Cooked Eggs
Side Salad	

Cheese/Beef Snack Items

2 Pk Beef Sticks	12 oz Cheese Curds	Med. Cheddar Cheese Pleaser
6 Pk Beef Sticks	Cheese/Salami Snack Cup	Colby Cheese Pleaser
Smoked String Cheese	Pepper Jack Cheese/Salami	Salami Cheese Pleaser
4 oz Cheese Curds	Snack Cup	Pepper Jack Cheese Pleaser
8 oz Cheese Curd	String Cheese	

Fresh Gourmet Sandwiches & Wraps

Angus Roast Beef Sandwich	Ham/Swiss on Pretzel Roll	Ham/Cheese Wrap
Corned Beef Sandwich	Egg Salad Sandwich	Chicken Fajita Wrap
Napa Roast Turkey Sandwich	Chicken Salad Croissant	
Italian Roast Beef Sandwich	Turkey/Cheese Wrap	

Lunchables & Capri Sun

Pepperoni Pizza Lunchable
Bologna Lunchable
Ham/Swiss Lunchable
Turkey/Cheddar Lunchable

Capri Sun Fruit Punch
Capri Sun Grape
Capri Sun Wild Cherry
Capri Sun Strawberry Kiwi

Fresh Fruits

Lemons
Limes
Oranges
Peaches (seasonal)
Rainier Cherries (seasonal)

Bing Cherries (seasonal)
Braeburn Apples
Red Delicious Apples
Granny Smith Apples