



PROMOTIONS | August 2012 | By John Morell

The Art of the LTO

Limited-time offers are a fundamental part of the quick-serve industry. Here's how to do them right.



Offer a Big Mac or a Quarter Pounder to casual McDonald's customers, and they might shrug. But offer a Shamrock Shake or a McRib, and there's a good chance they'll salivate. These menu options have become hugely successful at the fast-food giant, despite being offered for only a few weeks out of every year.

So why doesn't McDonald's add them to the permanent menu? Largely because quick serves have discovered that a good limited-time offer can boost brand excitement and even single-handedly drive sales.

"There's no question that limited-time offers, LTOs, are a fundamental part of our industry," says Tracy Carbonneau, vice president of marketing for Pita Pit. "It's Marketing 101. Everyone has them in their toolbox and can pull them out when necessary. But the key is how you use them, and when."

Traditionally, the LTO is a way to spark sales before the end of a quarter or experiment with new menu items without making a full menu commitment. If it bombs, customers will never see it again. If they can't get enough, it may just bump a slow seller off the menu.

But the LTO isn't so simple. From marketing to operations to franchisees, all levels of a brand are usually involved in developing, rolling out, and selling a limited-time offer.

“For something that's supposed to be 'limited time,' there's a great deal of work and time putting a successful LTO together,” says Gary Occhiogrosso, chief development officer of TruFoods LLC, which owns Arthur Treacher's Fish & Chips, Ritter's Frozen Custard, Pudgie's Famous Chicken, and Wall Street Deli. “It's about figuring out what might work for a particular brand, how to make it profitable, and how to get the word out.”

TruFoods tries to maintain a series of regular LTOs for each brand, Occhiogrosso says. He says customer traffic often falls at quick-serve concepts when they don't offer something new.

“You need to generate excitement and interest, but you can't afford to continually extend the menu,” he says. “So that's where the LTO fits in. It arrives with a product that's perfect for a particular season at just the right price point, and there's a sense of immediacy around it. You've got to get it before it's gone.”

At Pita Pit, the LTO process begins at least a year before the first customer gets a bite of the new product, Carbonneau says. Last summer, the company's marketing and operations teams came up with a recipe for a pastrami melt pita sandwich. The pita's tastes and ingredients were tweaked here and there, and focus groups were enlisted to see what worked best among likely customers.

Franchisees usually get involved after a product is developed, since they're going to be the ones responsible for selling it, Occhiogrosso says.

“They usually want to make sure we're cross-utilizing products to get the most efficiency possible,” he says. “We also want to be in communication with them to ensure that during the LTO, there's not going to be a shortage of the product and we won't have an oversupply. If we've done our homework, we've supplied just enough inventory for each store to earn the most it can during the LTO.”

Knowing the brand's story and making sure the LTO dovetails with its overall marketing goals are also critical components to an LTO's success. For example, TruFoods tries to keep a pulse on the different customer bases for both Ritter's and Arthur Treacher's to make sure any LTO fits with consumer demand.

“The Ritter's consumer is usually younger and is willing to try more daring, experimental flavors,” says Fred Kirvan, chief operating officer of TruFoods. “The Treacher's customer

skews older, and we're more careful about the flavor choices we make for an LTO there. We want to make sure it fits in very nicely with the menu."

Before broadband Internet became a ubiquitous utility, getting the word out about LTOs could be a challenge. By the time door hangers were hung, the LTO could be half over, while TV and radio buys were expensive and came with no guarantee that the desired customers were watching or listening.

But online innovation has changed everything in the world of limited-time offers, the operators say. Using online tools like Facebook, Groupon, and LivingSocial is considered essential to successfully marketing today's LTOs.

"If you're not using social media to promote, you almost don't exist," says Mandy Calara, CEO of Forever Yogurt, which has four outlets in the Chicago area. "But it's still so new that a lot of businesses are still learning how to make it work for them."

Calara says he's had good success using Groupon to promote Forever Yogurt's LTOs, but admits the company went through a learning curve. It had a huge response last summer when buyers flocked to stores to buy \$25 gift cards for half off, with no limit. "As a result, we had our regular customers go in and buy up all these cards and then use them to get half off the products they would have purchased anyway," he says.

The lesson taught Calara's marketing staff that using tools like Groupon or LivingSocial should only be done with cheap limited-time offers.

Toppers Pizza, with 41 locations in the Midwest and South, is another operation that focuses heavily on social media, primarily Facebook, to promote its LTOs. With more than 50,000 fans following it, the company will regularly put out aggressively priced, short-term deals, such as a large one-topping pizza for \$5, good for three days only.

"You've got to be 'in the know' to get these kinds of deals," says Scott Iversen, vice president of marketing for Toppers. "It's a matter of building up exclusivity. But it's crazy when it happens; we do them generally at the end of a quarter, and our Facebook page goes wild, the stores are filled, people are telling their friends to get down here."

With all those people buying \$5 pizzas, it would be understandable to think the company wouldn't make a profit on that particular LTO. But Iversen says it all works out in the end if the offer is good enough. "We end up doing double the amount of transaction counts during an LTO compared to a normal week, and the volume we do makes up for the lower margin," he says. "And of course you've got ancillary sales in drinks and sides."

Of course, an LTO's success is usually measured at the cash register. The number of items sold versus the number expected to sell is usually a good assessment of whether it worked or not, the operators say. But there are other measurements, too.

At Captain D's, a Southern-style white fish LTO did well, but it was the response from customers in the restaurants and through social media that put it permanently on the menu.

"We made it one of our \$4.99 meal deals because we had to, the response was too great," says Jonathan Muhtar, chief marketing officer. "That's part of what makes it worthwhile when you go through all of the work of doing an LTO. When your customers overwhelmingly tell you they want it on the menu, it's very gratifying."

But in a quick-serve industry that is constantly changing and seeking the next big menu item, some worry that there is an overreliance on limited-time offers.

"It may be that consumers expect them from our industry," Carbonneau says. "The giant billboards advertising LTOs for the big hamburger quick serves get a lot of attention and business, and I think sometimes customers look at us saying, 'OK, what have you got?' We have to rise to the challenge by focusing on our core business and introducing LTOs that don't mimic what others are doing, but showcase what we do best."

Muhtar says a brand's messaging can get muddled if it rolls out too many LTOs.

"If you're trying lots of different menu items, [customers] may wonder what type of restaurant you are," he says. "For us, it's freshly prepared seafood. Everything, including LTOs, moves from that point. We don't lose sight of that focus."

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