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Taco Bell in the MarketPlace  
Situation Analysis



## Introduction

Taco Bell is a popular fast-food restaurant with a Mexican-inspired menu, such as tacos, burritos, quesadillas, and more. Glen Irvine founded the restaurant in 1962 after his hot dog stand was losing to its nearby competitor: a Mexican restaurant. Glen began to learn recipes for tacos and sold them from his stand, thus forming the foundation of Taco Bell. Since then, Taco Bell has been the subordinate to PepsiCO and now Yum!, alongside KFC and Pizza Hut.

Taco Bell continues to remain relevant and in good standing with its customers because of its adaptability to society and constant new food inventions. It is also successful in digital marketing and its attempts to reach the Gen Z crowd. The CEO himself has made an effort to be interactive with the virtual sphere and stay connected to the customers. He has created a platform that he refers to as “restless creativity” that “empowers Taco Bell to utilize all of the creativity of all of the people in our ecosystem in a way that engages them into thinking, challenging and creating” (Chiat, 2021). This creative motive is pushing Taco Bell closer to reaching its goal to become an indie, cult brand. The purpose of this branding idea was to gain loyal and passionate customers and push boundaries on a mass-market scale. Taco Bell is successful, now selling 2.8 million tacos a day from more than 7,000 locations, and generating \$10 billion annually; despite the volume of competition in the fast-food industry.

## Current Market Situation

Taco Bell is considered a part of the quick service restaurant industry where the market size was predicted to reach \$281.68 billion in 2021 (What We Know, 2021). This industry has recently seen a downfall because of Covid and stores being forced to shut down. Those that have survived are companies that adapted and went online. Luckily, the industry is making a return as “US retail sales for food services and drinking places, a potential measure of fast-food and quick-service restaurant demand, increased 23.6% in the first five months of 2022 compared to the same period in 2021” (Dun, 2022).

Taco Bell has recently been named the 4th best fast-food restaurant by QSR (Ranking the Top, 2022). In this broad category of fast-food, beating Taco Bell is McDonalds, Starbucks, and Subway. But, these are all indirect competitors outside of Taco Bell’s tex-mex specific category. Its primary competitors are viewed as Chipotle, Graze, Wendy’s, Freshly, and Del Taco (Comparably, 2022).

Chipotle is Taco Bell’s main competitor because of its similar Mexican-American menu, but more upscale feel. Taco Bell’s parent company, Yum!’s “shares have risen 14% over the last 12 months, giving the company a market value of \$35.5 billion” (Lucas, 2022); but Taco Bell is not Yum!’s only chain and its value alone is \$5.6 billion. Chipotle’s market value has reached \$7.55 billion in the past year. Chipotle and Taco Bell in the consumer’s eyes are not competitors. They both sell Mexican-American food, but have very different reputations. Chipotle is known for its sit down option and higher priced menu, whereas Taco Bell is known as a late night cheap drive through. This divide occurred because of Chipotle’s recent switch to “heavily promote their use of organic ingredients and healthy cooking techniques to set themselves apart from other fast-food concepts” (Dun, 2022). Chipotle originally launched this health-driven campaign to respond to backlash for an E. coli outbreak that had a major impact on its sales. The organic campaign worked and got them back on track, while Taco Bell is having trouble proving its health to the public. It has made an effort to prove its food is safe and healthy, and even has a

nutrition tab on its website to tell you about its nutritionist, Missy, and her team. While this effort is on its website, they haven't promoted it well enough to make a difference, whereas Chipotle did a whole rebrand.

In an attempt to reach its main indirect competitor, McDonalds, Taco Bell launched a campaign adding fries to its menu. "Fries make up 25% of all sales in quick service restaurants – that's \$67.55b in sales – but Taco Bell claimed 0% of those sales because people don't want fries from a Mexican restaurant" (Web of Fries, 2019). Taco Bell decided to use its creativity and change this statistic by launching a real product, Nacho Fries, with a fake movie trailer. This campaign was so successful that, "one-third of all Taco Bell orders were Nacho Fries during launch. That's even higher than the previous leader, Doritos Locos Taco (a now top-selling permanent item on the menu) as well as the Quesalupa (which had the backing of a Super Bowl investment). Nacho Fries went on to become Taco Bell's best-selling product launch in history — over 100 million sold in 10 weeks" (Web of Fries, 2019). This is a prime example of Taco Bell's creativity separating the chain from its competitors as it continues to constantly change its menu. Another recent example is the Naked Chicken Chalupa they launched to respond to the recent rise of chicken in the fast-food industry. They knew they had to find a way to compete in this space, and created a witty commercial and objective to remind people that they loved fried chicken no matter where it came from. Once again, the creative team succeeded and "Taco Bell's sales grew 8% in the quarter the chalupa was introduced, as the company sold more than 25 million units in two months" (Karaim, 2018).

### Consumer Analysis

Taco Bell is known to draw in the strapped-for-cash students looking for a late night snack. This demographic has worked for the company for years, until the recent Covid pandemic. "The COVID-19 pandemic has had a profound effect on the industry, with brands reacting in a number of ways: pivoting to digital marketing and mobile apps; using real-time insight to shape relevant activations; messaging that addresses the health and social consequences of the pandemic; and investing for the long-term despite the revenue shock" (What We Know, 2021). This switch in the industry caused customers to become more cautious of their overall health and companies to pivot to online pathways.

This switch to a healthier lifestyle is being pushed by parents who want the best meals for themselves and their kids. Fast food restaurants are struggling to provide this comfort to parents, besides Chipotle's recent organic campaign. The way that companies are instead trying to reach this demographic is through family specific deals. "Burger King offered two free kids' meals for customers who ordered an adult meal for drive-thru or pick-up via its mobile app. And fried chicken QSR Popeyes' partnership with "No Kid Hungry", a non-profit, took on new energy and emotion as part of its pandemic marketing mix that also informed families that its restaurants were open for business" (What We Know, 2021). Companies are also reaching families through shared meal kits to promote convenience in response to the 2022 survey that shows "17% of consumers are interested in seeing meal kits from full-service restaurants, with Gen Zs (29%) and parents (28%) showing particular interest" (Varchasvi, 2022). This demographic is not being reached by Taco Bell despite its attempt to do shared meal kits; because, they branded them as "party packs" and "craving boxes".

The pandemic also caused companies to switch online and prioritize health and safety issues. "McDonald's quickly instituted a range of measures to ensure guest safety, including

social-distancing protocols, protective barriers, and revised cleaning plans. Communications pivoted to reassuring consumers that it is safe to visit a McDonald's outlet in order to stimulate in-restaurant demand" (What We Know, 2021). While many companies are making strides in creating healthy environments, Taco Bell, KFC, and Captain D's are going above and beyond by creating virtual brands that do not require a storefront. So far, there are only prototypes (see figure 12 below) of these small-footprint restaurants that prioritize "multiple drive-thru lanes and little or no seating, and are optimized for online ordering and pickup" (Varchasvi, 2022). This new concept is being referred to as "Go Mobile" and is attempting to satisfy consumer's continued interest in takeout and delivery options.



(Varchasvi, 2022)

### Reaching the Market: Advertising, PR, Promotion

Taco Bell's CEO, Mark King, states that "At Taco Bell, our craving for creativity is insatiable. We live for new ideas that feed the cult of Taco Bell: the unexpected food mashups, the Taco Shop merch and the experiential moments that reflect the innovation that makes Taco Bell so unique" (Chiat, 2021). This mission of the company is portrayed through constant advertising to reach its goal as a balance between behaving like a cult and a mass-market brand. Its strategy is working as it strives to influence the Gen Z community and younger crowd in tandem with the 'Live Mas' slogan. Taco Bell's most successful advertisements have included popular influencers that the younger community resonates with. Recently, Taco Bell partnered with Lil Nas X, a popular rapper, who used to work at Taco Bell before his fame. This partnership is geared towards philanthropy and recognizing young creatives through the 'Live Mas Scholarship'. This campaign's goals were to promote Lil Nas X's new album and "demonstrate to Gen Z that they are committed to the communities that they serve, actively looking for opportunities to open up doors and opportunities for those who otherwise may not have access to them" (Hansen, 2021). Other companies are utilizing influencers as well, such as, Chipotle's campaign with Tony Hawk to promote his video games and his go-to Chipotle order, and McDonald's campaign with Saweetie to create a new meal combination of her favorite items from its menu (Hansen, 2021).

Another way Taco Bell has specifically reached the Gen Z community is through its loyalty program. "Compared to Millennials and Gen Xers, Gen Zs are least likely to participate in loyalty programs", but Taco Bell created programs that rewarded online social interaction to

get Gen Z involved. For example, its loyalty program offered 10% of your next order if you shared your meal on Instagram with a specific hashtag (Varchasvi, Jan. 2022).

## SWOT Analysis

### *Strengths*

- **Constant Change/Innovation:** Taco Bell is constantly changing its menu and its “Innovation Lab is thus tasked with at least ten new-product innovations every year...”(Karaim, 2018).
- **CEO activity:** Mark King is a well known CEO who remains accessible to the public through podcasts and LinkedIn. His social media presence has positively affected the business seen through the addition of employees to the Taco Bell Internal Incubator program after his podcast that was streamed in 16 countries (Chiat, 2021).
- **Loyal/Passionate Customers:** Taco Bell’s innovation keeps its customers excited and taps into their desires and requests. These customers show their loyalty at an “unusual level of devotion, leading fans to take wedding photos at restaurants; tattoo the Taco Bell logo on their bodies (in return for a life-time supply of tacos) and dress as the company’s salsa packets for Halloween” (Karaim, 2018).
- **Strong Parent Company:** Taco Bell receives financial and operational support from its parent company, Yum!, which has been named the “world's #1 fast-food company” (Dun, 2022).
- **Strong Advertising:** Taco Bell continues to reach its target audience through partnerships with relevant companies and people. The company originally saw success through this medium after replacing Mcdonalds as the NBA’s fast food partner and hasn’t stopped since.
- **Listen to Customers:** Taco Bell excels in social listening by interacting with its customers on social media. After researching its consumers' desires, the company noticed that people missed the Mexican Pizza on the menu; in response, Taco Bell added it back to the menu indefinitely.

### *Weaknesses*

- **Poor Franchise Relations:** Taco Bell is inadequate in international franchise relations, specifically in India. It is only well known and established to consumers in Spain that have just received their 100th Taco Bell location. It needs to develop better relationships to ensure expansion to keep up with the competition.
- **Reaching older generations/families:** Taco Bell has done an impressive job reaching its Gen Z demographic, but has left families and parents behind in doing so. Its reputation as a late night location still stands.
- **Health concerns of the Public:** “Consumer’s expectations regarding healthy, natural ingredients in fast food have increased dramatically over the past decade” (Passikoff, 2011). Taco Bell is not viewed as a healthy option because of a lawsuit in 2011 about its “taco meat filling”.
- **Recovering from Covid:** The company suffered more than most during Covid because it lost its main demographic of late night and morning demand. With return to normal late hours, Taco Bell is getting back its main customers and realizing the importance of focusing on late night online orders.

- **False Advertising:** Taco Bell is struggling to rid of its unhealthy reputation because of a lawsuit from 2011 for false advertising. The company claimed that its “taco meat filling” was 88% ground beef, but the USDA found that it is “35% beef with additives, fillers, binders, extenders, and preservatives making up the remaining 65%. The suit isn’t looking for money, just truth in advertising” (Passikoff, 2011). Taco Bell claimed the lawyer’s were wrong and tried to set the record straight through a campaign, but people still haven't forgotten.

### *Opportunities*

- **Training employees:** Taco Bell ranks 4th against its primary competitors in customer service (Comparably, 2022). Taco Bell can gain an advantage if it better retained its current employees and better trained the new ones.
- **Introduce healthier alternatives:** Taco Bell’s efforts to change its unhealthy reputation can go farther. It would be smart of them to create a new campaign and advertise it through its popular usage of TV or through an influencer that parent’s trust.
- **Surge of eating out:** “US personal income, which drives consumer decision making to buy from fast food and quick-service restaurants, rose 5.3% in May 2022 compared to the same month in 2021” (Dun, 2022). Taco Bell can take advantage of this new consumer surge through more app deals for its regular customers.
- **Delivery/”Go Mobile”:** Taco Bell has “Go Mobile” locations in the works and can prioritize this lead to further grow its delivery efficiency and volume of mobile pickup orders.
- **Make deals for parents/families:** Taco Bell has a great opportunity through its loyalty program to add deals that satisfy the family demographic. And can create a boxed meal specifically geared towards families, rather than entertainment.
- **Expand Breakfast menu:** “Consumers are increasingly seeking fast, inexpensive menu items centered on the first meal of the day from quick-service restaurants” (Dun, 2022). Taco Bell has attempted to reach this competitive market, but isn’t doing as well as other fast-food restaurants in the breakfast realm. A new campaign to launch more creative breakfast items would be in Taco Bell’s best benefit.

### *Threats*

- **Indirect competitors:** “In the United States, McDonald's and Subway customers are most loyal, with more than 60% only visiting that brand in a month” (What We Know, 2021). These two companies remain above Taco Bell in the QSR ranking of best fast-food restaurants and continue to grow.
- **Shift towards healthy lifestyle:** Consumer’s priorities with fast-food are changing from convenience to health after the Covid pandemic. Therefore, Taco Bell needs to prioritize health as well in order to adapt to what’s relevant today.
- **Franchising issue:** “At the end of 2020, about 8% of Taco Bell’s 7,427 restaurants were located outside the U.S.” (Lucas, 2022). This lack of international franchises, specifically in India, is pushing Taco Bell back behind its competition.

### Conclusion

Taco Bell is an innovative company that continues to think of creative advertising to promote its ever-changing menu. Taco Bell’s customers remain loyal and passionate to the values of the company allowing it to take chances. There are plenty of opportunities for the company to expand its demographic and franchises internationally. Taco Bell continues to push boundaries



and remain 4th in line, despite the volume of companies in the highly competitive fast-food industry.

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