

To: Professor Amanda Alampi
From: Malia English, Dylan Reiff, Glory Seto
Re: Shake Shack Strategy Memo
Date: May 4, 2020

PURPOSE

Brand's problem:

Shake Shack operates in a highly competitive market. Though fairly successful in the fast-casual industry with a focus on burgers and relatively healthier fast food, the company still faces steep competition. Major fast food competitors such as Dunkin' Donuts, McDonalds, and Starbucks control the Grab n' Go breakfast market. Shake Shack launched a breakfast menu in May 2017. However, this option was only provided at select locations with a very limited menu. Beyond the 2017 release, there has been no further advertising or expansion. Therefore many consumers are not aware that Shake Shack even serves breakfast. For this reason, we propose expanding upon breakfast with hopes to take on top competitors.

Our proposed solution:

We propose a "Shake Up Your Morning" campaign to revamp and expand the breakfast menu. This campaign will introduce breakfast to numerous locations, beginning with those in New York City. We have composed a SWOT analysis and thus provided a digital marketing strategy to help highlight why we believe that Shake Shack should heavily implement a breakfast menu.

OVERVIEW

Campaign goals and objectives:

Our main goal of the campaign is to create awareness in Shake Shack's existing and potential customers about their new and improved breakfast menu. Our objectives of the campaign are that the new menu will start as soon as possible, but the campaign will emphasize post COVID-19 as people return to school and work. A breakfast that outdoes the competition in ways of quality, taste, and reliability. For many years Shake Shack has been known to use higher quality ingredients and have great customer service. Customers can expect the same experience from Shake Shack with the new breakfast menu as well.

Company history

Though Shake Shack is currently incredibly successful with 275 locations in total, both nationwide and around the world, the business started with humble beginnings. The company began as a small hot dog stand in Madison Square Park. When restaurateur Danny Meyer opened the original Shack cart, he had no intention to expand. The purpose of the cart was to support an art installation in Madison Square Park and be a part of the community by providing quality food. Within a week, long lines began to form daily during lunch hours. The hot dog cart was up and running from 2001 through 2003. In 2004, Shake Shack transitioned to a permanent kiosk in the park with an expanded menu under Union Square Hospitality Group (USHG). Modeled in the image of a modern roadside burger stand, the first official Shake Shack location continued with upward success. Soon the stand saw visitors from all around the world coming to

taste their menu of “delicious burgers, hot dogs, frozen custard, shakes, beer, wine, and more” (“Our Story”). Within five years, Shake Shack Inc. decided to expand operations and opened up a second location in the Upper West Side. When sales exceeded expectations, Meyer and Randy Garutti (director of operations for USHG at the time and current Shake Shack CEO) continued expanding around New York City and into other states. In 2011, the company introduced locations in Kuwait and Dubai as a part of its international expansion. By 2015, the company had 63 locations and Shake Shack (NYSE: SHAKE) became a publicly owned company. In 2018, Shake Shack relaunched their mobile app. The redesign of the app optimizes on user experience. In 2019, the company underwent its most rapid growth yet, by opening 73 new locations and introducing delivery through an exclusive partnership with Grubhub.

Garutti credits the company success to emphasizing customer experience and food quality rather than focusing on one specific growth strategy. In 2018, Shake Shack created almost 2,000 jobs and promoted 1,151 employees. To address high turnover rates and improve employee retention, the company expanded 401K eligibility and began testing a four-day work week. During June of 2019, Shake Shack also introduced an “All-in” diversity and inclusion initiative that aims to “[provide] equal opportunities for success, removing obstacles and fostering a culture of diversity, inclusion and empowerment” (“We’re Proud to show our true colors”). The initiative launch coincided with the beginning of Pride month and featured Shake Shack employees in the LGBTQIA+ community. Additionally, the company was named one of the “Best places to work for LGBTQ Equality” and earned a 100% on Human Right Campaign’s 2019 Corporate Equality Index. By having well-informed, diverse, satisfied employees, and creating a positive work environment, this will help create a positive customer experience (“We’re Proud to show our true colors”).

Improving brand awareness was the goal for 2020, but with the unexpected arrival of COVID-19, plans have been brought to a halt. Shake Shack renovated its Theater District location to introduce multiple ordering channels and upgrade kitchen equipment. They updated the floorplan and also installed kiosks. There were also plans to remodel other restaurant locations including Grand Central and the Upper West Side, with the goal of improving upon a seamless guest experience and simplifying operations. Garutti also mentioned the plan to test the format of “urban units with smaller footprints that integrate digital ordering and an improved pickup experience” (“The Changing Face of Shake Shack’s Rapid Growth”). Due to the pandemic, the company has temporarily closed some of its restaurants. The locations that remain open operate takeout and delivery service. Shake Shack has expanded delivery to include Caviar, DoorDash, and Uber Eats. As a part of the Payment Protection program (PPP), Shake Shack was awarded a \$10 million loan from the government. The program was introduced as a way to help small businesses continue operating and pay their workers. The company decided to return the loan after explaining that they now had access to capital upon selling shares. Garutti recognized that other much smaller businesses in great need were not getting access to these funds. Following this decision, the company received much praise (CNN). As of May 1, 2020, Shake Shack’s market capitalization is \$1.96 billion.

SWOT Analysis

Strengths

Premium fresh ingredients

They highlight on serving 100% premium meat cuts, real ingredients that are ethically sourced, antibiotic, hormone free, MSG free, and never frozen. Their values are aligned with the U.S. Animal Welfare Policy.

Brand Identity

Known to be a high quality burger with a clean, minimal aesthetic. The modern and sophisticated design sets Shake Shack apart. In all store locations, they have established an upscale casual dining experience.

Community outreach & sustainability

The overarching mission is to “Stand for Something Good”. Each store is unique and inspired by its location, using sustainable materials. They use reclaimed wood for furniture and have mural walls creatively designed by local artists. They also include items for purchase to support local businesses. Every month, they host “Shack Track & Field”. It is a fitness club that is open to the community, free of charge. Their “Shack Gives Back” volunteer program encourages team members to get involved in community service of their choice. Since 2012, they have teamed up with the “No Kid Hungry” campaign to raise money for donations. Aside from that, every Shake Shack donates a percentage of sales to a wide range of local charity partners.

Employee & customer appreciation

Shake Shack has an employee-first initiative, which empowers enhanced customer service. They pay employees higher than minimum wage and provide stock options for all employees. They support a diverse workforce, with an all in initiative. They are also attentive with listening to customer feedback.

Footprint

Over the years, Shake Shack has expanded in locations domestically and 14 internationally. Shake Shack can be found in 31 states and 14 countries.

Financial position

According to Shake Shack’s 2019 fiscal year financial results, their total revenue increased 29.4%.

Weaknesses

Limited breakfast

Shake Shack’s breakfast options are available only in a few locations. These locations are in Madison Square Park, transit areas, and select airports. The menu also only includes a selection of three sandwiches, orange juice, and coffee. Some of these breakfast locations may or may not serve pastries. In addition, there has been a reported case in 2019 about Shake Shack’s London airport location, where there was no official announcement that breakfast was offered.

Utilizing media for advertising

Shake Shack has social media accounts, but does not have much of a presence with traditional advertising. Instead, there has been a main focus on word of mouth and in-store experience to attract customers.

Exclusive delivery service

Since partnering with Grubhub, Shake Shack shares have dropped 20% because of difficulty with maintaining customer loyalty. Customers voiced opinions to Shake Shack on expanding delivery service on other widely-used platforms, such as Doordash and UberEats. In perspective, customers would rather choose a different restaurant option than download a new mobile application.

Opportunities

Diversity of menu items

Given that customer needs are constantly changing, we have the opportunity to expand on vegetarian/vegan offerings so that we can meet all customer expectations.

Delivery and group orders

Another opportunity is to expand on delivery orders by continuing current partnerships with services other than GrubHub only. Furthermore, we could offer incentive to consumers by including discounts on group or catered orders for businesses. By doing this we would be able to capitalize on corporate and large sized orders for high revenue and potentially make Shake Shack breakfast an office favorite and staple.

App and pre order

Using the already existing Shake Shack App, customers would be able to pre order their breakfast and pick it up in store, which would make the grab n go breakfast experience even more seamless.

Constantly Changing Social Media Landscape

Currently, Shake Shack uses the “clout” of their high quality food to influence sharing via social media or word of mouth rather than heavily promote themselves online. Through social media, the company can improve customer engagement, more immediately receive and address customer feedback, and implement promotions. With the constant changes in social media trends, there is always an opportunity for innovation within digital marketing. There is also increased online activity due to COVID-19.

Technological Developments

New technologies including AI, AR and VR are on the rise. These tools can be useful in brand marketing, customer experience, and purchase decisions.

Threats

Competitors

Shake Shack's main competitors are: Five Guys, In-n-Out, Smashburger, Wendys, McDonald's, and Burger King some of which already have a popular breakfast menu. Therefore, many customers who already enjoy their breakfast elsewhere may not want to switch to Shake Shack.

Current Crisis / Post-quarantine

Though the company has seen consistently increasing domestic sales over the past few weeks, there is no guarantee that this trend will continue in the current state of the economy. People will likely be cautious with when and how often they go to restaurants because of the constant risk involved until there is a vaccine.

Digital Campaign Recommendations

We first recommend expanding the breakfast menu itself. In addition to the current offerings, Shake Shack should provide a Vegetarian option (Beyond/Impossible sausage), Vegan option (no cheese), a Gluten-Free bread option, a healthier sandwich option (i.e. egg white, avocado, etc.), options to substitute/add on, and a smoothie/breakfast shake. The offerings should remain at the current price point, which is similar to that of competitors.

Digital Strategy

Our strategy is to create an online campaign to increase visibility of our breakfast offerings to address threats of competition and our customers ever-evolving needs. It is important to provide options and for customers to be intrigued by new items. Not only do we want to continue combatting competition, but we also want to broaden our reach and expand our offerings. To do this, we are planning to extend into the breakfast quick-service sector. This strategy will also set us apart from our horizontal competitors (Five Guys, In-N-Out, Smashburger, etc.) who do not offer breakfast. With more people ordering in and spending time online due to the current crisis, a digital campaign is more relevant than ever. We propose a "Shake Up Your Morning" campaign utilizing an omnichannel marketing strategy to create a seamless customer experience to introduce and promote our breakfast. We will likely roll out this option beginning in New York City locations and eventually expand nationwide.

To achieve this, we have provided a few tactics to accomplish a successful campaign.

- To promote the campaign, we recommend that Shake Shake advertise through its social media channels. With a relatively young, "hip" target customer base, we will utilize pop culture to communicate with and relate to these customers. For this reason we will focus our efforts on Instagram and Twitter. As a fun way to improve customer engagement online, we will incorporate memes in some posts. We will also promote through paid advertising and collaborate with "foodie" influencers. With each post, we will use the hashtag #shakeupyourmorning and bring back the original Shake Shack breakfast slogan as the hashtag #riseandshack.
- To promote the release of the menu, we will also create an interactive AR filter on Snapchat where users can "catch" Shake Shack breakfast items with their mouth for

“points” and another Instagram “Which Breakfast Item are You?” shuffle filter, both branded with the Shake Shack logo.

- With the current trend in video content, we also recommend the creation of short videos (a compilation of slides that can be posted on the Instagram Story and later to highlights) that visually introduce menu items, and a longer, formal IGTV and YouTube video for the campaign.
- We can also create a new addition to Shake Shack’s Spotify playlist, titled #shakeupyourmorning, and feature upbeat tracks to start the morning off right.
- We will promote the launch on the Shake Shack blog which is updated quite frequently. By posting on the blog and linking that post through social media or vice versa, we can also bring traffic to the Shake Shack website itself.
- We will also offer promotions via delivery services specific to breakfast offerings including a breakfast combo (entree + drink).

Summary

Shake Shack is recognized as a gourmet fast food chain that is transparent about where they source ingredients. They have created a brand that is ethical, sustainable, supports local businesses, and gives back to the community. We see potential in bringing more attention and exposure to Shake Shack’s breakfast menu. A digital campaign and a social media campaign that highlights the breakfast menu expansion to all locations and new menu additions in a way that captures their target audience. Furthermore, the campaigns will call attention to a post COVID-19 world where people need a fast and reliable breakfast on their way to work and or school, and how they can count on Shake Shack for that.

Additional Considerations

- Expand locations that serve breakfast outside of transit and airport areas.
- Include vegan, vegetarian, and gluten free options so that the menu caters to everybody.
- Create incentives such as discounts on catered deliveries to offices and group orders.

Next Steps

1. For the main website, include a slide on the image carousel that links to more information on Shake Shack’s breakfast menu.
2. On all social media accounts, for at least a week, post content about breakfast.
3. Start hashtag, scout potential influencers, or develop a breakfast promotion to offer customers.

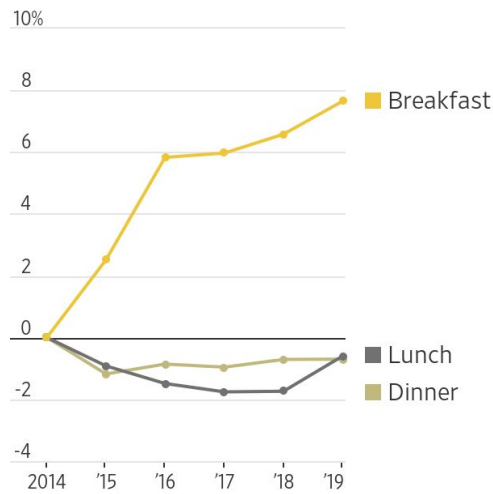
These will act as an official reintroduction that allows everyone to know Shake Shack offers breakfast.

Attachments

Traffic Patterns

Breakfast visits to fast-food restaurants have been growing faster than visits to the chains at other times of the day.

Fast-food restaurant traffic, change since 2014

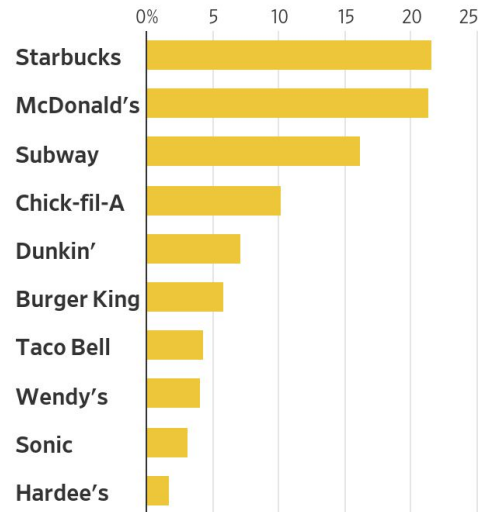


Note: For the 12 months ended in August
Source: NPD Group

Breakfast Battle

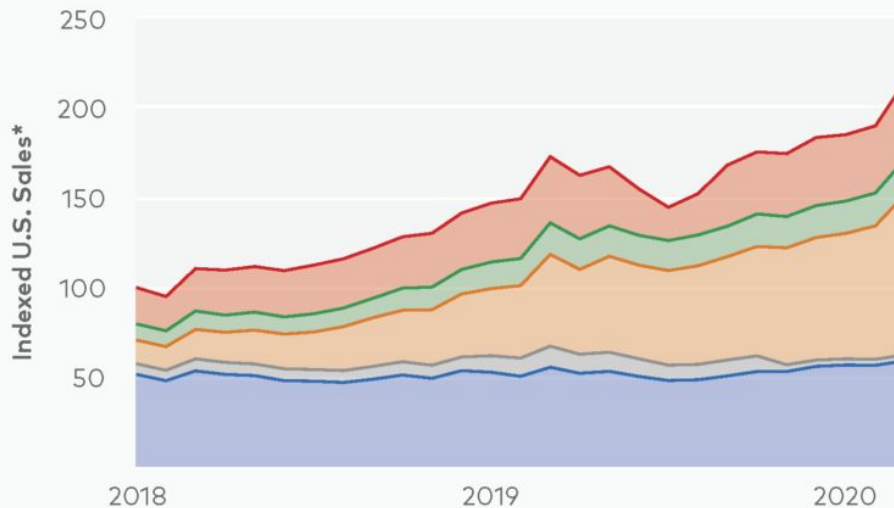
Chains are increasingly fighting for customers in the morning hours.

Share of breakfast visits among top quick-service restaurants*



*Location-based data, for service between 6 a.m. and 11 a.m. for the third quarter of 2019
Source: inMarket

Meal Delivery - Monthly Sales



March 2020 Share of Sales

Uber Eats	20%
Does not include purchases made with Uber Cash. Some sales indistinguishable from Uber rides, especially in May-August 2019.	
Postmates	9%
DoorDash	42%
Other	2%
Amazon Restaurants (prior to Jun '19 closure) Caviar (prior to Oct '19 acquisition) Waitr	
Grubhub	28%

* Indexed to meal delivery Jan. 2018 sales (=100)
Percentages may not add to 100 due to rounding.

Works Cited

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