

# Canadian Advertising Success Stories 1999

## Lay's Potato Chips

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### EXECUTIVE SUMMARY

*'In revitalising the brand, the goal is not only to generate added sales levels but to have them based upon enhanced equity, a move which involves improved recognition, enhanced perceived quality, changed associations, an expanded customer base and increased loyalty.'*

David A. Aaker – Professor of Marketing Strategy at University of California at Berkeley.

This is a story of risk and reward. About having the guts to effectively withdraw the Hostess Brand from the market, even though it was Canada's largest snack food trademark and the company's flagship brand – in favour of replacing it with an old, weak brand – and then making that old brand the national leader, in its first year.

The salty snacks market is notorious for its myriad brands, line extensions, flavours, and snacking variants, each striving to hook consumers with something new. It is fiercely competitive, and in 1996 (the base year for this case) Hostess, the market leader, had just over a 10% share.

How do you relaunch an old weak brand into this snacking frenzy, when it has no product news, and is merely a good, old-fashioned potato chip? This paper describes how. The Lay's relaunch exceeded all objectives, and catapulted the brand to market leader in only 12 weeks. The relaunch is so recognized by Frito-Lay that the same strategy and creative, adapted to local needs, is being used throughout Mexico and Latin America.

The paper will demonstrate strategic evolution. After Year I, Lay's grew further in Year II – by finding a previously untapped distribution advantage and transforming it into a benefit via advertising and packaging. This not only grew the brand, but established it as the superior quality chip. Frito-Lay's distribution and merchandising strength was a factor in this success. But history has proven that this alone is not enough. We will prove via tracking that advertising was the key factor driving attitudinal shifts for Lay's.

The measure of success is that Lay's has changed the category. By the last 6 months of 1998, Lay's had more than double the sales that Hostess had before the relaunch, and triple the national share of the nearest branded competitors. Furthermore, HFL had finally made headway in Western Canada – against the previously untouchable Old Dutch brand. Lay's more than lived up to David Aaker's mandate. In the US, with the same product but different advertising, Lay's had been an icon for 20 years. In Canada, after only 18 months, Lay's had superior Brand Equity scores to the US brand – and the only difference was the advertising.

This is how it happened.

## **SITUATION ANALYSIS**

In 1996, Frito-Lay Worldwide decided to make Lay's a global brand. Hostess Frito-Lay Canada (HFL) faced a dilemma. Lay's was licensed to a competitor, had extremely low brand awareness, and an even weaker quality image. Even so, HFL reacquired Lay's with the mandate to relaunch it in 1997 as their flagship potato chip brand.

This raised significant portfolio issues. HFL already had Hostess and Ruffles – #1 and #2 in the market – and a number of specialty brands. The challenge was further complicated by the proliferation of SKUs. Adding Lay's would put dramatic strain on distribution logistics. Realistically, was there room for a third major brand? The judgement was made. No.<sup>1</sup>

This led to the key strategic decision. Despite being the company's biggest brand, Hostess would be essentially discontinued and replaced by Lay's. The risk was huge. Hostess accounted for 33% of the company's total branded sales – and once it was replaced there would be no going back.

The next question was, 'How can we position Lay's as the quality/premium brand when its consumer perceptions, especially for quality, are so poor?'

One thing was certain. There would be no time for a slow build. HFL's direct-to-store delivery system meant that the changeover would happen almost instantaneously. Hostess loyalists would go to the shelf and find their favourite snack missing – an obvious problem in an impulse category. As a marketer, you could have concluded that there was a far greater chance of losing the Hostess customer to a competitor than of winning them over to Lay's.

We needed advertising that would change perceptions immediately. If not, we would leave tens of millions of dollars in Lay's stales on shelf. This led to the four following advertising imperatives.

1. Make Lay's a brand Hostess buyers want.
2. Make Lay's highly visible and appealing, to draw in new users.
3. Create the conditions for long-term brand loyalty to Lay's.
4. Fulfill the global strategy, while giving Lay's a Canadian personality.

## **STRATEGY AND EXECUTION**

### **Year I – the insight**

Lay's global strategy took the high ground of taste. But we also learned that chips are an indulgence. So, we decided to dimensionalise taste through 'irresistibility'.<sup>2</sup>

### **Year I – the creative idea**

We had to deal with Lay's low awareness and poor image. We needed a high impact idea that would deliver brand esteem – a higher regard for the brand. This would be essential for taking consumers through the sequence: esteem > trial > attitude shift. You can't ask for esteem, the consumer must give it to you. Advertising must be entertaining, involving and memorable. We decided on an appealing and carefully researched brand representative – Mark Messier. He turned 'irresistibility' into the Lay's wager:

## **Betcha can't eat just one!**

This was great taste and irresistible indulgence, told with impact and fun. But impact can be a double edged sword if it leads to fast wear out. So instead of using Messier as a straight spokesman, we put him in a series of hockey stories where he takes the Lay's wager, loses, and has to pay the consequences. Cast as a brand skeptic, Messier mirrored the attitude of our target. (Note: the idea also worked well in French.)

## **Year I – the media plan**

We went for high reach and frequency at the sacrifice of continuity, and used TV exclusively (:60 and :30). The :60s ran in high reach programs to ensure high awareness and 'depth of sale.' This strategy of high profile programming + :60s meant only a 6 week campaign. Given the challenges facing Lay's, this was a tough strategic trade off against continuity, but history would show that it was a good call.<sup>3</sup> The key television event at launch was the Superbowl. We sponsored the pre-game show, the 3rd quarter, and 'Third Rock from the Sun' immediately after the game. Meanwhile the Quebec launch focused on hockey, with the key event being the All Star Weekend

## **Year II strategy – continuing to build the brand**

Having established a successful and highly visible launch with Messier, we decided that future advertising needed to support 'irresistible' with a product story. Research showed that freshness is a signal of quality (65% rate it very important). This same research uncovered that consumers thought chips were fresh as long as they were within their 'sell by' date. In other words, they were assuming they were fresh if they weren't stale.

In fact, chips stay fresh for eight weeks at most after cooking. Then they steadily deteriorate to staleness. This means you can buy chips that are within their 'sell by' date, but are not fresh. Although we had never told consumers, HFL had long since recognised the detrimental effect of long shelf life. The Direct Store Delivery (DSD) system got products off the shelves within eight weeks. No competitor came close to this level of freshness, and many were on shelf indefinitely. This led to the insight:

### **Change the consumer's frame of reference from sell by to made on.<sup>4</sup>**

This measure of freshness would give Lay's the credentials to justify Lay's superior and 'irresistible' taste. Concept testing confirmed this. Guaranteed freshness had a big impact on intent to purchase. So, after getting 'made on' dates on the package, we launched the Lay's freshness advantage.

## **Year II creative**

Given the strategic shift, we needed to evolve Messier. We had to give complex, factual information, but we had to do it in an entertaining way to be consistent with the launch creative. Messier evolved from skeptic to freshness advocate, as in Viktor (:60 and :30).

Given regional brand strength, we also used outdoor to supplement TV and target regional competitors with the freshness guarantee. 'Old Dutch. Fresh Lay's' ran in the West, and 'Eat More Fresh Food' ran in the East.<sup>5</sup>

## **Year II media**

We repeated high profile events, such as Superbowl and 'Third Rock from the Sun' sponsorships. We also added outdoor for three weeks in major urban centers – to deliver the hard hitting competitive message at the launch of the freshness campaign.

## RESULTS

### Overview

We not only generated sales way beyond those enjoyed by Hostess; we established brand equity that will position Lay's for long term growth.

#### 1. Two year business performance versus Hostess

The base period is the Hostess business immediately before the changeover to Lay's – the last 6 months of 1996 – with Hostess indexing at 100. At that time, Lay's national grocery share indexed at 29 versus the Hostess base. Within 6 months of the changeover it was at 147, and by the last 6 months of 1998 it was at 211. In other words, we more than doubled the business we used to have with Hostess, which itself had been the branded market leader.

#### 2. Two year business performance versus competition

Immediately before the relaunch, Hostess, Old Dutch and Humpty Dumpty were very close in share. But by the end of 1998, Lay's had triple their share, shown in [Figure 1](#).

#### 3. Growth with a price premium

This growth is particularly notable because of Lay's price premium. This speaks strongly to the equity built for the brand.

**TABLE 1: LAY'S POTATO CHIP RELAUNCH  
LAY'S PRICE POSITION VS. THE MARKET AND COMPARED TO  
HOSTESS IN 1996**

	1996 Hostess			1997 Lay's			1998 Lay's		
	1st Half	2nd Half	Avg 6Ms	1st Half	2nd Half	Avg 6Ms	1st Half	2nd Half	Avg 6Ms
The Market Average	106	102	103.7	104	105	104.5	102	101	101.5

#### 4. Brand Equity

While volume and share are critical to short term financial performance, it is the strength of the brand that builds long term shareholder value in the minds and hearts of consumers. Pepsico tracks brand equity for all its brands, and benchmarks it against competitors and 65 other brands (e.g. Nike, Coke, McDonalds, Levi's, Crest) in each country. Lay's performance in Canada, in 18 months, has been phenomenal. In the 1996 base year, Lay's was so weak it wasn't even measured. By 1998, Lay's had come from nowhere to 5th position – stronger even than the 8th ranking of US Lay's. (Editor's note: these numbers are extracted from detailed tables provided in the case. For interest, Hostess had ranked 11th before the changeover.)

**TABLE 2**

Lay's Canada 1996 Base		Hostess Canada 1996 Base		Lay's Canada 1998		Lay's US 1998	
Score	Rank	Score	Rank	Score	Rank	Score	Rank
na	na	122	11	169	5	171	8

Lay's 1998 equity in Canada was close to a 100 points higher than the equity for Old Dutch and Humpty Dumpty. Compared internationally, Lay's 'brand esteem' was second only to Lay's UK, and significantly higher than Lay's US.

## ISOLATING ADVERTISING AS THE VARIABLE

We have analysed share (by region) by relative pricing, volumes sold on promotion, display in-store, and proven advertising effect. The evidence that advertising was the primary contributor is as follows:

1. Year I business closely tracks with high ad awareness, message comprehension, growth in trial, and P4W usage. Before the relaunch Lay's had strong aided awareness (82%) and ever tried levels (55%) but was not selling due to weak consumer perceptions. Once Hostess was withdrawn, Humpty Dumpty and Old Dutch brands were much more obvious choices for consumers, yet in 12 short weeks Lay's became the #1 brand in the market and eventually became more than twice the size of Hostess. Tracking (3/97) suggests advertising was a major contributor. Year I advertising broke through at exceptionally strong levels with 'betcha can't eat just one' at 65% of those recalling the advertising. Lay's ever tried levels grew from 56% to 80% and P4W purchase grew from 19% to 47%. There was no other reason other than advertising for this to happen, see [Figure 2](#).

2. With the exception of display, trade variables were constant and deal levels fell. Pricing and distribution were comparable to Hostess in the base period. And while Lay's did – as expected for a new leader – get stronger display support, the percent of Lay's sold at regular price increased after the launch of advertising, proving that Lay's was developing stronger appeal, see Table 3.

**TABLE 3: LAY'S POTATO CHIP RELAUNCH LAY'S – PROMOTIONAL INFLUENCES – DEAL AND REGULAR PRICES**

	1996 Hostess			1997 Lay's			1998 Lay's		
	1st half	2nd Half	Avg 6Ms	1st Half	2nd Half	Avg 6Ms	1st Half	2nd Half	Avg 6Ms
<b>SALES AT TPR PRICES</b>									
% sold on TPR	40	54	47	49	46	47.5	47	42	44.5
Index vs. Year ago	N/A	N/A	N/A	123	85	101	96	91	94
<b>REGULAR PRICED SALES</b>									
Regular Price Volume (mm Lbs.)	N/A	N/A	N/A	N/A	204	191	144	143	143
Index vs. Year ago									
<b>DISPLAY DISTRIBUTION</b>									
% Distribution of Displays	15.8	17.0	16.4	28.7	28.0	28.4	39.9	35.7	37.8
Index vs. Year Ago	N/A	N/A	N/A	182	165	173	139	128	133
<b>DISPLAY DISTRIBUTION</b>									
Index	160	133	145	152	135	143	155	132	143

3. The success of the Year II 'Freshness' initiative was unique to Canada and driven almost exclusively by advertising. It led to a further 30% increase in brand share, 91% of which was incremental to HFL.

Tracking in Year II (3/98) proved that the 'Freshness' advertising broke through. This traced primarily to strong ad awareness and message comprehension. It was understood at record levels, and Lay's owned superior freshness.

4. Brand esteem scores in Canada outperformed those in the US. We submit that to outrank the 70 year track record of US Lay's is potent testimony to the impact of this campaign on delivering shareholder value.

(Editor's note: this section was fully supported in the case with exhibits.)

## CROSSOVER NOTES

1. Fewer, stronger, brands. As a broad trend, through conventional distribution channels, companies are moving to fewer, stronger brands. It remains an open question whether an e-commerce marketplace will demand a proliferation of brands (one to one marketing) or whether 'fewer stronger brands' will drive e-commerce too.

2. Taste and Nutrition. Most food brands sell on some combination of taste and nutrition, but you still have to decide where to put the priority, and how to bring it to life. [Philadelphia Cream Cheese](#) is an excellent example (Gold Winner in CASSIES III.) They hit on 'indulgence without guilt' and brought it to life with the Angel campaign.

3. Media Innovation. The decision to use :60s is worth noting. Typically, a media plan looks 'thin' when it uses :60s rather than :30s, but this has more to do with what the plan looks like on a page than with the impact in the market. For another example of :60s (and with a reduced budget) see the [Chrysler](#) case in CASSIES III – which won the Grand Prix.

4. Changing the Goalposts. This is another example of getting an insight by shifting the frame of reference. See also the [Purina](#) story (Crossover Note 3) in the Eggs case.

5. Opportunism after launch. This strategic shift to freshness is worth comparing to Chrysler, [Dove](#) and [Richmond Savings](#) in CASSIES III. All of these took new inputs and changed what was already a winning plan, with great success.

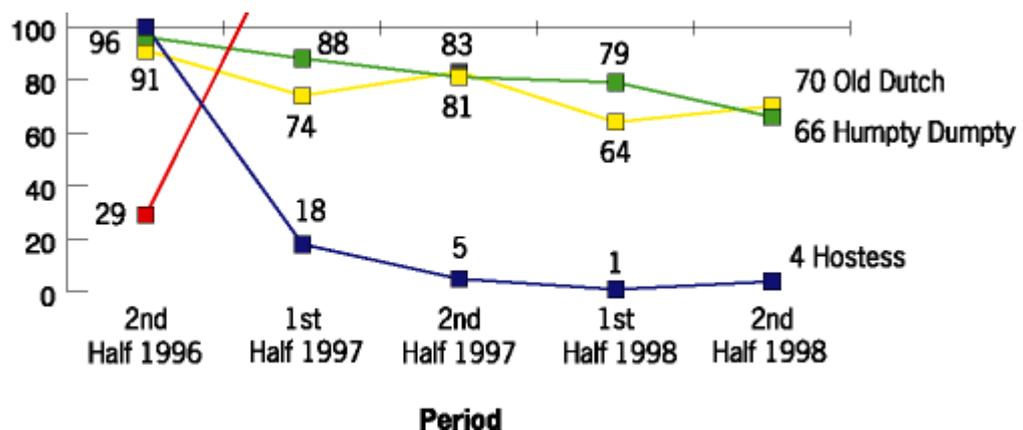


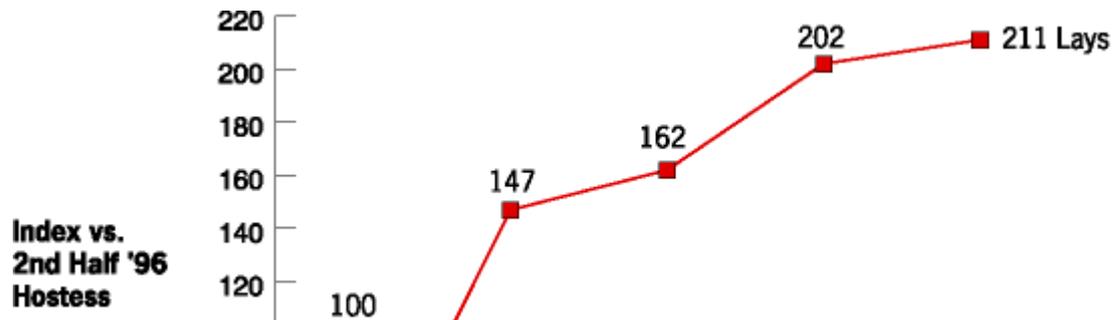
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## NOTES & EXHIBITS

**FIGURE 1: LAY'S PERFORMANCE VS. HOSTESS – COMPETITION INDEXED NATIONAL GROCERY SHARE 1996–1998**





Source: ACN Market Track

**FIGURE 2: LAY'S ADVERTISING RECALL – YEAR 1 AFTER 7 WEEKS OF ADVERTISING**

	<u>Feb. 1997</u>	
<b>Claimed Ad Recall</b>	59*	<div style="display: flex; align-items: center;"> <div style="font-size: 2em; margin-right: 10px;">}</div> <div> <p>70 Age 12 - 17</p> <p>65 Age 18 - 34</p> <p>48 Age 35 - 49</p> </div> </div>
<b>Proven Ad Recall</b> (% of claimed)	91	
<b>Slogan Recall</b> <b>"Betcha can't eat just one"</b> (% of claimed)	65	

\*Highest claimed advertising recall levels in Hostess/Frito-Lay tracking history  
 Source: HFL Corporate Consumer Tracking Study February 1997 – NPD Group