



The Pizza Hut chain built a unique concept based on its nationwide reach, activity in Prime Locations, operation of relatively large branches that provide seating, investment in modern design, functionality in pizza deliveries, competitive pricing and use of Kashrut as an advantage over the competition

The Pizza Hut chain was founded in 1958 in Wichita, Kansas, by brothers Dan and Frank Carney, and quickly became a success across the United States. In 1977, the company was purchased by food giant Pepsico. In October 1997, Pepsico founded Tricon and transferred control of Pizza Hut, KFC and Taco Bell chains to it. In 2002, Tricon became Yum! Brands, which currently operates several of the leading chains in the fast food industry.

In 1990, the chain arrived in Israel via Clal Chains, which was at the time a subsidiary of Clal Industries. During its initial years, the chain operated in the format of a large restaurant with seats in central locations in the big cities. In 2004, the chain's operational concept changed and it transitioned to an integrated model primarily focusing on deliveries, alongside a limited number of restaurants that offer seating in.

In 2008, the chain franchise for the Israeli market was acquired by Tabasco Holdings, owned by Udi Shamai and Niv Zilberstein. Today, the chain operates an integrated model, with some branches directly operated by the chain and others operated through local franchises.

Pizza Hut is primarily recognized for its unique dough, which is characterized by its airiness and lightness, unlike other pizzerias in Israel, which use only thin dough. In addition to the pizzas, fresh pasta, quiches, salads and

other dishes are sold, completing the culinary experience.

### The Competitive Environment

Pizza Hut is the chain with the largest number of branches in Israel – 51. In addition to Pizza Hut, one other large chain operates, as well as a few smaller chains, each of which operates a relatively small number of branches. In addition, there are hundreds of privately-owned neighborhood pizzerias. 65% of pizzas in Israel are ordered by phone or online, delivered to customers' homes, while 35% of pizzas are sold and eaten at the pizzeria itself.

### The Marketing Challenge

In 2008, as the brand ownership switched to Tabasco Holdings, the chain included 20 branches. The company realized that in order to significantly increase the chain's activity in Israel, it needed to focus its growth efforts on the smaller markets, located outside the Tel-Aviv metropolitan area. The challenge facing the chain was how to take an international brand, which consumers perceive as expensive, and locally place it in (almost) every Israeli town, while capturing market share that is dominated by the 'neighborhood level' pizzerias.

### The Creative Solutions

One of the first insights that accompanied the repositioning

of Pizza Hut as a pizza chain that operates on the neighborhood level outside the big city, was a decision to consciously appeal to the audience that sets the tone in those locations: moderately religious Jews from weaker socio-economic backgrounds who are looking for quality Kosher food.

Another insight that affected the chain's operating strategy was that its real competition is against the neighborhood pizzerias, which are largely Kosher, due to inability of the other national chains to open branches in these cities, as they do not keep Kosher. As such, while remaining committed to operating at the high standard set by the international chain, Pizza Hut is also required to play in the price arena and offer its menu at competitive prices.

The major and most important challenge of the Pizza Hut neighborhood growth strategy is to identify the right franchisers, and to create a pattern of work that will last throughout the years. The major advantage of a local franchiser over a large chain is its familiarity with the neighborhood and with the people living there, as well as its ability to provide individual service. As a result, the chain's management makes sure that every franchiser selected to work with the chain has an affinity for the area in which the branch will open and which they will manage, and that they undertake to work in the branch





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personally (rather than merely financing the purchase of the franchise.)

A franchiser who begins to work with the chain initially undergoes a prolonged learning and training process over several months. During the training period, the franchiser works in other branches, going through the full variety of positions. In parallel to the mentoring process, the new franchisers undergo courses in management and marketing conducted by the company.

In addition, Pizza Hut provides the franchisers with a detailed brand book that includes all of the information the franchiser needs to operate the branch.

Even after the branch begins to operate, Pizza Hut continues to provide the local franchisers support on the corporate level. For example, the chain provides franchisers with a course on Local Store Marketing, which provides them with the tools to market their store on the local level and without excessive expenditure of financial resources. For example, local franchisers are provided with advice and tips on how to appeal to Kindergarten teachers in the branch area or how to appeal to children in the local Scouts troop.

Once a month, the chain conducts a joint marketing meeting of all franchisers in order to learn, study and exchange insights between headquarters and the field.

Once a year, the chain holds a weekend for presentation of the budget for the next year during which all

franchisers meet in a pleasant atmosphere. Furthermore, training is conducted throughout the year for branch managers and for shift managers.

The chain's marketing department oversees the franchisers in all marketing activity. The department works with the franchisers in an integrated format of ad agency and service bureau. The franchisers order from it all of their graphic needs such as posters, fliers, banners, etc. in exactly the same way as they order the cheeses and dough used to prepare the pizzas.

As a result of the move, over the past five years, the chain opened over 30 new branches, and the market share of neighborhood pizzerias in areas where these branches opened dropped dramatically.

**In the Future**

Over the next two years, Pizza Hut plans to continue implementing its localization strategy and to reach 70 branches across the country.



### Things You Didn't Know About Pizza Hut

- In 2013, pizza sales in the chain will reach 2.5 million pizzas per year.
- The northern-most restaurant of the chain is located in Kiryat Shmona, and southern-most chain is in Eilat.
- Udi Shamai and Niv Zilberstein, the chain's owners, had previously worked for the competing pizza chain, with Udi Shamai as its CEO.
- Pizza Hut operates 51 branches in Israel.

**1958**  
Pizza Hut opens in Wichita Kansas by brothers Dan and Frank Carney

**1990**  
Clal Chains introduces Pizza Hut into the Israeli market

**2004**  
Pizza Hut switches from restaurant format to delivery format with a limited number of seats.

**2008**  
The chain franchise in Israel was acquired by Tabasco Holdings Ltd.

**2013**  
Pizza Hut's nationwide deployment reaches over 50 branches.