

BURGER KING: DEVELOPING A MARKETING MIX FOR GROWTH¹

Fabrizio Di Muro wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

This publication may not be transmitted, photocopied, digitized or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e) cases@ivey.ca; www.iveycases.com.

Copyright © 2015, Richard Ivey School of Business Foundation

Version: 2015-12-11

In late August 2015, Burger King (BK), an iconic U.S. fast-food chain, was at a crossroads. The Miami-based company faced fierce competition in the fast-food industry — BK was in a virtual tie with Wendy's and faced increasingly strong challenges, both from Sonic Drive-In (Sonic) and Jack in the Box (Jack's) and from various fast-casual chains. Daniel Schwartz, BK's chief executive officer (CEO), needed to develop a marketing mix that would both distance the company from its competitors and narrow the significant gap between BK and the industry leader, McDonald's. The marketing mix would also influence the allocation of resources between domestic and international markets.

HISTORY OF BK

In 1953, inspired by McDonald's, Keith Kramer and his wife's uncle, Matthew Burns, founded Insta-Burger King in Jacksonville, Florida. Despite some early success, the company quickly fell on hard times, which prompted Kramer and Burns to sell to franchisees James McLamore and David Edgerton in 1954.² In the five years that followed, McLamore and Edgerton made numerous impactful changes: introducing the company's mascot (the Burger King), creating the company's signature sandwich (the Whopper), switching to flame-broilers, releasing the company's first TV commercials and renaming the company to Burger King.³ Shortly thereafter, they sold territorial licences to private franchisees. By 1967, when BK was purchased by Pillsbury, it boasted 274 U.S. locations and was valued at US\$18 million.⁴ Pillsbury made alterations to franchise agreements, introduced a uniform store design and developed new products (e.g., the BK specialty sandwich line and new chicken and fish sandwiches). Most of these changes were eventually discarded, and as a consequence, BK struggled. In January 1989, Pillsbury sold BK to Grand Metropolitan PLC for \$5.7 billion. Grand Metropolitan opened BK restaurants in 11 new countries (Hungary, Mexico, Poland, Saudi Arabia, Israel, Oman, Dominican Republic, El Salvador, Peru, New Zealand and Paraguay).

In 1997, a \$22 billion merger between Grand Metropolitan and Guinness led to the creation of a new company, Diageo, whose short-lived reign was filled with a myriad of problems. BK's revenue and market share dropped significantly, which left the company in a virtual tie with Wendy's for second place in the U.S. market. In 2002, a group of private equity firms led by TPG⁵ Capital purchased BK from Diageo for \$1.5 billion. The new owners made BK a public company through an initial public offering in early 2006. TPG Capital made numerous changes: introducing new ad campaigns, launching a redesigned

menu, developing an initiative that aimed to redesign individual stores and creating the BK Whopper Bar.⁶ These changes helped turn the company's fortunes around. However, as growth slowed, TPG Capital decided to divest itself of BK.

3G Capital and the Daniel Schwartz Era

In September 2010, 3G Capital, a Brazilian private equity company, purchased BK for \$4 billion. Under 3G Capital, several top executives were dismissed, and 650 employees were laid off. Bernardo Hees took over as CEO, and Schwartz took over as chief financial officer. Under Schwartz's watch, BK implemented many cost-cutting measures: the BK corporate jet was sold; lavish offices for top executives and secretaries were replaced with modest, open-plan offices; and the annual \$1 million party on the shores of a scenic Italian lake was promptly cancelled. Further, approximately 12,000 corporate-owned restaurants were sold, which left BK with only 52 corporate-owned restaurants. The unloading of so many restaurants was expected to save more than \$400 million, as store redesign costs would be transferred to franchisees. Also BK's corporate head count fell from 38,884 in 2010 to 2,425 in 2013. In addition to these changes, 3G partnered with Justice Holdings and made BK a public company again in 2012 (it had become private again in 2009). While these moves resulted in a 34 per cent increase to net income in 2011, in 2012, BK lost the number two spot in the U.S. fast-food chain market to Wendy's. For the first time since 1970, BK was not one of the top two U.S. fast-food chains.

On July 13, 2014, Schwartz was promoted to CEO. Schwartz's promotion was noteworthy in large part because of his age — he was only 32! As CEO, Schwartz negotiated agreements to open restaurants in Brazil, China, Russia and France, which increased BK's international outlets by 1,493, for a total of 13,667 restaurants in 85 countries. Schwartz's efforts helped BK reclaim the number two position from Wendy's in U.S. sales volume for fast-food chains in 2014.⁷ In December 2014, BK acquired Tim Hortons for approximately \$18 billion. The merger created Restaurant Brands International, the third largest fast-food company with more than 18,000 locations worldwide. 3G Capital held a 51 per cent majority share of the new company, while Tim Hortons shareholders owned 22 per cent and BK's shareholders owned 27 per cent. Schwartz was CEO of the new holding company, while Tim Hortons CEO, Marc Caira, was vice-chairman and director.⁸

BK'S MARKETING MIX: PRODUCT, PRICE, PLACE AND PROMOTION

Product

In 2015, BK's core products were still hamburgers, french fries, onion rings, soft drinks, milkshakes and desserts. The company's signature sandwich was still the Whopper, which was created in 1957 and originated as a 4 ounces (110 gram) hamburger with lettuce, tomato, mayonnaise, pickle and ketchup. The sandwich went through several modifications over time, most notably a switch from a plain bun to a sesame seed bun in the 1970s, and a change in patty size in the 1980s. In the late 1970s, BK launched its speciality sandwich line, which featured chicken and fish sandwiches. While the majority of the products from this line were discontinued, the Original Chicken Sandwich was featured on the menu in all markets in 2015, and other iterations of chicken and fish sandwiches were still offered. Also, during the late 1970s, BK started serving breakfast. In 2015, the company still offered traditional breakfast fare such as hash browns; breakfast sandwiches with eggs, cheese, sausage, bacon and ham; products such as the Croissan'wich; French toast sticks; cinnamon rolls; an English muffin sandwich; a sandwich with ciabatta bread; breakfast bowls; oatmeal and a non-alcoholic mimosa.

Numerous menu items were added over the years. In 1986, the company introduced BK Chicken Tenders to compete with McDonald's Chicken McNuggets. This product was discontinued several times, but was always reintroduced, and Chicken Tenders were still sold in 2015. In 1990, the company introduced a broiled chicken sandwich. This product went through several iterations and a modified version of the product, the TenderGrill sandwich, was offered in 2015. In the early 1990s, BK established its Kids Club; however, by 2015, it no longer focused on this market. In 1998, BK debuted its value menu, which included hamburgers, french fries, onion rings, soft drinks and milkshakes.⁹ A value menu was still offered in 2015, and featured additional products (crispy chicken, a salad, additional drinks and desserts). In 2003, BK introduced the Angus Steak Burger. In 2015, after a few reformulations, the company offered the Steakhouse XT Burger.¹⁰ Over the years, the company had introduced coffee, frappés, smoothies, iced tea and a small selection of salads. By 2015, BK operated in numerous international markets, and the company made several adaptations to its menu to suit regional tastes. For instance, in Saudi Arabia, pork was not served.¹¹ In Australia, BK featured the Aussie Burger, a burger with fried egg, beetroot and other Australian flavours. In Asian markets, the company featured dark-meat chicken.

Price

While BK's menu had changed significantly over time, its prices had not — prices were traditionally high, and they continued to be high in 2015.¹² However, the company tried to be more price-conscious through the creation of special promotions. In late 2014 and early 2015, for a limited time, BK offered its chicken tenders for half price, which resulted in a lower per-unit cost than McDonald's.¹³

Place: Distribution, Design and Layout of the Stores, and Store Locations

Distribution

From the company's inception until 1992, individual franchisees purchased products of their choosing from one of the company's many distribution centres. Distributors then independently purchased products from suppliers. In the early 1990s, BK moved to consolidate its distribution through the creation of Restaurant Services Inc. (RSI), an independent supply chain management and distribution co-operative that was jointly owned by BK's franchisees and the BK Corporation.¹⁴ In 2015, RSI managed BK's distribution, identifying potential new distributors and ensuring that regional distribution centres adhered to performance standards. Further, RSI attempted to reduce logistics and distribution costs. RSI received rave reviews — one insider claimed that “our franchise cooperative [RSI] is one of the few aces that we have been able to hang onto. . . . It is one of the best managed cooperatives of any franchise system.”¹⁵

Design and Layout of the Stores

The design and layout of BK's locations resembled the classic fast-food chain outlet — most locations featured a drive-through and a small interior with a limited dining area. The interior typically featured uncomfortable plastic chairs, hard tables, harsh lighting and bright, arousing colours. In October 2009, BK announced a plan, called 20/20, that would result in the remodelling of its restaurants' interiors.¹⁶ The expected cost of the redesign was \$300,000 to \$600,000 per restaurant. The new interior would feature rotating red flame chandeliers, TV screen menus and corrugated metal and brick walls. In 2013, in response to franchisee criticism about the cost of the redesign, Schwartz introduced a new cost-effective plan. The redesign costs were lowered to approximately \$300,000 per location, and franchisees were

offered both lower upfront franchise fees and temporary cuts in royalty payments. As of January 2015, 19 per cent of BK's U.S. and Canadian restaurants had been upgraded. The new look featured more modern seating and significantly improved lighting, which made the restaurant similar in appearance to dine-in chains such as Applebee's or Chili's. The interior featured wood, brick and metal, which resulted in a more modern look. BK reported sales increases of 10 to 15 per cent at the remodelled locations.¹⁷

Store Locations

In 2015, BK operated restaurants in all 50 states, with locations in almost every town in America. Overall, in 2015, approximately 50 per cent of BK's restaurants operated in the United States. The company's remaining restaurants operated in 85 countries worldwide. By 2015, the company had outlets almost everywhere in the Western Hemisphere, as well as in most of Western Europe and East Asia. However, very few outlets were located in Eastern Europe and Africa. In fact, BK had locations in only three African countries — South Africa, Morocco and Egypt.¹⁸

Promotion

BK's first promotional efforts were television ads in 1959. Over the years, BK used numerous promotional campaigns. Some of the most successful efforts came in the 1970s, when advertisements featured memorable jingles and slogans such as "It takes two hands to handle a Whopper" and "Have it your way." The years from 1980 to 2002 saw several advertising agencies create numerous unsuccessful slogans and programs, including the company's least successful effort, "Where's Herb?"¹⁹ In 2003, the company introduced viral web-based advertisements designed to complement the company's print, television and social media promotions. The company reintroduced the BK mascot (known as "the King"), a prominent feature of advertising efforts of the late 1950s through to the early 1980s. From 2008 to 2012, the company ran a series of ads that offended people due to their depictions of women, sociologists, nutritionists, mental health patients, Mexicans and Hindus. Also, BK received publicity for an incident where an employee recorded himself bathing in a kitchen sink and posted the video on YouTube.²⁰

Under Schwartz and 3G Capital, BK introduced several changes to its advertising. The company retired "the King" in 2013, ending its 60-year run. BK's advertising strategy under Schwartz revolved around numerous celebrities, such as David Beckham, Mary J. Blige and Jay Leno.²¹ Jay Leno was featured choosing a salad, and David Beckham ordered a frappé. In general, the campaign was popular, as the ads moved away from odd, male-oriented humour to a much more mainstream appeal. As a result, BK shifted away from its traditional 18- to 34-year-old male market and broadened its demographic appeal. Some ads under the new strategy were controversial. For example, in Mary J. Blige's ad, she sang a love song to a "crispy chicken." The ad was eventually pulled, however, after the ad was criticized for portraying racial stereotypes. Blige criticized the spot — she claimed that the finished commercial was completely different from the concept presented to her.²² Other marketing controversies surfaced. In 2014, a model who appeared in a BK ad (for a product called the Super Seven Incher) that ran in Singapore in 2009, claimed that she appeared in the ad without her permission and was humiliated.²³

THE FAST-FOOD INDUSTRY

Emerging Trends and Challenges in the Fast-Food Industry

Fast-food chains began operating in the United States in the early 1930s. The industry experienced tremendous growth as revenues grew from \$6 billion in 1970 to \$160 billion in 2014 (8.6 per cent annual growth rate). In 2015, fast-food chains were found in more than 100 countries worldwide, with more than 200,000 locations in the United States alone. Around 2015, the industry faced significant challenges that squeezed its profit margins. To begin with, the quality of the food being offered received a greater focus. Fast food had always been considered unhealthy, as it was high in fat, highly processed, precooked and preheated, and its consumption had been shown to increase both weight and body mass index. However, around 2010, the unhealthy nature of fast food began to receive increased media scrutiny, as books such as *Fast Food Nation* and documentaries such as *Super Size Me* highlighted the potential negative effects of fast-food consumption. Fast-food chains tried to combat this image through the introduction of healthier food choices and a more transparent disclosure of the nutritional value of their product offerings. They also launched public awareness campaigns that emphasized product freshness and the product preparation process. Although these measures were in some ways successful, the negative image of the industry was not erased from the public's mind.

Another trend was rising commodity prices. Prices for livestock, wheat and corn increased significantly, and, since food and beverage inputs made up approximately one-third of costs, the higher prices significantly reduced profit margins. Combined with an inability to raise prices due to strong competition, profit margins fell below 10 per cent. Market saturation also became an issue, especially in the United States. In 2015, fast-food franchises existed in practically every U.S. town, often clustered together, creating "rows" of choices for consumers. Since fast-food franchises tended to offer very similar products at very similar (and often identical) prices, the result was fewer customers per location. To battle market saturation, fast-food chains focused on introducing new product offerings, such as coffee, and more specialized beverages, such as lattes and smoothies.²⁴ They also introduced new foods such as wraps and sandwiches. Additional focus was placed on other mealtimes, such as breakfast and afternoon snack times. Another challenge for fast-food franchises was the emergence of fast-casual chains, which stole valuable market share from fast-food chains. Fast-casual chains are described below.

Emergence of Fast-Casual Chains

Fast-casual chains, such as Five Guys, Panera Bread and Chipotle Mexican Grill (Chipotle), posed a significant threat to their fast-food counterparts. To begin with, they were growing fast. In 2014, fast-casual chains grew by 10.5 per cent over the previous year, while fast-food chains grew by only 6.1 per cent. Second, they promised fresh food, unlike the frozen, processed food alternatives traditionally offered by fast-food chains. For instance, in 2015, Chipotle used organic, locally grown vegetables, and when possible, meat from animals raised without hormones or antibiotics. Third, fast-casual chains offered greater customization and flexibility. Customers could build their own burger (or burrito or sandwich), which appealed to picky eaters and consumers with allergies. Fast-casual chains also employed superior pricing. They offered many products at approximately the same prices as fast-food chains, and they were better at moving customers toward pricier products and extras. In fact, the average transaction cost at fast-casual chains was 40 per cent higher than at fast-food chains. Lastly, fast-casual chains attempted to make each individual outlet unique, thereby differentiating themselves from the cookie-cutter outlets offered by fast-food chains.²⁵

COMPETITION

In 2015, BK faced strong competition in the fast-food industry, most notably from McDonald's and Wendy's, but also from Sonic and Jack's. The company also faced competition from various fast-casual chains and competed indirectly with Kentucky Fried Chicken (KFC) and Taco Bell. Information on these competitors is provided below.

McDonald's

The McDonald brothers, Richard and Maurice McDonald, opened the first McDonald's in 1940 as a barbecue restaurant. In 1955, Ray Kroc joined the McDonald's team and aggressively expanded the business, helping it to become one of the world's most successful companies. In 2015, McDonald's was the largest fast-food chain in the world, with approximately 36,000 locations in 118 countries. Additional company information can be found in Exhibit 1. Although McDonald's featured many product offerings, its core products were hamburgers (e.g., the Big Mac), various types of chicken, chicken sandwiches, french fries, soft drinks, numerous breakfast items (e.g., the iconic Egg McMuffin), various desserts and the Happy Meal for children. In addition to these classic products, over the years, McDonald's had added salads, wraps, vegetarian items, coffee and local foods. In 2002, the company introduced its Dollar Menu.²⁶ Overall, in 2015, McDonald's product mix was considered to be of high quality for fast food; further, they offered their products at very competitive prices.²⁷ In international markets, McDonald's made various alternations to its traditional menu, which ensured it catered to regional preferences. For instance, in 2015, the Chilean McDonald's offered guacamole. In India, beef-based products were not sold, while New Zealand locations featured beetroot.²⁸

McDonald's redesigned its restaurants, to include the McCafé, a café-style look similar to Starbucks. Overall, the redesign helped create a more welcoming and more upscale feel. By 2015, the new interior featured increased use of brick and wood, modern hanging lights, wooden tables, faux-leather chairs, flat roofs, free Wi-Fi and flat-screen TVs. In addition, McDonald's contemplated adding a third drive-through window to speed up its drive-through service.²⁹ McDonald's distribution and supply chain network was completely outsourced; of its 16 major suppliers, none was owned by the company. In North America, Martin-Brower Company LLC handled logistics for the company's 15,000 locations, working with regional distribution centres (which typically supplied 250 to 700 restaurants), which provided McDonald's with various supplies, transportation, warehousing and logistics services. Distribution centres were responsible for providing service to individual restaurants. Although McDonald's supply chain was complex, it received positive reviews, ranking, according to Gartner's Supply Chain Top 25 list, number 11 in 2010, number 10 in 2011 and 2012, and number two in 2013.³⁰ McDonald's featured a varied promotional mix. The company targeted children with its iconic company mascot, Ronald McDonald, and through promotional games, toys and prizes. Over the years, McDonald's utilized numerous memorable advertising campaigns and slogans. The slogan "I'm lovin' it," which debuted in 2003, was well received.³¹ In 2011, McDonald's introduced the "What we're made of" campaign, which focused on McDonald's suppliers and production processes.³² This campaign gave insights into the preparation and quality of McDonald's products and was well received.

Wendy's

Wendy's was founded by Dave Thomas in 1969 in Columbus, Ohio. In 2015, it was the third largest fast-food chain in the world with approximately 6,650 restaurants (85 per cent franchised), which were mostly located in North America. However, the company also operated in Asia, the Caribbean, Latin America,

Europe, the Middle East and Africa; by 2015, Wendy's operated approximately 500 restaurants in 30 countries worldwide. Additional expansion was undertaken, and in May 2015, Wendy's announced that it would open restaurants in Gurgaon, India. Additional company information is found in Exhibit 1.

Unlike BK (the Whopper) and McDonald's (the Big Mac), Wendy's never featured a signature sandwich. Instead, Wendy's offered single, double and triple hamburgers. Wendy's also offered its traditional chicken sandwiches (fried, grilled and spicy), Garden Sensations salads, fries, chili, baked potatoes, soft drinks, coffee and green tea. Another classic product was the Frosty dessert — a frozen dairy dessert offered in vanilla or chocolate or served as a float. Wendy's was also one of the first fast-food chains to offer a value menu (in 1989). Over the years, the company introduced Frosty shakes, a Frosty blended with caramel, strawberry or chocolate fudge syrup. Recently, the chain introduced the Baconator series (e.g., the single, double and triple Baconators), and introduced the Ciabatta Bacon Cheeseburger.³³ Overall, Wendy's focused on the quality of its products and its service, and its pricing was competitive.³⁴ In 2009, a breakfast menu was developed; however, Wendy's efforts in the breakfast market were abandoned.³⁵

Like most fast-food chains, Wendy's attempted to redesign its restaurants. Wendy's redesign was similar to McDonald's, featuring fireplaces, free Wi-Fi, comfortable lounge seating, digital menus and increased use of wood, brick and metal.³⁶ The company aimed to have approximately 15 per cent of its restaurants remodelled by the end of 2015.³⁷ With regards to distribution, Wendy's supply chain was still centralized in 2015. Quality Supply Chain Co-op (QSCC), an independent non-profit co-operative, operated Wendy's distribution in North America.³⁸ As the only logistics provider, QSCC supplied all of Wendy's North American outlets, performing a variety of functions: purchasing and distributing food and supplies to restaurants, negotiating price discounts and ensuring that all vendors met Wendy's quality control standards. Wendy's promotional efforts were successful, as over the years, Wendy's featured numerous memorable advertising campaigns and slogans. One of the company's iconic campaigns was the mid-1980s "Where's the Beef?" campaign (which was revived in 2011). Following this campaign, for many years, the company's advertising centred on founder Dave Thomas.³⁹ These memorable and popular ads focused on Wendy's high-quality products and its dedication to high-quality service. Following Thomas's death in 2002, the company struggled to create an equally popular campaign; however, the company's "Now that's better" campaign (introduced in 2012) was well received.

Sonic

Sonic Drive-In was founded in 1953, in Shawnee, Oklahoma, by Troy N. Smith Sr. The original design had customers randomly park on the premises, and walk up to place their order. However, after visiting a drive-in in Louisiana, Smith decided to redesign his business as a drive-in, with carhops that delivered orders to customers' cars. In 2015, this system of operation was still used in Sonic's 3,560 U.S. restaurants (located in 43 states). Additional information can be found in Exhibit 1. By 2015, Sonic offered a relatively broad variety of classic fast-food offerings, such as hamburgers, french fries, onion rings, corn dogs and chili hot dogs. Sonic also offered Breakfast Toaster sandwiches and Cheddar Peppers. Ice cream desserts included sundaes and banana splits.⁴⁰ In 2011, the company rolled out Sonic Beach in Florida, a version of Sonic that featured outdoor seating and flat-screen TVs, but no drive-in stalls. While Sonic Beach featured all the traditional menu items, it also offered new selections, such as popcorn shrimp, Philly cheesesteaks, pulled pork sandwiches and beer and wine.⁴¹ Overall, Sonic offered its products at competitive prices.⁴² With regards to promotion, the company first aired television advertisements in 1977. Early promotional efforts featured Tom Bosley and Frankie Avalon. In 2004, the company began a national ad campaign, which also aired in states where no locations existed.⁴³

Jack's

Jack's was founded in 1941, by Robert O. Peterson, in San Diego, California.⁴⁴ Unlike other hamburger chains, Jack's was the first chain to utilize an intercom system in its drive-through, which allowed multiple customers to be served simultaneously. In 2015, Jack's operated approximately 2,200 restaurants in 21 states, mostly along the west coast. Additional company information can be found in Exhibit 1. Jack's menu featured a variety of hamburgers, cheeseburgers, salads, sandwiches, chicken pieces, as well as breakfast and dessert items. Jack's menu also featured more ethnic choices, such as egg rolls, tacos, breakfast burritos and poppers — deep-fried jalapeno peppers stuffed with cream cheese. Jack's also offered new products on a three- or four-month rotation, including the Philly cheesesteak, Jack's ciabatta burger and deli-style panini. Overall, the company offered its products at competitive prices.⁴⁵ Jack's promotional efforts were relatively nondescript until its iconic 1995 "Jack's back" campaign, which featured company founder Jack dressed in a business suit, but with a clown's head. This popular campaign received numerous awards.⁴⁶

Panera Bread

In 2015, Panera Bread was a fast-casual chain that operated approximately 1,800 restaurants, primarily in the United States and Canada. Louis Kane and Ron Shaich had originally founded it as Au Bon Pain Co. in 1981.⁴⁷ The company offered a wide variety of products, such as sandwiches, paninis, pastas, soups, flatbreads, salads and numerous pastries, including croissants, bagels and brownies. Panera Bread also offered a hidden menu via social media. Due to the quality of its products, Panera's prices were higher than fast-food chains' prices in 2015.⁴⁸ Panera Bread generally received positive reviews. In 2010, the company was rated by Zagat as one of the most popular restaurants for eating on the go. It was also rated as number one for "Best Salad" and "Best Facilities" for restaurants with fewer than 5,000 locations.⁴⁹ In 2015, Panera Bread launched its "Food as it should be" campaign, which focused on the health-conscious nature of Panera's products.⁵⁰

Five Guys

Five Guys was founded in 1986 by Jerry Murrell in Virginia. In the 15 years that followed, four more locations were opened in the metro area of Washington, D.C. By 2013, more than 1,000 locations had been opened in the United States and Canada. In 2013, Five Guys opened its first location overseas, in the United Kingdom, and by 2015, the chain had 27 U.K. restaurants. In late 2015, 1,500 locations were under development. The menu at Five Guys was relatively simple, as it centred on the hamburger, and french fries was the only side item offered. Certain locations also offered hot dogs, grilled cheese sandwiches, egg sandwiches and vegetable sandwiches. Unlike most fast-food chains, customers were allowed to choose their own toppings. Prices were slightly higher than other fast-food chains. Five Guys generally received a positive reception. The chain received numerous awards, such as the "Number 1 Burger" awards from *Washingtonian Magazine*⁵¹ and benefitted from celebrity visits, such as U.S. President Barack Obama, who ate at a Five Guys in 2009.⁵²

Chipotle

Chipotle was founded by Steve Eells in Denver, Colorado, on July 13, 1993. The company grew rapidly, from 16 locations, when McDonald's became an investor in 1998, to more than 500 locations in 2006, at which time McDonald's divested itself of Chipotle. In 2015, Chipotle operated approximately 1,700

locations. Many locations were in the United States, but the company also had locations in Canada, the United Kingdom, France and Germany.⁵³ In 2015, Chipotle featured a small, focused menu with only four items: burritos, bowls, tacos and salads. Chipotle allowed customers to choose their toppings, which included chicken, barbacoa, steak, sofritas, rice and beans. Chipotle also offered beer, margaritas, soft drinks, fruit drinks and a children's menu. Due to the higher quality of food being offered, prices were slightly higher than at fast-food chains.⁵⁴ With regards to promotion, Chipotle used a non-traditional strategy by 2015. The company avoided traditional media, and instead developed a Farm Team loyalty program and hosted its own festival, the Cultivate food and music festival. In addition, Chipotle released YouTube commercials and created a complementary iPhone app.⁵⁵

KFC

KFC was founded by Colonel Harland Sanders in 1930 in Kentucky. In 2015, KFC was the second largest restaurant chain in the world, with approximately 18,000 restaurants operating in 115 countries and territories. In 2015, KFC's signature product was still fried chicken, seasoned with Colonel Sanders' "Original Recipe" of 11 herbs and spices.⁵⁶ In addition to fried chicken, KFC offered chicken burgers, such the Zinger and Tower Burgers, as well as wraps, such as Twisters and Box Masters. A variety of other products were offered, including salads, chicken nuggets, crispy chicken strips and hot wings. Also available were several side dishes, such as french fries, coleslaw, desserts and soft drinks. In 2009, KFC rolled out a breakfast menu consisting of pancakes, waffles, porridge and fried chicken. In international markets, KFC altered its menu to satisfy local tastes. For instance, locations in the United Kingdom served grilled chicken. In countries with predominantly Muslim populations, Halal chicken was served. In Asia, spicy foods, such as the Zinger chicken burger, were predominantly featured.

Taco Bell

Taco Bell was founded in 1946 by Glenn Bell as Bell's Drive In, a hot-dog stand in San Bernardino, California. In 2015, Taco Bell operated approximately 6,500 restaurants in 18 countries. Most restaurants were located in the United States and Canada; however, a small number of outlets operated in such international markets as India, Japan and Cyprus. In 2015, Taco Bell primarily served competitively priced Tex-Mex foods, including tacos, burritos, quesadillas and nachos. In addition, the company featured a value menu, with 11 items priced at \$1. Taco Bell also offered soft drinks and desserts. In 2014, the company launched U.S. Taco Corporation in Huntington Beach, California. It sold tacos with American-made fillings.⁵⁷

EXHIBIT 1: FINANCIAL SUMMARY OF BK AND ITS MAIN COMPETITORS, 2013

Name	Fiscal Year-End	Global Sales (corporate + franchisees) (in \$ billions)	U.S. Sales (corporate + franchisees) (in \$ billions)	Total Units (franchised)	U.S. Units	2013 Company Sales in U.S. (%)	Average Unit Sales (corporate) (in \$ millions)
McDonald's	12/31/13	89.13	35.9	35,429 (28,691)	14,278	-0.2	2.4 (est)
BK	12/31/13	16.301	8.842*	13,667 (13,615)	7,436*	-0.9*	1.255 (est)
Wendy's	08/31/13	9.3 (est)	8.9* (est)	6,557 (5,374)	6,158*	1.8	1.514
Sonic	08/31/13	3.882	3.882	3,522 (3,126)	3,522	2.3	1.109 (system)
Jack's	09/29/13	3.16 (est)	3.16 (est)	2,251 (1,786)	2,251	1.0	1.606

Note: * = Includes Canada; (est) = estimated by BurgerBusiness.com; (system) = sales by all Sonic outlets

Source: Adapted from BurgerBusiness, "Breaking Down the Top 5 Burger Chains," BurgerBusiness, March 21, 2014, <http://burgerbusiness.com/breaking-down-the-top-5-burger-chains/>, accessed November 14, 2015.

ENDNOTES

¹ This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Burger King or any of its employees.

² A. F. Smith, *Encyclopedia of Junk Food and Fast Food*, Greenwood Press, Westport, CT, 2006, pp. 27–28.

³ J. A. Jackle and K. A. Sculle, *Fast Food: Roadside Restaurants in the Automobile Age*, The Johns Hopkins University Press, Baltimore, MD, 2002, pp. 116–119.

⁴ All currency amounts are shown in U.S. dollars unless otherwise indicated.

⁵ Formerly known as Texas Pacific Group.

⁶ T. Gale, "Burger King Corporation," *International Directory of Company Histories*, 2006, www.encyclopedia.com/topic/Burger_King_Corp.aspx, accessed August 5, 2015.

⁷ D. Leonard, "Burger King Is Run by Children," *Bloomberg Businessweek*, July 24, 2014, www.bloomberg.com/news/articles/2014-07-24/burger-king-is-run-by-children, accessed June 30, 2015.

⁸ P. Evans, "Tim Hortons, Burger King Agree to Merger Deal," *CBC News*, August 26, 2014, www.cbc.ca/news/business/tim-hortons-burger-king-agree-to-merger-deal-1.2746948, accessed June 30, 2015.

⁹ Advameg Inc., "Burger King Corporation," *Reference for Business*, 2015, www.referenceforbusiness.com/history2/13/Burger-King-Corporation.html, accessed June 30, 2015.

¹⁰ BurgerBusiness, "Burger King's XT Line to Include 3 New Burgers," 2015, <http://burgerbusiness.com/burger-king%E2%80%99s-xt-line-to-include-3-new-burgers/>, accessed June 30, 2015.

¹¹ iBlogPro, "What to Eat in Saudi Arabia," *A Country a Month*, 2014, <http://acountryamonth.com/saudi-arabia/local-food-you-should-try-in-saudi-arabia-and-no-miss-drinks-in-saudi-arabia/>, accessed June 30, 2015.

¹² Fast Food Menu Prices, "Burger King Prices," *Fast Food Menu Prices*, 2015, www.fastfoodmenuprices.com/burger-king-prices/, accessed July 10, 2015.

¹³ K. Little, "It's Back! Burger King Revives Chicken Nugget War," *CNBC*, January 12, 2015, www.cnbc.com/2015/01/12/its-back-burger-king-revives-chicken-nugget-war.html, accessed July 10, 2015.

¹⁴ Restaurant Services, Inc., "About RSI," *Restaurant Services, Inc.*, 2015, www.rsiweb.com/Net/public/GeneralInformation/AboutRSI.aspx, accessed July 10, 2015.

¹⁵ D. Sniogowski, "Insider Speaks Candidly About Burger King Supply Chain," *Blue MauMau*, 2015, www.bluemaumau.org/13117/insider_speaks_candidly_about_burger_king_supply_chain, accessed July 10, 2015.

¹⁶ A. M. Heher, "Burger King Plans 'Edgy, Futuristic' Remodel of Restaurants," *Huffington Post*, March 18, 2010, www.huffingtonpost.com/2009/10/06/burger-king-plans-edgy-fu_n_311830.html, accessed July 10, 2015.

¹⁷ C. Nichols, "Burger Giants Roll Out Remodels, but Are You Noticing?" *Yahoo! Finance*, August 29, 2013, <http://finance.yahoo.com/blogs/the-exchange/burger-giants-roll-remodels-noticing-150243628.html>, accessed July 10, 2015.

¹⁸ N. Hedley, "Burger King to Use SA as Platform for African Growth," *BDLive*, May 8, 2013, www.bdlive.co.za/business/retail/2013/05/08/burger-king-to-use-sa-as-platform-for-african-growth, accessed November 14, 2015.

¹⁹ Gale, *op. cit.*

²⁰ M. Russell, "How Burger King Went from McDonald's Greatest Rival to Total Train Wreck," *Business Insider*, April 15, 2012, www.businessinsider.com/how-burger-king-went-from-mcdonalds-greatest-rival-to-total-train-wreck-2012-4, accessed August 5, 2015.

²¹ N. O'Leary, "Ad of the Day: Burger King," *Adweek*, April 3, 2012, www.adweek.com/news/advertising-branding/ad-day-burger-king-139384, accessed July 10, 2015.

²² Russell, *op. cit.*

²³ R. Sanghani, "'Burger King Raped My Face,' Claims Model on Angry YouTube Video," *The Telegraph*, August 7, 2014, www.telegraph.co.uk/women/womens-life/11018413/Burger-King-raped-my-face-claims-model-on-angry-YouTube-video.html, accessed July 10, 2015.

²⁴ M. Sena, "Fast Food Industry Analysis 2015 – Cost & Trends," *Franchise Help*, 2015, www.franchisehelp.com/industry-reports/fast-food-industry-report/, accessed July 10, 2015.

²⁵ The Economist Newspaper Limited, "Better Burgers, Choicer Chicken," *The Economist*, January 10, 2015, www.economist.com/news/business/21638120-why-slightly-more-upmarket-outlets-are-eating-fast-foods-lunch-better-burgers-choicer-chicken, accessed July 10, 2015.

²⁶ McDonald's, "Our Company," McDonald's.com, 2010–15, www.aboutmcdonalds.com/mcd/our_company.html, accessed July 17, 2015.

²⁷ Fast Food Menu Prices, "McDonald's Prices," *Fast Food Menu Prices*, 2015, www.fastfoodmenuprices.com/mcdonalds-prices/, accessed August 5, 2015.

²⁸ Ranker Food, "68 Awesome McDonald's Dishes You Can't Buy in America," *Ranker*, 2015, www.ranker.com/list/international-mcdonald-and-_39_s-menu-items/ranker-food, accessed July 17, 2015.

²⁹ H. Peterson, "McDonald's Is Finally Addressing Its Insanely Long Drive-Thru Lines," *Business Insider*, November 14, 2013, www.businessinsider.com/mcdonalds-is-adding-a-drive-thru-window-2013-11, accessed July 17, 2015.

³⁰ University Alliance, "What Are the Ingredients in a McDonald's Supply Chain?" University of San Francisco, 2015, www.usanfranonline.com/resources/supply-chain-management/what-are-the-ingredients-in-a-mcdonalds-supply-chain/#.VcDCpVNViko, accessed July 17, 2015.

³¹ J. Maze, "McDonald's Updates 'I'm Lovin It' Campaign," *Nation's Restaurant News*, January 2, 2015, <http://nrrn.com/advertising/mcdonald-s-updates-i-m-lovin-it-campaign>, accessed July 17, 2015.

- ³² M. Morrison, "McDonald's to Launch Campaign Focused on Growers," *Advertising Age*, December 14, 2011, <http://adage.com/article/news/mcdonald-s-launch-ad-campaign-focused-growers/231579/>, accessed July 17, 2015.
- ³³ Oldemark LLC, Wendy's International, LLC, "The Wendy's Story," *Wendys.com*, 2014, www.wendys.com/en-us/about-wendys/the-wendys-story, accessed October 29, 2015.
- ³⁴ Fast Food Menu Prices, "Wendy's Prices," *Fast Food Menu Prices*, 2015, www.fastfoodmenuprices.com/wendys-prices/, accessed August 5, 2015.
- ³⁵ H. Peterson, "Why Wendy's Won't Serve Breakfast," *Business Insider*, December 17, 2014, www.businessinsider.com/why-wendys-wont-serve-breakfast-2014-12, accessed July 17, 2015.
- ³⁶ B. Tuttle, "Fast Food's New Mantra: Remodel and They Will Come (and Spend)," *Time*, July 10, 2012, <http://business.time.com/2012/07/10/fast-foods-new-mantra-remodel-and-they-will-come-and-spend/>, accessed July 17, 2015.
- ³⁷ D. Eaton, "Wendy's Pushing Franchisees to Adopt Restaurant Redesign," *Columbus Business First*, July 6, 2012, www.bizjournals.com/columbus/print-edition/2012/07/06/wendys-puts-redesign-on-franchisees.html, accessed July 17, 2015.
- ³⁸ A. Newman, "QSCC: Wendy's Supply Chain Management," *Market Realist*, April 1, 2015, <http://marketrealist.com/2015/04/qsc-wendys-supply-chain-management/>, accessed July 17, 2015.
- ³⁹ Oldemark LLC, Wendy's International, LLC, "Dave's Legacy," *Wendys.com*, 2014, www.wendys.com/en-us/about-wendys/daves-legacy, accessed July 24, 2015.
- ⁴⁰ Advameg Inc., "Sonic Corp.," *Reference for Business*, 2015, www.referenceforbusiness.com/history2/39/Sonic-Corp.html, accessed August 5, 2015.
- ⁴¹ Sonic Beach, "About Sonic Beach," *Sonic Beach*, 2011, www.sonicbeach.com/, accessed July 24, 2015.
- ⁴² Fast Food Menu Prices, "Sonic's Prices," *Fast Food Menu Prices*, 2015, www.fastfoodmenuprices.com/sonic-prices/, accessed August 5, 2015.
- ⁴³ Advameg Inc., "Sonic Corp.," *op. cit.*
- ⁴⁴ Jack in the Box Inc., "History," *Jackinthebox.com*, 2015, www.jackintheboxinc.com/company/history, accessed July 24, 2015.
- ⁴⁵ Fast Food Menu Prices, "Jack in the Box's Prices," *Fast Food Menu Prices*, 2015, www.fastfoodmenuprices.com/jack-in-the-box-prices/, accessed August 5, 2015.
- ⁴⁶ Jack in the Box Inc., "Marketing & Menu Strategies," *Jackinthebox.com*, 2015, www.jackintheboxinc.com/franchising/why-jack-in-the-box/marketing-and-menu-strategies, accessed August 5, 2015.
- ⁴⁷ Panera Bread, "Our History," *panerabread.com*, 2015, www.panerabread.com/en-us/company/about-panera/our-history.html, accessed July 24, 2015.
- ⁴⁸ Fast Food Menu Prices, "Panera Bread's Prices," *Fast Food Menu Prices*, 2015, www.fastfoodmenuprices.com/panera-bread-prices/, accessed August 5, 2015.
- ⁴⁹ Marketwired L.P., "Customers Vote Panera Bread Most Popular in 2010 Zagat Survey," *Market Wired*, August 16, 2010, www.marketwired.com/press-release/Customers-Vote-Panera-Bread-Most-Popular-in-2010-Zagat-Survey-NASDAQ-PNRA-1305118.htm, accessed July 24, 2015.
- ⁵⁰ C. Fishman, "Panera Promotes Transparency with New Marketing Campaign," *Advertising Age*, June 16, 2015, <http://adage.com/article/cmo-strategy/panera-promotes-transparency-campaign/299051/>, accessed August 5, 2015.
- ⁵¹ Five Guys, "Press/Media," <http://fiveguys.ca/en/about-us/press.aspx>, accessed July 24, 2015.
- ⁵² M. Burke, "Five Guys Burgers: America's Fastest Growing Restaurant Chain," *Forbes*, July 18, 2012, www.forbes.com/forbes/2012/0806/restaurant-chefs-12-five-guys-jerry-murrell-all-in-the-family.html, accessed July 24, 2015.
- ⁵³ Chipotle Mexican Grill, "Our Company," *Chipotle.com*, 2015, www.chipotle.com/company, accessed July 24, 2015.
- ⁵⁴ Fast Food Menu Prices, "Chipotle's Prices," *Fast Food Menu Prices*, 2015, www.fastfoodmenuprices.com/chipotle-prices/, accessed August 5, 2015.
- ⁵⁵ M. Schoultz, "Business Lessons from the Chipotle Marketing Strategy," *digital spark Marketing*, 2014, www.digitalsparkmarketing.com/creative-marketing/social-media/chipotle-marketing-strategy/, accessed August 5, 2015.
- ⁵⁶ Yum Restaurants International (Canada) Company, *kfc.ca*, 2013, www.kfc.ca/, accessed July 17, 2015.
- ⁵⁷ Taco Bell Corp., "About Our Company," *tacobell.com*, 2015, www.tacobell.com/company/, accessed July 17, 2015.