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This case was written by Laura Heely, INSEAD MBA 2017, under the supervision of Pierre Chandon, the L'Oréal Chaired Professor of Marketing, and Fernando Machado, INSEAD MBA 2003, Global Chief Marketing Officer of Burger King. It is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Additional videos can be accessed at https://cases.insead.edu/burger-king.

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When 3G Capital bought Burger King in 2010, its flames were dying down. Consumers felt little beyond nostalgia for "a beloved, iconic brand" of yesteryear. Its longstanding reputation for respecting individuality (crowns for all), customization ("*Have it your way"),* and great-tasting burgers had become bland. Burger King was only strong among 50+ year old men and was losing out to McDonald's, Wendy's and Taco Bell among younger adults looking for dine-in options. In 2012, it lost the #2 position among quick-service restaurants to Wendy's.

Burger King's poor image did not come as a surprise. The past three decades had seen 13 CEOs and a multitude of owners taking the brand in every possible direction. In 2012, Burger King was pithily described by the *New York Times* business editor as "an enrichment scheme for clever financiers" – a reference to the sale in 2010 by Texas Pacific Group, Bain Capital and Goldman Sachs to 3G Capital for $3.3 billion in cash, from which they netted $1 billion in profit. Analysts wondered how the new owners would get their money back.

But by 2014, Burger King's new owner had delivered some early successes. 3G Capital had successfully taken the company public in 2012. Living up to its reputation for operational efficiency, 3G had improved the financials (EBITDA was up by 50%) by selling almost all the 1,300 restaurants it owned directly to franchisees, and cutting corporate headcount by 40%, according to *Fortune*. Back in growth mode, Burger King had introduced new menu options including healthier fare, with an advertising campaign featuring celebrities such as David Beckham, Steven Tyler, Salma Hayek and Sofia Vergara.

Still, Burger King's young management team – CEO Daniel Schwartz was born in 1980 – knew that a lot of work would be necessary to restore the "King of Burgers" to the throne. Indeed, some marketers opined that long-term brand building was incompatible with 3G's zero-based

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budgeting.[1] The team included Jose Cil, Global Brand President, who was the only one with a long Burger King history (dating back to 2000); Global Chief Marketing Officer Axel Schwan, who joined in 2011 with experience in the food and restaurant business; North America President Alex Macedo (INSEAD MBA 2003), who joined in 2011 with a background in marketing and F&B; and Head of Global Marketing Fernando Machado (INSEAD MBA 2003), who joined in 2014 after 18 years with Unilever, where he had supervised many award-winning campaign for Dove, including "Real Beauty Sketches").

Could the new team restore Burger King brand to its throne – on the cheap? And was its association with fast food still suited to modern consumers? With mounting pressure from 'fast casual' restaurants like Panera Breads and Chipotle, should Burger King reposition the brand to promise healthier fare, an upscale atmosphere, and cheaper meals to appeal to families, or simply refocus on burger and fries? To increase restaurant traffic, should Burger King rely on promotions, limited editions, the core product, or leverage social causes? How should it allocate expenditure between television and new media ads, and evaluate the creative ideas suggested by its new global advertising agency, DAVID.

When Fernando Machado asked the CEO what success looked like for him, the answer was simple: "Let's make this brand cool again."

The Quick Service Restaurant Industry

"Quick service restaurants" (QSR) is the industry name for "fast-food" restaurants with payment before service, a limited menu, a \$4-\$7 price point per meal, and limited (or no) table service. The category includes Burger King and its direct competitors—McDonald's and Wendy's—as well as restaurant chains like KFC, Taco Bell, Subway, and Domino's Pizza. It is differentiated from "full service restaurants" which have table service, a price point above \$15, a longer menu and a license to serve alcohol. Also known as "casual dining" restaurants, these chains include Chili's, TGI Fridays and Applebee's. More recently, hybrid "fast casual" chains offer healthier, customizable, and premium "made for you" food. Fast casual chains like Panera Bread, Chipotle Mexican Grill, Panda Express, and Five Guys Burgers and Fries sell soups, home-made bread and hand-tossed salads. Meals cost about 40% more than QSR chains, with counter service and an upscale ambiance.

After the 2009-10 recession, the US restaurant industry has grown at about twice the rate of population growth. Restaurant jobs increased by 30% between 2002 and 2015, compared to 5% for all jobs (see Exhibit 2). High growth has been spurred by significant investments by private equity and banks, attracted by steady returns – from franchisee fees, royalty payments and rents.

Not every type of restaurant has grown at the same pace. (Exhibit 3 shows the number of restaurants and revenues of the largest restaurant chains in the US from 2003 to 2015). In 2015, sales at the top QSR chains grew 4.5% per year (the same pace as in previous years), more than the 3.5%

1 A budgeting approach which consists in evaluating each investment choice for the business value it adds rather than targeting an increase or decrease over past budgets or an aggregate spend.

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growth of full-service restaurants, but far below the 11.5% growth of fast casual chains which had experienced double-digit growth in all of the previous 20 years. Within the QSR category, sales at burger chains grew by 3.3% and the number of restaurant grew by 0.5%, a much slower pace than coffee cafés (Starbucks had $13.9 billion in sales and 13,000 units), which grew by 10% in sales and 6% in restaurants. At the so-called "QSR-plus" chains like Chick-fil-A and In-N-Out Burger, growth in sales exceeded 8.2%.

Changing Consumer Preferences

QSR customers wanted tasty, affordable food, served quickly in a clean and family-friendly venue, and expect consistency across restaurants of the same chain. To counter the rise of fast-casual restaurants, QSR chains gradually introduced coffee, lattes and smoothies, as well as wraps and specialty sandwiches (see Exhibit 4). They also expanded their breakfast menus (often served all day) and served a greater variety of food, including healthier, fresh and "made-to-order" food. Menu innovations, including limited edition items (only available for a short time) continue to drive foot traffic.

Affordability was a key part of the value proposition of QSR chains, especially for families. Traditional QSR chains relied heavily on price promotions to drive foot traffic. Having outsourced an increasing proportion of their restaurants, the main QSR chains increasingly relied on franchise revenues and (to a smaller extent) real estate leased back to franchisees, so were less impacted by diminishing margins at the retail level. In 2015, a price war was waged between the three largest burger chains. McDonald's started with a low-priced double cheeseburger and small fries for $2.50, followed by Wendy's "4 for $4" deal (junior bacon cheeseburger, four chicken nuggets, small fries and a drink) and Burger King launched a 10-piece chicken nugget deal for $1.49 (15 cents apiece).

Convenience was almost as important as taste and price for QSR customers, as shown by the fact that the drive-thru window generated 50-70% of sales. QSR restaurants introduced one-minute wait-time guarantees and invested heavily in digitalization, with digital kiosks and online pre-order systems. They also expanded to smaller non-traditional locations (malls, airports, campuses) that are closer to where people are. Despite these efforts, wait times increased because of the operational complexity created by larger menus.

Even as drive-thru and delivery were gaining traction, so did the time spent in restaurants. Research suggested that a shift was occurring, with greater emphasis on food quality and the overall restaurant experience. Chipotle and gourmet burger chains like Five Guys and Shake Shack were gaining in popularity by offering a better customer experience, cooler restaurant design and trendier brand image, in addition to higher quality burgers. With the rise in high-end hamburger chains, Burger King's once-unique flame-grilled hamburgers had become commonplace.

Consumers had come to expect more personal interactions with their favorite brands on social media platforms like Facebook, Twitter, Instagram and Snapchat. These also served to fuel consumer backlashes, e.g., against ludicrously sexist advertising (Carl's Jr.) or anti-gay rhetoric (Chick-fil-A, which nevertheless steadily climbed the rankings as shown in Exhibit 3). Millennials

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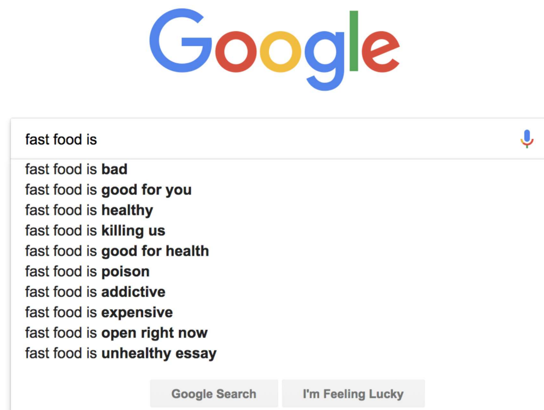
were particularly sensitive to negative associations of the QSR industry and were reluctant to endorse QSR brands, even ones they frequently purchase.



Increasing Health Concerns

Interest in healthy eating had been on the rise over the past two decades. According to a Pew research survey, 54% of Americans paid more attention to healthy eating than 20 years ago, yet, only 29% of respondents ate more healthily than they did in the past (see Exhibit 5).

Increasing health concerns were bad news for QSR chains. Google's autocomplete search predictions for "fast food is" included "bad", "unhealthy", and "killing us", indicating that many searches were using these key words. Critical documentaries such as *Super-Size Me* and the book *Fast Food Nation* had won international acclaim. Nutritionists, celebrity chefs, health and environment advocates, and consumers were demanding healthier menus and transparency of sourcing and calorie counts. Some local governments took action, such as San Francisco, where a controversial Healthy Food Incentive Ordinance banned toy giveaways with kid's meals at fast-food chains unless the meal met strict nutritional standards.

There was some justification for concerns about fast-food and unhealthy eating. According to a Yale report, on any given day, 41% of US teens consumed fast food, adding 310 more calories than on a regular day. Although nutritional quality had increased, only 3% of kids' meals met the industry's nutrition standards (most kids don't choose kids meals). Burger King had a menu with about the same nutritional quality as McDonald's or Wendy's, but lower than Subway or Taco Bell. Burger King meals tended to be larger: the median calorie count of menu items was 340 kcal (vs. 260 for McDonald's and 277 for Wendy's).

QSR chains responded to changing preferences and attacks on their reputation with menu and marketing changes. The health trend benefited smaller chains which had fewer impediments to sourcing healthier, local, or environmentally-friendlier food. Chipotle had a big impact with "Back to the Start", a video about sustainable farming and a focus on fresh, local, naturally grown food. Larger chains were slower to adapt, due in part to sourcing constraints. For example, there weren't enough cage-free hens to meet the huge demand for eggs from large QSR chains. Still, McDonald's stopped "super-size" upselling and diversified (along with Wendy's) into healthier menus with salads, wraps, and new breakfast items. Subway chronicled the extraordinary 245-pound weight-loss of Jared Fogle in a two-decade-long advertising campaign that turned him into a cultural icon. After a late start, Burger King introduced a small selection of salads and fruit smoothies and took one of two slices of cheese off its burgers.

It remained to be seen whether QSR restaurants could appeal to dieters or vegetarians. When McDonald's introduced veggie burgers in the U.S. in the early 2000s, they sold very poorly. In

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2013, salads only made up 2% to 3% of McDonald's US sales. Burger King's biggest menu innovation was the launch in 2013 of "Satisfries" with 40% less fat and 30% fewer calories (see Exhibit 6), but was phased out within a year because of low demand. In 2014, it brought back – by popular demand – the cult menu favorite "Chicken Fries" which it had discontinued in 2012. Consumers' understanding of "healthy" had evolved from a focus on nutrition (calories, fat, and salt) to "clean" (free from) and "real" food, meaning less processed, more natural food.

Burger King

Burger King was founded in 1954 in Florida. Unsatisfied with traditional broilers on the market, James W. McLamore and David Edgerton, invented Burger King's famous flame broiler, introduced the King, and created the original Whopper sandwich.

Burger King founders, James W. McLamore and David R. Edgerton
working on the broiler equipment for the Burger King kitchen

A small, cartoon version of the King was a mainstay in 1960s commercials. At the time, the brand's slogan was *"Where kids are king,"* a theme revisited throughout its history with the distribution of paper crowns. Under Pillsbury's ownership (1967-1989), advertising evolved from a focus on the larger size of the burger and the freshness of ingredients ("It takes two hands to handle a Whopper[2]") to individuality and customization with the famous slogan *"Have it your way,"* launched in 1974. Recently, this customization was taken to extremes by a customer ordering 1,050 slices of bacon on top of a Whopper. (Exhibit 7-9 shows Burger King's television commercials with hyperlinks to YouTube).

2 Note: Hungry Jack's Pty Ltd is the exclusive Australian franchise of Burger King Corporation.

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Burger King went through a series of uninspiring campaigns in the 1980s and 90s. The "Where's Herb?" 1985 campaign – an attempt to rival Wendy's "Where's the beef?" campaign – was probably the lowest point in the history of the brand. It generally suffered from neglect under the ownership of Grand Met, especially after its merger with Diageo (1989-2002).

Burger King experienced a renaissance under the management of Texas Pacific in 2002, both before and after the 2006 IPO, thanks to the 2004-2011 collaboration with Crispin Porter + Bogusky (CP+B). Innovative media campaigns and a revival of the King cemented the brand's tongue-in-cheek, self-deprecating humor. In 2004, "Subservient Chicken" gave a whole new meaning to Burger King's longstanding tagline "*Have it your way*" by creating a website where people could watch a giant chicken act out their commands. The website had 20 million hits the week it debuted. Burger King touted its large portions and "manly" food in their 2006 "I am man" campaign, created as a counterpoint to the feminist "I am Woman" 70s song by Helen Reddy. CP+B also targeted specific demographics with sport associations, such as Nascar, featured in early ads for Chicken Fries. A particularly effective campaign was the 2007 "Whopper Freak out", in which enraged fans were secretly filmed after Burger King employees told them the Whopper had been discontinued. The campaign resulted in four million views, multiple spoof campaigns, and improvements of 4.5% for same-store sales. "Whopper Sacrifice" (2009), an engaging social media campaign, encouraged Facebook users to delete 10 friends in exchange for a free burger. 234,000 friendships were sacrificed before the application was disabled in just over a week.

However, people wondered whether its quirky and playful ads went too far. "Whopper Virgins" (2008), which chronicled remote populations in places like rural Thailand was likened to Western colonialism. An advertisement for the "Texican Whopper" (2009) outraged the Mexican government due to its stereotype-laden depiction of a tall cowboy living with a small Mexican wrestler. Some of the ads were downright shocking. A highly sexualized ad, "SpongeBob Square Butt" (2009), was created for a promotion targeting children, using a remixed version of Sir Mix-a-Lot's "Baby Got Back." Similarly, the sexual innuendo of an ad in Singapore for a 7-inch sandwich drew widespread criticism. Those who weren't offended sometimes found the King creepy (in "Wake Up With The King") or insane (in "The King's Gone Crazy", which upset mental health organizations for "hopelessly retrograde depiction of mental illness"). In 2011, the King was named by *Time* Magazine as one of the 10 creepiest product mascots, alongside those of Quiznos, Jack in the Box, Domino's, Dairy Queen, and the original Ronald McDonald.

Undeniably, CP+B's daring experimentation, much loved by the ad industry, originally made Burger King culturally relevant and led to improved sales and brand perceptions. However, when the 2009 crisis hit, the target demographic (young, male, fast-food fanatics) was badly affected. Burger King failed to adjust the brand strategy and started to derail creatively.

3G Capital Steps In

Global investment firm 3G Capital was founded in 2004 by four Brazilian partners. It acquired a reputation for transparency, meritocracy (promoting young talent quickly and aligning their interests through ownership in the business), and lean budgeting. The firm made several high-profile acquisitions including Anheuser-Busch (2008), H.J. Heinz Company (2013), Tim Hortons

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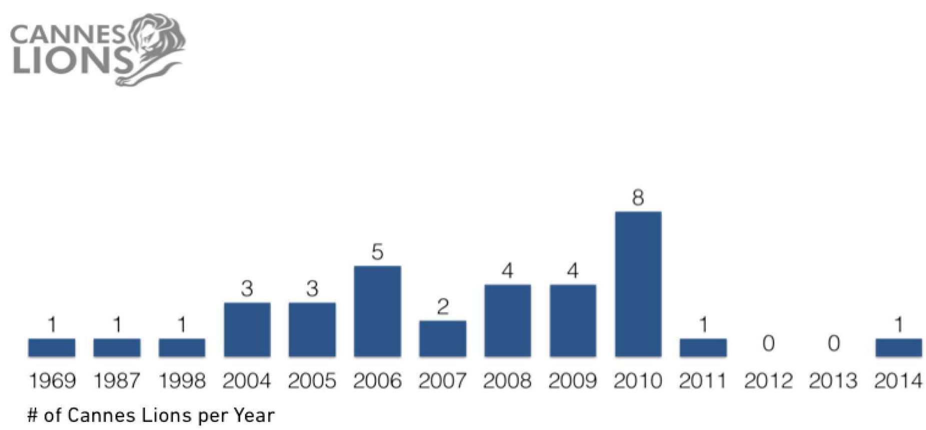
(2014), and Kraft Foods (2015). As pointed out by Warren Buffet, a corporate partner, 3G Capital showed no sign of trying to sell the companies that they bought: "I don't think it's even proper to call them a private equity firm," said Buffet. "They're buying to keep, just like we're buying to keep."

After its acquisition of Burger King in September 2010, 3G Capital's initiatives included an operational overhaul, remodeled menu, and new franchise strategy. Although the media focused on zero-based budgeting and cost cutting (e.g., selling the company jet and moving executives to an open floor of cubicles), most of the work went into renegotiating franchisee agreements to ensure continued investment in restaurants and equipment, adding binding commitments for restaurant refurbishments. Operational initiatives targeted improving the guest experience through cleaner restaurants and a more consistent product offering. The digital menu board was deployed everywhere, improving consistency and helping drive sales. In response to criticisms about the high cost of previous store redesigns, CEO Daniel Schwartz introduced a cost-effective redesign of $300,000, featuring more modern seating, improved lighting, corrugated metal and brick walls, which allowed much-needed improvements to the guest experience.

When they bought Burger King, members of the deal team at 3G Capital, including future CEO Daniel Schwartz, highlighted the outsized value of the brand as the driving factor behind the acquisition. To revamp the brand, they ended the partnership with CP+B in 2011, replacing it with Mother and a roster of other agencies.



From 2012, they retired the King and launched a series of benign advertisements showcasing new menu items with popular celebrities, under the tagline "*Exciting Things are Happening at Burger King*". For example, footballer David Beckham became the face of Burger King's fruit smoothie advertisements and movie star Salma Hayek helped debut salads and wraps. However, the new campaign failed to generate excitement in the advertising industry, as was apparent from the sudden dip in the number of Cannes Lions[3] marketing awards. And despite its innocuous focus, the campaign even managed to attract controversy (Exhibit 8): the spot featuring R&B star Mary J. Blige promoting fried chicken wraps was criticized for playing to African-American stereotypes. Burger King promptly apologized and removed the ad.

3 Cannes Lions Festival of Creativity is one of the most prestigious advertising award shows in the world. Burger King always had a good track record of doing well in Cannes, with its first *Lion* dating back to 1969.

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Burger King's marketing team asked ABM consultancy to conduct a qualitative brand audit to pinpoint consumer perceptions and key competitors. (Main results are shown in Exhibit 10 and 11. Exhibits 12 and 13 provide information about McDonald's, and Exhibit 14 about Wendy's).

Decisions

The marketing team need to create a roadmap to make Burger King cool again – fast – while keeping costs minimal. Key issues to be addressed include:

1. Positioning

How should Burger King position itself in light of changing industry trends? What guest segment(s) should it target without neglecting, if not alienating, other guests? There are at least five options:

a. **Healthy**: Burger King could expand its menu to capture more market share, offering vegetarian options to target females and higher earners. They could invest more in salads ($6.0 billion market) or wraps ($1.4 billion market).
b. **Premium**: Burger King could leverage its BBQ origins and position itself as a premium burger chain to compete with Five Guys and Shake Shack. A new broiler system has been already rolled out, allowing for introduction of premium items like gourmet bone-in ribs and Steakhouse XT burgers, which quickly sold out despite higher price tags (approximately $7 and $4, respectively).
c. **Core**: Burger King could focus on its core menu items (the Whopper, fries, Chicken fries) and double-down on hot-dogs and other unfussy comfort food to (re)capture young, male 'super-fan' segment - the 18-34-year-old males (17% of the quick service market) who eat fast-food on a nearly daily basis.
d. **Affordable**: Burger King could leverage the broad appeal of its low price-point by focusing on serving value-driven guests and families. It could focus on family/ group bundles (like 2 large sandwiches for $5), a technique not employed by premium burger chains like In-and-Out and Shake Shack.
e. **New parts of the day**: Burger King tends to over-index on lunch. The brand could promote breakfast, snack time, and dinner items, which exist in the menu but are not top-of-mind for Burger King guests.

In all cases, it is crucial to articulate an identity that is inspiring to franchisees, easy to understand, and true to the brand's heritage. You need to define the target and explain in a simple, concise, and exciting way what the brand is about.

2. Resource allocation

With an advertising budget dwarfed by its competitors (#6 ad spend in QSR industry), Burger King needs to choose carefully where to invest. How should marketing dollars be allocated between these areas?

a. TV commercials.

b. Digital campaigns and PR.

c. Brand design: ambiance, posters, packaging (Exhibit 16), and logo (Exhibit 17).

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3. Television advertising

Television commercials are essential to keep Burger King top-of-mind and to drive restaurant traffic. Given the low budget, Burger King can only afford 15-second TVC. In such a limited time, what should be the focus of the message? Come up with a formula for the 15-second TVC (do's and don'ts and a typical scene sequence) to guide the creative efforts worldwide. For example:

a. **Promotions:** Deep discounts of core products or of new items (to encourage trial), as well as extra quantities (e.g., buy-one-get-one-free deals) are very common in the QSR industry and are proven to attract short-term foot traffic.
b. **New products:** A blockbuster new product can spur brand re-appraisal by capturing people's attention and inviting them to return to Burger King.
c. **Core products:** The Whopper has been in the marketplace since 1957, yet consumers (especially younger ones) have poor knowledge of its differentiated attributes (100% flame grilled beef, made-to-order, with toppings freshly cut daily) and do not believe it is free from preservatives, fillers, artificial colors and flavors (despite third-party certification).
d. **A good cause:** Research suggests that 91% of global consumers would switch brands if a different brand of similar price and quality supported a good cause. As a brand known for allowing people to '*Have it their way*' and putting a crown on their heads, should Burger King invest in creating a stronger emotional connection with its fans?

4. Social media and PR: Creative selection

Back in 2014, the media mix was heavily focused on television, aimed at advertising price promotions and new product offers, and of limited duration to create brand re-appraisal and interest. The company had very little social media presence and PR-driven advertising campaigns were rare. The objective of social media is to remind younger generations that Burger King offers flame-grilled burgers. And since the Whopper is Burger King's most important creation, it should be the focus. The ambition is to create such a 'high-voltage' idea that minimum media budget is required. Anselmo Ramos, founder of DAVID advertising agency, has created eight mock ups (see Exhibit 18). You need to select two, prepare your rationale, and answer these questions:

a. How will you measure its performance? (list key metrics and objectives)
b. How should social media influencers be involved?
c. What are the risks? How can you mitigate them?

5. Social media and PR: Creative generation

Other chains cook their burgers on flat-top grills (effectively frying the meat), but Burger King burgers have been cooked over an open flame grill since 1954, searing in the flavor. The combination of beef and fire is magical. Research suggests that three out of four people prefer flame-grilled burgers. However, despite 63 years of touting Burger King as the home of the flame-grilled Whopper, less than a third of 18-24 year olds know that.

Your mission is to create an advertising campaign that drives home the single-minded proposition: *Because Fire Is Better.* Execute the "flame-grilling since 1954" message in a new, relevant way that makes younger, more cynical consumers want flame-grilled burgers. Get them to buy into,

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understand, and retain this message, and ultimately give Burger King another try. Think big. Film, print, out of home, stunt... the touchpoints are up to you, but your campaign needs to get this younger audience talking about flame-grilling. If your idea feels like the stuff of a Buzzfeed headline, you're on the right track.

Who is it for?

Your audience will be a tough nut to crack: 18 to 24-year-olds who:

- Don't watch much TV
- Are skeptical of marketing claims
- Don't visit Burger King restaurants as often as their parents
- Don't think Burger King is particularly cool
- Seek experiences and brands that are authentic and see fast food as fake.

What to consider

- *Cut through the noise and get noticed*: A billboard in Piccadilly Circus might be impressive to an older audience but will be old school to this segment. A big, splashy TV commercial that airs across the country might make the media agency happy, but will it show up in your Facebook feed, get made into a meme, be written up in the *New York Times*?
- *Research*: To nail your insight, you need to understand your audience and what's great about the Burger King experience – so go see for yourself.
- *No wallflowers:* Burger King is a brand with an edge. A bold, confident challenger. Forget plain vanilla advertising. Burger King wants ideas that are big and scary. It's a brand that loves the raw and real, embraces the unscripted, and can be self-deprecating (while it takes food seriously, it doesn't need to take itself seriously).
- *Go brave*: Take a look at some of Burger King's favorite campaigns. They will help you understand the brand and the kind of creative that can win this brief.

What's essential?

A campaign or activation concept across relevant channels. The idea must feature Burger King product (with the Whopper) and land the key point of differentiation: *Burger King is the home and expert of flame-grilling.*

The campaign or activation concept needs to generate buzz while staying on-brand.

- Is the idea presented on-brand and on-brief?
- Will the New York Times write about it?
- Will your friends talk about it in a bar?

What and how to submit

Either a presentation video (max. 2 mins) or jpg slides (max. 8 slides) showing your solution. After you finish, email your idea to the King at theking@whopper.com. Burger King will review your idea and give feedback.

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Exhibit 1

Interviews (to access videos, click on title or go to cases.insead.edu/burger-king)

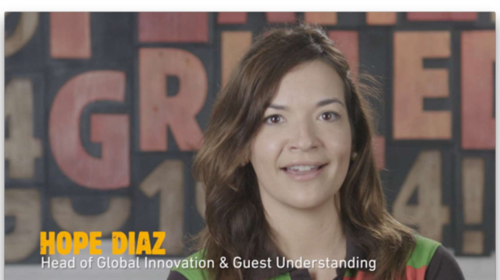

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Exhibit 1 (cont'd)

Interviews (to access videos, click on title or go to cases.insead.edu/burger-king)

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Exhibit 1 (cont'd)

Interviews of Burger King Management (click on title to access video)

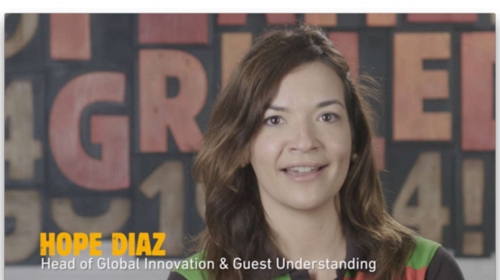

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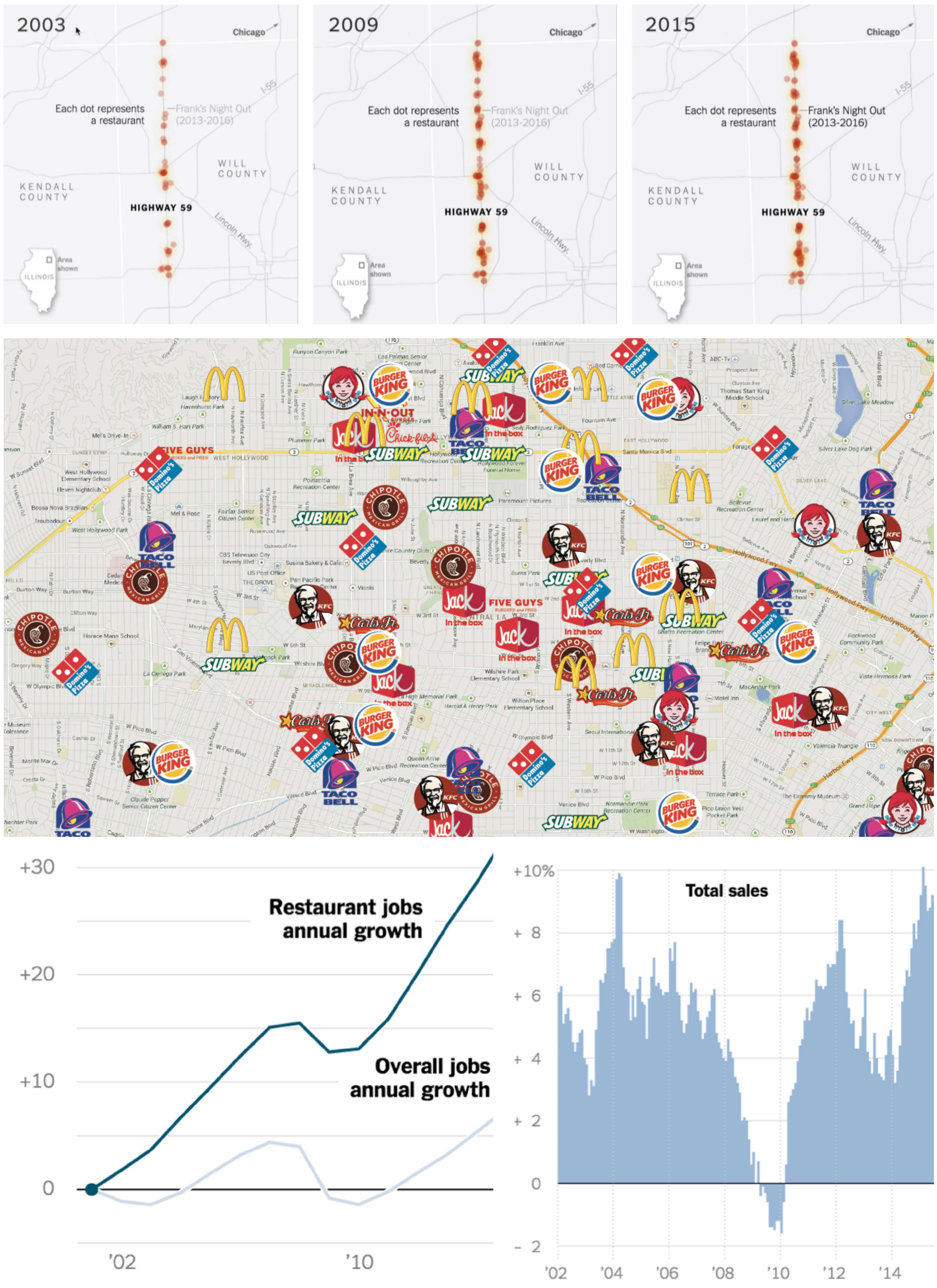
Exhibit 2

Increased Competition in the US Restaurant Industry (click for animation)[4]



4 https://www.nytimes.com/2017/10/31/business/too-many-restaurants-wall-street.html?_r=0

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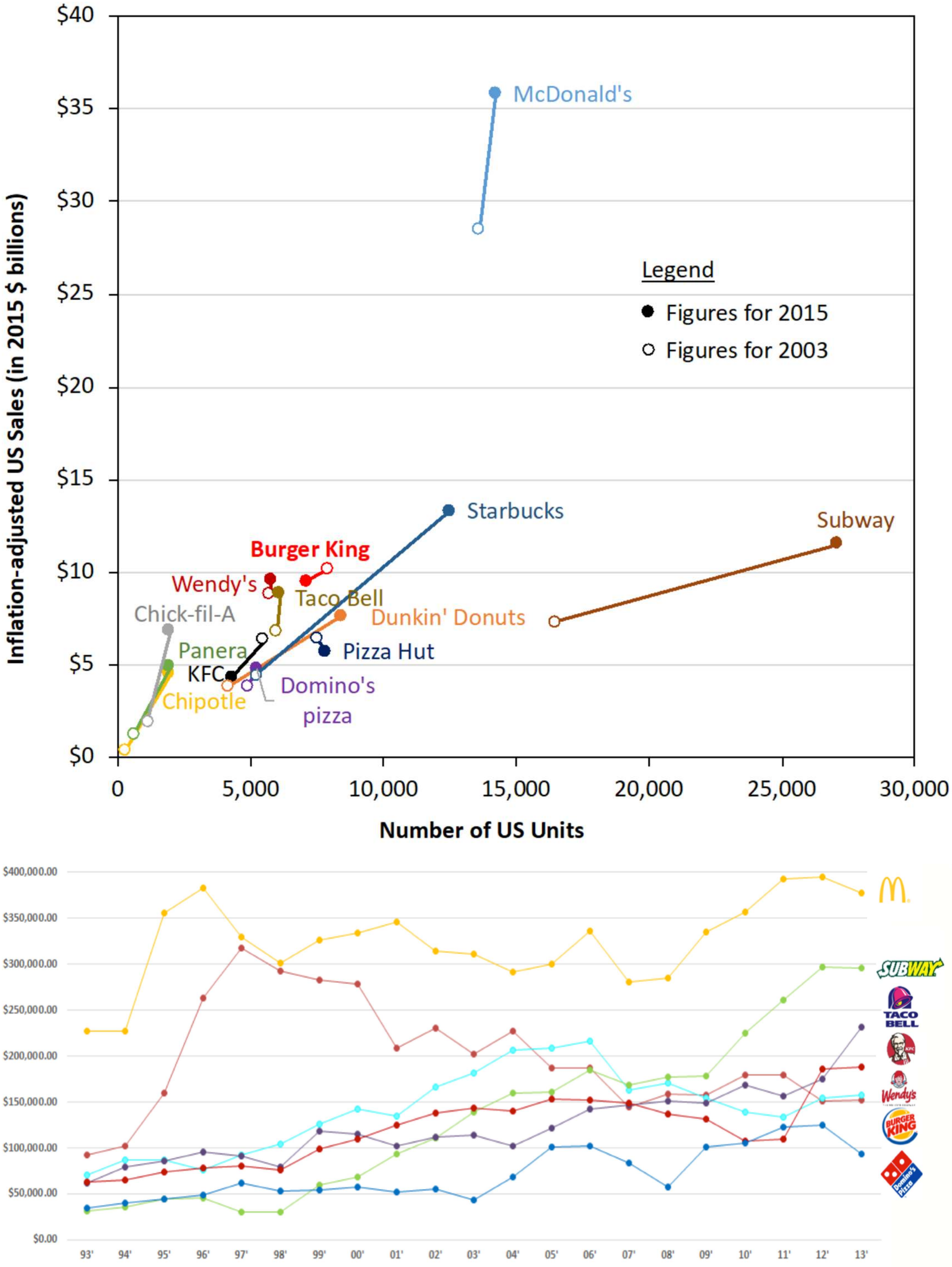
Exhibit 3

Evolution of Restaurant Chains (2003 to 2015[5], top) and TV Spend (2015, bottom)



5 Source: QSR magazine (top) and Horizon Media Group (bottom).

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