Karen Kvalevåg is head of Norway's largest food-service business: Umoe Restaurant Group operates 220 restaurants and cafés (of more than 40 national and global brands). In our interview Karen talks about particular challenges for the Norwegian food-service industry and future prospects.

London Olympics and Paralympics – 30 days of excitement for the British capital, when records will be beaten not only by athletes but also by caterers. About 14 m meals will be served within the venues alone.

Big day, big business. For the happy couple the wedding day is supposed to be the greatest day in their lives. For the hosting hotels in the Middle East, weddings rank among the most lucrative events. Up to 1,000 guests are nothing out of the ordinary. Read more in our Middle East section starting on page 43. Photo: Phoenicia Hotel, Beirut

Two decades ago the German brewery Paulaner launched its first Bräuhaus in China. What began as a trial balloon turned out to be a great success. Today there are 19 Paulaner outlets in China.
Changing core consumers

This new direction is not completely surprising. Burger King has never changed its strategy of focusing on teenage and early twenty year old males as its main consumer base – now an outdated approach. It concentrated on hamburgers, especially the Whopper burger, and had its marketing campaigns revolve around its mascot The King, that aimed to bring humour to the advertisements to appeal to its youthful audience. This strategy had been successful until the latest recession, when rising unemployment and lower disposable income led to reduced spending by its core customers – and hence fewer visits to its stores. This affected Burger King’s whole business because it was a slow mover in terms of diversifying. Because its main competitors were already targeting a wider audience Burger King was doubly affected in market shares, because it needed to readjust all its strategies – including its menu, marketing and store design – to target a new consumer, women. Although this is a time consuming and expensive move, it is also a critical one for Burger King.

To help the hamburger chain battle with the economic downturn, and to reduce investor pressure, Burger King had a change of ownership. Burger King has had a chequered past in terms of ownership, having swapped between being a public company and being owned privately more than once. Most recently, in 2010, Burger King was acquired by Blue Acquisition, a private equity company owned by 3G capital, to provide the capital for the company to readjust its strategy and to take time away from the

Burger King – the Turning Point?

In the last few years fast-casual chains, such as Five Guys Burgers in the US, have been eating up market share by offering fast service and higher quality items. While Burger King failed to react to this and stuck to its old formula, it prompted many of its rivals to start their transformations, which eventually resulted in Burger King losing its number two title in the US to Wendy’s earlier this year. Nonetheless, after 2011 full year sales declined 3% (compared to 2010), in March 2012 Burger King announced that it too will adapt its business strategy, introducing new initiatives such as a wider food offering, to broaden its appeal. An analysis by Nicole Parker-Hodds, Associate Analyst, Planet Retail.

Top 10 Markets 2011

<table>
<thead>
<tr>
<th>Country</th>
<th>System sales (US$ m)</th>
<th>Number of outlets</th>
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<tbody>
<tr>
<td>USA</td>
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Source: Planet Retail
'limelight' following the harshest recession in our lifetime. However the company announced in April this year that it will once again become public through a second IPO (Initial Public Offering) – to sell off 29% of the business for US $1.4 bn to Justice Holdings LTD, a UK-based investment firm who will list itself on the New York Stock Exchange. This is part of its new turnaround strategy to catch up with its rivals in the US, and to remain competitive globally. Daniel Schwartz, Chief Financial Officer at Burger King said: “We believe it is the right time for Burger King to be publicly traded in the US again [on the New York Stock Exchange]. With this transaction, we are positioning the Burger King brand for long-term growth both domestically and internationally.”

**Evolving menus**

Burger King is not generally known as a first mover in the fast food market in terms of evolving its menus – at least not recently – which has led to its troubles. While its competitors revamped their offerings to attract a wider audience, Burger King continued to focus on burgers and relied on its Whopper burger to target its core consumers, as mentioned previously. However, it has ten new menu items that are currently being introduced; such as salads, wraps, fruit smoothies and frappes; to help the company catch up with its rivals and widen its customer base to include women – mainly mums – as well as children.

Riding on the success of food trucks in the US, Burger King is offering free samples of its new menu to consumers across 40 cities in the country. The company will use this as further trials for the new items, as well to create interest and loyalty for the brand. However, Burger King has been criticised because many of these new items aren’t new to the market, but are similar to those already sold in McDonald’s and Wendy’s. While true, these items are based on customer preferences (and are what sells well at its rivals). Burger King does need to be careful not to rest on its laurels again though, but to become innovative with new products and flavours or stand point (e.g. animal welfare or customisation) to differentiate itself from the rest of the market. Miguel Piedra, Vice President of Global Communications at Burger King, said: “For us, it’s really not about being first to market, it’s about being best to market.”

Children’s meals are one area that Burger King was pioneering in. Before it was acquired by Blue Acquisition, the company stopped automatically serving French fries as an option in its children’s ‘Crown meals’ and introduced ‘apple fries’ (apple slices) as an alternative to provide a healthier option. It also sold these branded apple fries, as well as its chips, in supermarkets in the US to help drive traffic and increase brand loyalty among children. Alongside this addition, in November 2011 Burger King introduced a family bundle deal, a limited time offer, which offered a Whopper burger, a Junior Whopper burger, two fries and a Crown meal – helping them to attract whole families.

**Celebrity endorsements**

In addition to the new menu changes under Blue Acquisition, Burger King has also altered its marketing strategy. The company ditched its traditional mascot, The King, in August 2011 and is now using celebrities (including David Beckham, Jay Leno, Salma Hayek and Steven Tyler) to endorse its new menu items – and target its new customers. Although an all too common strategy in retail as a whole, it’s fairly rare within the foodservice sector. In an interview with Ad Age, Alex Macedo, Senior Vice President of North America Marketing, said: “We chose celebrities to get people’s attention faster and to show the diversity that we have with our brand.” However, Burger King needs to be...
careful not to forget its core consumers completely while focussing on widening its customer base, in order to maintain its nucleus of sales as a steady foundation to growth.

And finally, Burger King is remodelling its outlets to the 20-20 design, which aims to be more upmarket and contemporary, to compete with its rivals and fast casual chains. Launched in Europe this new store design is being rolled out internationally including the US; and includes comfy seating and an inviting environment to attract more women, and a digital menu board for efficiency and customisation.

International operations

Burger King will continue to focus on its international operations, which currently account for approximately 40% (in terms of store numbers) of its business, continuing to push expansion globally. In general, the company’s strategy is to continue to move eastwards into the emerging markets of Eastern Europe and Asia, as well as to further its growth in all its existing countries.

Latin America is already a big market for Burger King, accounting for approximately 9.5% of its stores, but the company sees further potential for the market. In this region, Burger King launched ‘BK Pasos Positivos’, a programme to provide information on healthy eating, alongside healthier menu options that have fewer than 500 calories, in response to consumer tastes. One country in Latin America that Burger King has yet to penetrate deeply, however, is Brazil, but it believes the country has high potential for rapid expansion in the market, and will invest further to achieve this. As a relatively wealthy country with a large population this seems a sensible next move for the company.

Burger King, however, doesn’t usually adjust its menu to local tastes across all its international markets, just offering its standard menu, and this strategy has stunted the company’s growth in some countries – especially the emerging markets. In Asia Western brands are trading successfully due to the local perception that the stores are more hygienic than the local chains because health and cleanliness standards aren’t viewed as being enforced but foreign chains are thought to import their own high hygiene standards. However, while there’s always an initial excitement and kudos about trying Western menus, in the longer term the majority of the population has more traditional tastes, so retailers benefit from offering tailored menu items; but Burger King has trailed behind its rivals in this respect. For instance in Japan Burger King’s only ‘local’ item is Japanese beer, but McDonald’s, for example, has the Sakurateritama burger that is made with Sakura.

Ten new menu items are currently being introduced; such as salads, wraps, fruit smoothies and frappes.
sauce – McDonald’s success in these regions shows that US-based chains can succeed with the right strategies.

Europe

Europe is another big area for Burger King with many large, developed but differing markets. Although the company has been struggling in some countries, it is performing well in both Germany and Turkey. Germany is its biggest international market (for both turnover and store numbers) and Turkey ranks seventh. In Germany, the company has positioned itself as providing higher quality food than McDonald’s. However, with McCafé performing well in the country Burger King will have to focus on its new coffee bar concept that it launched in the country last year to maintain market share. In Turkey, Burger King has a good local franchise partner (Tab Gida) that knows the market well and has adjusted its strategies accordingly – including the menu. Turkey is a strong market for Burger King, with a growing economy. Within Europe the company, however, is not trading well in UK, Italy or Russia. Burger King entered the Russian market later than its rivals facing a competitive market, both from the independents and local chains as well as other Western brands such as Subway, McDonald’s and Yum! Brands.

The company will need to use its findings from its new strategies – with marketing and menu innovation – and transport these into each international market, allowing itself to adapt to the local preferences while differentiating itself from other local and international players. Burger King recently entered Slovakia and Slovenia, as it continues to push expansion across Eastern Europe; providing new test beds for market entries with its new strategies.

The turning point

Burger King is in the process of implementing a lot of new initiatives, which could launch the turning point for its business. Focusing on widening its customer base is a necessary move for the retailer, who for too long relied on a small target audience. Its revamped menu, marketing strategy and new store design shows how seriously the company is taking this – although it needs to be careful not to forget its core consumers altogether.

Burger King must use these plans and the investment from its forthcoming IPO to its advantage, by keeping up the momentum of menu innovation in the future, as well as keeping the brand modern: it could help the company gain first mover status – and potentially propel it as a global competitor.

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**Burger King: Forecasts**

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Source: Planet Retail

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