

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



Burger Wars

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Student Case Papers

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

Editor

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Burger Wars

WRITTEN CASE

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MANAGEMENT DECISION CASE

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Burger Wars

This Case is being written for corporate brand management students at Masters level and is intended to help participants dissect and examine the multiple dimensions of an actual managerial dilemma. The chosen situation concerns mainly the aspect of reputation management, in relation to cause-related marketing. The Case involves McDonald's Corporation, following an unusual call for collaboration on a charity initiative by arch-competitor Burger King. The invitation was widely publicized by Burger King while the time for reaction was short, piling pressure on the corporate executives at McDonald's. For the purposes of this Case, the class will take the role of the brand management team within McDonald's, tasked with finding a suitable response to Burger King's proposal. Although the particular event took place within the Fast-Foods industry, the subject-matter is relevant to a broader range of situations. The presented managerial dilemma has particular application to Corporate Brand Identity and to Corporate Reputation Management theory. Specifically, the case relates to the field of cause-related marketing, weighing the ethical and business implications of the alternatives. (Roper & Fill, 2012) The educator's notes on these areas are informed by the Corporate Brand Identity & Reputation Matrix. (Urde, 2013; Urde & Greyser, 2015)

The Context

Competition between fast food chains McDonald's and Burger King intensified in the late 1970s resulting in heavy comparative advertising from the two brands. Before that, the two companies enjoyed steady growth.

McDonald's

McDonald's was founded in 1940, but it was not until 1948 that it adopted its successful business model. The 1960s were exceptional years for the company where it introduced the Big Mac - its iconic menu item. Ronald McDonald, the brand mascot, was also introduced in the same period and before the decade was over, it had sold its five-billionth hamburger. By 2012, the company grew into the world

second-largest private employer worldwide with 1.9 million employees in 36,000 (McDonald's, 2015) restaurants and across 119 countries. (Statista, 2015) McDonald's serves 69 million customers every day (McDonald's, 2015), but in 2015, there were more restaurants closing than opening (Wahba, 2015), as sales were on a two-year-long downtrend. (Patton, 2015) The brand however, is still the biggest among the global chains. (Forbes News, 2015)

Burger King

Burger King started out in 1953 and, despite a boom in the 1970s, sales decreased towards the end of the decade. In a bid to gain market-share, its marketing communication and pricing targeted McDonald's directly - to which the latter responded in kind. (Gustin, 2015)

Burger King did outgrow McDonald's in some markets such as Spain and Mexico (Forbes News, 2014), but never on a global level. In the thick of the financial crisis, Burger King fell to third place while McDonald's held firmly to the top position. (Statista, 2015) Burger King operates 14,000 outlets in 100 countries, with 11 million customers daily (3G Capital, 2015) however, unlike McDonald's, it was on a growth path. (Statista, 2014)

Burger Wars

Competition between the two brands was stiff from the outset, as each tried to differentiate itself from the other with product attributes such as "flame-broiled hamburgers" in the case of Burger King and "special sauce" for McDonald's. (Gustin, 2015) Eventually, both companies upped the game with comparative advertising, mascots, menus, endorsements, and even lawsuits. (Gustin, 2015) The fierce competition between the two became known as 'Burger Warfare'. (Funding Universe, 2004)

In the 1980s, the companies shifted their main battle to price reductions, dragging down the profits of the entire fast-food industry. (Shiver, 1987) Despite the lower prices, both McDonald's and Burger King continued to grow helped by advertising and the US economy. (Shiver, 1987) The rivalry was symbolized by the brands' respective principal products: Burger King's Whopper and McDonald's Big Mac.

In the following years, rising beef prices as well as consumption preferences led McDonald's and Burger King to change their arsenal to cheaper and leaner menu items instead of the classic Burgers. (Giammona & Patton, 2015) However, the so-called "war" was still on after more than thirty years, and in August 2015, Burger King made an unusual proposal to McDonald's by calling for a "ceasefire". (Burger King Corporation, 2015)

The Dilemma

On August 26, 2015, Burger King launched the 'McWhopper' campaign, proposing a joint initiative with McDonald's on the United Nations International Day of Peace - 21st of September. (AFP, 2015) The idea was to make and serve a special hamburger combining the main ingredients of the two brands' respective signature sandwiches. Burger King said that the symbolic event would raise awareness and funds towards non-profit organization Peace One Day. (Burger King Corporation, 2015)

The bid was made by a direct invitation to their competitors, through a full-page advert in The New York Times (with strong nationwide reach) and The Chicago Tribune (strong presence in the state where McDonald's Corporate Headquarters are located). A dedicated website (www.mcwhopper.com) was immediately revealed by Burger King, giving more details about the idea, logistical recommendations and an official endorsement by Peace One Day Founder, Jeremy Gilley.

The idea was pitched as a "ceasefire" (Burger King Corporation, 2015) between the two parties on the opposite ends of the "Burger War", and meant for the two corporations to lead by example. Burger King's 'Open Letter' emphasized the genuine intentions behind the drive and left the ball in McDonald's court.

Burger King sketched out a practical outline on how to make the event happen:

1. Setting up a pop-up restaurant, halfway between the companies' headquarters (Atlanta);
2. Serving the McWhopper, a hybrid between McDonald's Big Mac and Burger King's Whopper;
3. Involving employees from both companies;
4. Create common visual communications, uniforms and packaging with elements from the design languages of both corporate brands;
5. Promote discussion in the blogosphere through #settlethebeef.

In their message, Burger King said that these suggestions were open for discussion; the only non-negotiable part was the date - which was less than a month away from the day of the announcement.

International Peace Day

Peace One Day is an independent organization committed to introducing and raise awareness about the International Day of Peace around the world. (Peace One Day, 2015) The short term objective of the entity is to make three billion new people familiar with the UN observance by September 21, 2016. (Peace One Day, 2015) Studies by the organization reveal that a significant portion of people behave more peacefully on the day of peace when they know about it.

The United Nations established September 21st as the International Day of Peace in 1981. It encourages nations and people to resist enmity on the day and seek instead to foster peace, especially through education. (United Nations, 2015)

Taking the role of managers at McDonald's, how would you answer the following question:

How shall McDonald's respond to Burger King's proposal and who should respond?