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BK to Push Value Menu Minus Double Cheeseburger

But Chain Will Offer Pricey Item at Discount Through Coupon Effort

By [Emily Bryson York](#)

Published: [July 14, 2009](#)



CHICAGO (AdAge.com) -- Burger King may not be able to have everything its way, but it certainly tries.

After the fast-food giant lost two battles with its franchisees last week over whether to offer a double cheeseburger for a dollar on its value menu, the chain today said a major value push backed by national advertising would proceed for the fall, albeit with another sandwich.



Burger King's flagship Whopper Jr. sandwich.

"[Burger King] will be promoting its Whopper Jr. sandwich for \$1 nationally in August and September," a Burger King spokeswoman said in a statement. But the Whopper Jr., which the chain calls one of its "flagship products," has been a standard component of the chain's value menu.

Yet despite its skirmish with franchisees, as part of the fall push Burger King will also send \$50 coupon booklets to 80 million households. Each booklet will contain an offer for one double cheeseburger for \$1.

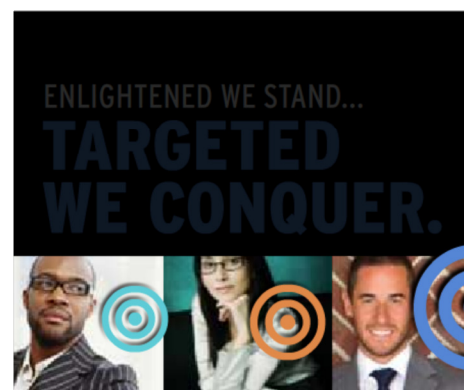
By all accounts, offering a pricey double cheeseburger for \$1 looked like a money-losing proposition for franchisees. But with the offer, Burger King gets to drive traffic to its stores while not

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upsetting its franchisees about an offer they long opposed: Franchisees fear that consumers will trade down over a period of time and never go back -- or that some customers will order two burgers rather than get fries, which have a higher profit margin.

(Two franchisees interviewed for this story said they believed the dollar double cheeseburger had previously been approved as part of a coupon drop but that it became financially problematic for a broader national offer.)

This announcement follows last week's battle royale between corporate and restaurant operators. Burger King asked the system to approve a four-month double-cheeseburger promotion for \$1 before the July 4 weekend. On Monday, responding to blowback, it offered to [tone down sexual content](#) to its characteristically edgy advertising. But on Wednesday, franchisees voted down the cheeseburger promotion. The chain quickly asked franchisees to approve a six-week double cheeseburger promotion, and reiterated its commitment to lay off sex in its ads in a memo dated July 9. But by July 10, franchisees had voted the proposal down again.

Franchisees interviewed for this story said that corporate has since done a better job of handling their concerns. One franchisee said that recent announcements have "taken the edge off." In a video statement yesterday, Burger King told franchisees that the double cheeseburger had not gotten enough votes to pass, but that a previously approved fall coupon effort would proceed as planned.

But it also appears that some local markets have approved a double cheeseburger. The Burger King spokeswoman said the "Burger King system has also seen an increase in local media spend in support of the brand's significant value offerings that include the \$1 Double Cheeseburger in many markets."

7 Comments

By Rodney33 | FRISCO, TX [July 14, 2009 10:56:31 pm](#):

Do you ever read an article like this about McDonald's, Subway or Taco Bell? It's not typical.

That's because when franchisees and corporate fight, everybody loses. QSR is a highly competitive category and if you don't have near flawless, strategic, focused consumer communication, you get leveled.

Now that they've settled their dispute, they have very little time to execute and their competitors know their plans. It will be pretty easy for McDonald's, Subway and Taco Bell local markets to craft a response if they so choose.

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By jagsd01 | San Diego, CA [July 14, 2009 11:06:44 pm](#):

As they say, the devil is in the details.



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Based on all this hoopla, I have to wonder now HOW bad really are BKC US same store sales right now.

As we noted earlier in June(www.seekingalpha.com/authors/john-gordon/latest), franchisees don't have the same profit margin as company operated stores. The company generates franchise fees based on sales royalties; the franchisees make money the old fashioned, way, revenue less expenses. They pay royalties and generally have higher credit costs (think: CIT fiasco)

No doubt a doublecheeseburger at \$1 wouldn't leave much gross profit (probably about \$.30 or so). But BKC hopefully is promoting a wider range of products, and hopefully leveraging its broad menu, to get some trade up and incremental sales. There is an art to it.

As to the promise for less edgy advertising, the whole issue as stated is bizarre. Isn't there BKC consumer research and focus groups before the ads are run?

There is more to this story, and it seems BKC-franchisee relations, historically difficult, are off track again.

John A. Gordon
Restaurant Earnings and Economics Experts
www.pacificmanagementconsultinggroup.com
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By STEPHEN | NEW YORK, NY [July 15, 2009 09:15:12 am](#):

Seems to me that BKC would just ask their customers what they like, would purchase or would not. I don't get it... all I have to do is go in the next room and ask my kids.

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By fegroup | San Diego, CA [July 15, 2009 10:35:41 am](#):

This kind of thing does happen at McDonald's and other chains all the time - the franchise company forces the franchisee to vote, and vote again, until they get it right.

McDonald's will not respond directly to Burger King's discounting since McDonald's USA is busy trying to sell espresso drinks.

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By tommyzman | Oak Ridge, NJ [July 15, 2009 11:13:41 am](#):

Obviously a hunk of lettuce and a slice of tomato and onion is cheaper than a second beef pattie, so BK can continually do the JR, Whopper. But a bigger point is that once consumers realize that purchasing 3 JR Whoppers is cheaper than buying one regular Whopper, sales really could jump on this item. In the NY area, you can buy 4 JR's for a just tad more than a regular. You think the brainiacs over at BK have this figured out?

Say, I don't need no stinkin' double cheeseburger.

Tommy Zarzecki
Publisher, PlanetZman
The Last Great Bastion For Real Men
<http://www.planetzman.com>
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By Jacob53 | TIBURON, CA [July 15, 2009 11:44:25 am](#):

About a month ago I posted an article on my blog: Burger King and McDonalds take Separate Paths to Value (<http://www.in-depthresearch.com/blog/?p=525>).

It shows how McDonalds has balanced its \$1 menu promotions with strong brand building. As a result, their revenues have grown and they are actually selling more high-margin products - like the quarter pounder.

Russ Klein, Burger King's president of global marketing strategy and innovation, is focused on price: "The current marketplace is demanding value and the company is being responsive to that consumer-driven demand,"

While McDonalds focused on quality AND price. "In the last eight months, we have placed greater emphasis on flagship-quality products," McDonald's USA CMO Neil Golden.

As a result, in the past year BK stock is down about 40% while McDonald's stock is about flat.

People want to feel that their money is well spent - they don't want to just spend less money. Brands drive business, not just price.

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By Rodney33 | FRISCO, TX [July 15, 2009 11:44:31 am](#):

Franchisees and corporate do have disagreements, that would be the norm. Most QSR chains have franchisee boards who vote and approve on marketing. The vote meetings are heated discussions and in the case of large groups like McDonald's OPNAD, there's an air of congressional lobbying to reach final agreements.

But, a well operated group has their meetings much further in advance, they don't change direction after moving forward on an initiative and the dirty laundry is seldom in the press.

If McDonald's, Subway, Taco Bell local operators find a Burger King double cheeseburger a threat to their bottom line, which none should, they will drop local communication in rotation. The point made earlier is, plan ahead, stick to the plan and keep it out of the press.

Rodney Mason, CMO
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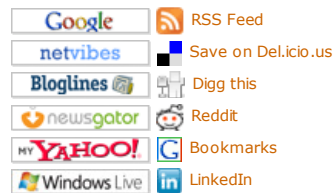
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