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Social Media and the Burger King Brand

Russ Klein took the position of President of Global Marketing, Strategy, and Innovation at Burger King Corporation ("BKC") in 2003. It was a difficult time for the company. Sales and profits were down. Franchisees were unhappy. The BURGER KING®* brand had lost its edge; the vast majority of consumers were aware of the Burger King brand but no longer found it interesting or compelling.

BKC as a company needed a turnaround, and had just been purchased by a private equity group. Klein's mission was to rejuvenate the Burger King brand and rebuild relevance to the consumer as part of a major revitalization of the company. What followed was a series of strategic decisions and innovative, risky marketing campaigns that would breathe life back into the brand and win awards for BKC and its agency Crispin Porter and Bogusky (CP+B).

Many of the innovative marketing tactics used by BKC relied on interactive, digital media channels. The most talked about of these initiatives was a website called "The Subservient Chicken." This website, launched for very little money and with little fanfare, became an internet phenomenon, attracting hundreds of millions of visitors and winning various awards for its ingenuity as a viral marketing campaign. BKC went on to establish highly trafficked Burger King branded MySpace pages, special programs where users could create their own Burger King ads online, and other non-traditional marketing programs.

By early 2006, BKC was known as an innovator in content driven marketing and the creative use of social media. Klein faced a series of decisions about where to go next. One decision concerned the launch of a novel marketing concept developed with Microsoft. During the 2006 winter holiday season, the company would sell Burger King-branded Microsoft Xbox video games, featuring Burger King characters such as the King and the Subservient Chicken. Klein needed to decide if BKC would go ahead with the campaign and how such an approach would fit in with his overall brand building strategy.

This case was written by Teaching Fellow Andrew Schneller and Professor John Marshall of the Tuck School of Business at Dartmouth. It was written as a basis for class discussion and not to illustrate effective or ineffective management practices. Version: July 29, 2007.

Should BKC go ahead with the Xbox promotion? How effective was BKC's non-traditional media approach? How far could it be taken? These were tough issues that Klein needed to explore before giving the go-ahead for the Xbox campaign.

BK History

BKC was founded in Miami, Florida in 1954 by Jim McLamore and David Edgerton. In 1956, the company developed the continuous chain broiler for easily cooking hamburgers. In 1957, BKC introduced the Whopper® Sandwich, which is still being sold in Burger King restaurants today. Another of BKC's innovations in the fast food dining experience was enclosing patio seating in their restaurants to create an indoor dining room. During 1959, the company began to franchise restaurants to entrepreneurs and the number of locations started to grow.[1]

For many years, the main differentiation for the Burger King brand from competitors such as McDonald's and Wendy's was their offer to allow customers to customize their hamburgers and other food offerings. The company first used its well-known tagline "Have It Your Way®" in 1974 and had used it occasionally, but not consistently, since then.[2]

By 2004, BKC had over 11,000 company- and franchise-owned stores across the globe, and over $1.7 billion in revenue from both company owned and franchised stores.

BKC's ownership changed hands many times during its history. In 1967, McLamore and Edgerton sold the company to Pillsbury, where it was managed as a wholly-owned subsidiary. In 1988, Pillsbury was acquired by Grand Metropolitan, a UK-based spirits company that merged with Guinness to create a new company called Diageo in 1997. Diageo decided to divest its ownership of BKC in 2002 and sold it to a private equity sponsor group that included Texas Pacific Group, Bain Capital, and Goldman Sachs Capital Partners.[3] This group of private equity firms took BKC public in 2006 with the ticker symbol BKC.

Burger King Corporation's Recent Troubles

BKC's business had been suffering since the mid-1990s for a variety of interrelated reasons.

Poor Financial Results

While all fast food chains struggled during the early 2000s, BKC's struggles were particularly tough. In 2003, BKC's retail sales (both franchise and company store retail revenue) fell to $7.9 billion from $8.3 billion the year before. During that same time period, McDonald's revenue increased from $20.3 billion to $22.1 billion. Also, Wendy's sales increased from $6.8 billion to $7.4 billion.[4]

Both same-store sales and store traffic for Burger King restaurants were down during this period. From 1998 to 2004, the number of customer visits to Burger King restaurants dropped 22%.[5] Average sales per store fell from $1,100,000 to $980,000 in 2001, despite 4.7% growth for the fast food industry that year.[6] From 1998 to 2001, BKC's share of the quick-service burger market fell from 20.4% to 18.5%. During the same time period, Wendy's share grew from 11.6% to 13.2% (see Exhibit 2 for BKC's Income Statement).[7]

Brand Malaise

The Burger King brand also suffered through a period of malaise. The company had deemphasized its traditional tagline of "Have IT Your Way" and focused more on Burger King restaurants flame broiling method of cooking hamburgers, which was positioned as favorable to McDonald's frying process. Believing that the term "flame broiled" was confusing, BKC began using different language to communicate the same concept. These new positioning statements included "Nothing Tastes Better than Food Cooked over an Open Fire", "We're Cookin' with Fire," and "The Fire's Ready," which were premised on the idea that "flame grilling" was a more modern expression than "flame broiling". BKC has since returned to the "flame broiling" expression, which is still in use today. BKC previously believed that the concept of cooking over an open flame would appeal to consumers' increasing concern about health. Unfortunately, this new positioning did not result in improved sales.[8]

In 2003, BKC asked advertising agency Young & Rubicam to conduct a study of the brand using Y&R's Brand valuation approach known as Brand Asset Valuator BAV. The study showed that Burger King was a brand that people knew more than loved. This was a serious red flag for Klein. He said:

> When they know you more than they love you, it is either a precursor or a condition of a brand in decline. No brand should feel comfortable about their growth prospects when your consumers think they've seen all there is about you … and further, that they find it unremarkable. Our key objective was to become, again, a brand that people would love to know more about, a brand that is on the move in pop culture.

A study by Omnicom Group's Interbrand concluded that the value of the Burger King brand had fallen from $2.7 billion in 2000 to $2.12 billion in 2003, a fall of 22.5%. During this same time period, McDonald's brand value also fell from $27.9 in 2000 to $24.7 billion in 2003, a drop of 11.3%.

According to Jeff Hicks, President and CEO of CP+B, "Everything about the brand was at a low, base level. It was bankrupt emotionally. The brand needed to stand apart from McDonald's. It was trying to be too many things to too many people."

Management Turnover

BKC also saw a very high rate of CEO turnover during this period. Prior to the divestiture, the company had nine different chief executives in 15 years.[9] The new ownership hired CEO Brad Blum, who held the CEO position for only 18 months. The second CEO hired, Greg Brenneman held the post for only 20 months. Some investors believed that the CEO turnover was responsible, in part, for BKC's struggles during this period.

Franchisee Discontent

When Russ Klein joined BKC, franchisees were upset with what they perceived to be poor management of the brand and company. In the years prior to 2004, three of the ten largest Burger King franchisees filed for bankruptcy protection.[10] From 2002 to 2004, the number of Burger King restaurants declined by 500 units due to store closures.[11] Many franchisees publicly expressed their displeasure. For example, one franchisee criticized the Burger King brand strategy:

> It's a continual issue with [the company] that it's always the agency's fault, and 99% of the time it's the fault of the brand's leadership. We've been trying to have this CEO [Brad Blum] explain the strategy for this brand and it is about as clear as mud to us.[12]

Franchisees are a vital constituent for BKC. Marketing concepts must satisfy the franchisees, who are reliant on BKC to execute campaigns that drive restaurant traffic. In fact, BKC's contract with franchisees requires BKC to spend a certain amount of money on media and advertising. While franchisees do not have a contractual right to veto a marketing campaign, BKC consults the franchisees when planning marketing tactics, to ensure that the franchisees are comfortable that it will drive store sales.

Marketing in the Fast Food Industry

BKC faced stiff competition in the fast food industry. It competed directly with McDonald's and Wendy's and also with non-hamburger serving fast food restaurants such as KFC, Pizza Hut, and Subway. In addition, it increasingly competed with "quick casual" concept restaurants, such as Panera Bread Company, which attracted customers with a perceived higher level of quality.

Traditionally, fast food chains relied on new product launches, heavy TV advertising, and promotions to draw customers into restaurants. In 2003, McDonald's was the second largest media spender across all categories in the United States with $547 million in media spending. BKC was the thirteenth largest media spender at $270 million (see Exhibit 1 for 2003 industry media spend).[13] Promotions often took the form of movie tie-ins, games/contests, or price discounts for specific menu items (see Exhibit 15 for BKC's media mix spend for 2006).

BKC had an ongoing plan for 18 months of promotional activities. In June of every year, the marketing department developed a plan for the next fiscal year that laid out both adult and kids promotions and campaigns. The adult line had 0-12 promotional windows. The kids line had 11-12 promos (roughly one per month), planned 12-15 months in advance. Some promotional windows are planned well in advance, while some are left open as "opportunity slots" when BKC can plan a campaign to take advantage of unexpected social trends.

Sales and profit growth at fast food restaurants was weak during the early 2000s. One reason for this was increased attention paid by consumers to obesity in the United States. Fast food restaurants, particularly high profile chains such as McDonald's and Burger King, faced criticism in the media for targeting children with unhealthy foods served in large portions.

After years of geographic expansion and reduced focus on new products, price discounting became an increasingly important method of driving sales. Led by McDonald's and BKC, the industry faced a price-war during the early 2000s that culminated in 2003. The price war saw the proliferation of 99-cent menus, which reduced the price of traditionally more expensive items to $0.99. Same-store sales and profitability for the entire industry declined over this period of time. After 2003, the fast food industry moved away from price competition and focused more on developing new products for which they could charge a premium.

BKC's New Marketing Strategy

In an attempt to rebound from its poor performance, Klein and BKC's marketing staff made a number of strategic and tactical changes.

Focused Consumer Segmentation

The major players in the fast food industry fought fiercely for customers, but had distinct primary customer target segments. McDonald's brand was focused on children and promised older people the nostalgia of experiencing their childhood again. Wendy's targeted adults with a promise of a "classic" hamburger dining experience. BKC traditionally focused its marketing on teenagers and young adults.

BKC formerly employed a behavioral segmentation scheme that targeted customer types such as "hamburger eaters." Under Klein's marketing leadership, the company shifted to a usage-based segmentation scheme. This resulted in a focused targeting of what it called "Super Fans."

Super Fans were regular visitors to quick service restaurants. They ate at fast food hamburger restaurants nine times per month or more. They comprised 18% of BKC's customer base but accounted for 49% of all visits. Martha Flynn, Senior Director of National Promotions and Sponsorships, said, "Our Super Fan goes to all quick-serve restaurants – McDonald's, Wendy's, and others. He/she's not loyal to us. We just want him/her to come in to Burger King more than he/she does now." The company had a panel of 750 Super Fans in four major cities with which BKC communicated directly to better understand the target customer.[14]

New Product Introductions

In 2003, the price war between McDonald's, Burger King, and the other fast food chains came to an end when the industry marketing focus shifted to new product development. McDonald's found success mimicking the "quick casual" concept by selling premium salads for $5.00. In addition to answering some of the consumer concerns over health, doing so allowed McDonald's to sell based on a differentiated product instead of price.

BKC decided to launch new products targeted specifically at Super Fans. These new products were intended to be "indulgent" based on their large size. Examples of these indulgent products were the premium Angus Steak Burger and the TenderCrisp® Chicken Sandwich. Sandra Howard, BKC's Senior Director of Global Consumer Insight, said, "We will offer salads, but our Super Fan doesn't want a new salad. We are not going to apologize for being a burger company."

The two new products were successful. The Angus Steak Burger was differentiated based on higher quality beef, while TenderCrisp Chicken Sandwich gave BKC a product in the chicken sandwich category where it was traditionally weak.

New Approach to Brand Building

First, BKC decided to bring back the "Have It Your Way" slogan. In December 2003, Klein first contacted Jeff Hicks, President and CEO of CP+B, to ask whether they would propose some creative ideas for promoting the "Have It Your Way" slogan. Klein felt that the old slogan still had equity with the target consumers and that the idea of "having it your way" fit quite well with increased product and service customization seen in several industries that targeted end consumers. The slogan not only was integrated into the new advertising, but also became a central theme of all elements of BKC's business, from the product offering to advertising to packaging and napkins.

Second, the company introduced the Burger King character known as "The King," represented by an actor wearing a mask (see Exhibit 4). The King image had not been a part of BKC's advertising for many years. In the past, the company had utilized images of a king strictly in the context of children's marketing. The new King was cast in a television advertisement called "Wake Up with the King SM," portraying a young man waking up to find the King serving him breakfast in bed. The ads wacky approach gave the company a great deal of unintended exposure to the public. Formerly, the King represented a friendly King of Hamburgers, but the new incarnation of the King seemed to portray a darker image. Unlike Ronald McDonald, who had a warm and friendly image for children, the King's plastic facial expression did not change, giving him a somewhat confusing and sometimes creepy image that seemed to resonate with teenagers and young adults.

Following this success, CP+B found they could use the King's character and visage broadly to communicate with the target market. From 2004 through 2006, the King appeared in 24 television spots.[15] A Burger King franchisee, Alex Salgueiro, said of the King:

> [The King] seems to drive people in the door. I think our competitors are scared of the King … they should be. They say "What's with the King?" and my answer is "It's better than clowns."[16]

BKC defined a rigid code to carefully control how the King could be portrayed in media and in public. The company dictated that the King must always be portrayed as royalty, cannot speak, must remain creepy, must be benevolent, and must be escorted with an appropriate entourage of attractive women.

Klein knew that the King had attained celebrity status when "The Tonight Show" with Jay Leno called and asked if the King could appear on the show. The King subsequently made 17 appearances by way of pre-produced skits personally directed by Leno (since the King doesn't talk).

Third, the company approached the way it invested in media from a new and different perspective. Instead of taking a traditional approach of allowing media channels such as television and print to dominate campaign investment decisions, the company generated what Jeff Hicks called "media agnostic ideas." He said, "We start the creative process with ideas and ignore the media." These new ideas were intended to move away from the traditional model of interrupting customers during their media consumption and move towards Burger King campaigns that are entertainment on their own. Instead of trying to force a customer to watch a Burger King ad for a movie tie-in during his or her favorite television show, the new campaign would be intended to attract customers looking to be entertained, and to attract them in any media channel they were engaged.

BKC decreased its "conventional" advertising budget and began to embed its campaigns in non-traditional media channels. Importantly, however, this strategy did not imply major changes to media mix allocation. In 2006, television still accounted for the vast majority of BKC's advertising spend. The company only spent approximately 2.5% of its advertising budget on digital and interactive media such as web micro-sites (small and temporary websites dedicated to a specific product or promotion) and other online campaigns, and was not a major buyer of web media such as banner advertisements and interstitials.

The Subservient Chicken — BKC's Viral Marketing Campaign

Using viral marketing techniques was not a new concept in 2004. Word of mouth marketing had existed for years, but the capability of e-mail and other electronic forms of communication to cheaply and efficiently forward information and links to other people made viral marketing online an exciting prospect for consumer marketers. The power of "send it to a friend" marketing was widely credited with building major online brands such as Hotmail and YouTube.

On April 7, 2004, BKC quietly launched an unusual website called "The Subservient Chicken" (www.subservientchicken.com). The site was launched as part of a broader campaign to drive consumer traffic to restaurants and increase sales for their fried chicken sandwich. Burger King had always lagged behind McDonald's and Wendy's in sales of chicken sandwiches. The TenderCrisp Chicken Sandwich was launched on March 19, 2004, a few weeks before the website was launched.

The Subservient Chicken site (see Exhibit 5) featured a man dressed as a chicken in a sparsely decorated living room. Users were encouraged to tell the chicken to do something. After entering the command, the chicken did as told. For example, if a user told the chicken to "jump" or "sit on the couch," it would obey. The site did not overtly say that it was a Burger King website. Rather, it makes minimal mention of Burger King with only a link to the TenderCrisp website and a BKC copyright at the bottom of the page. A simple "tell a friend" button was featured at the bottom of the site with an easy process to send the link via email.

The Subservient Chicken website cost less than $50,000 to build. It was just one of many ideas thrown around by CP+B and was not viewed as an enormously important part of BKC's advertising mix at the time. Jim Poh, Vice President and Director of Creative Content Distribution at CP+B, said, "The website only cost about $50,000. If it had cost $100,000, it might not have happened."

The idea behind the Subservient Chicken campaign was not only to highlight the new chicken sandwich in an innovative way, but also to provide a direct connection to BKC's overall concept of customers "having it their way." In addition, the online channel was deemed highly relevant for the young target customer base. BKC felt that its brand's intended promise would fit very well with the web's interactivity and ability to order the Subservient Chicken to do what they wanted. Andrew Keller, Creative Director at CP+B, said, "Interactive media are a great place for us to be, because that's really the media that most closely resembles what we're trying to offer in restaurants."[17]

The launch of the website was not accompanied by a major television and print campaign to drive traffic to the site. Only twenty people were told about the site upon its launch — all friends of people who worked for CP+B.[18]

The campaign was not completely without the backing of traditional media. A couple weeks before the launch of the site, television ads were run that depicted 20-somethings interacting with the Subservient Chicken, but no mention of the website was made. A later campaign depicted cowboys riding "buckin'" chickens, similar to riding a bucking horse. In October 2004, another television advertising campaign was launched called "Chicken Fight." The spots promoted a fight between two people dressed as chickens (named Spicy and TC), which aired on DirectTV on November 5. Another temporary website, www.chickenfight.com, was launched where consumers could vote on who would win. Subsequent Burger King television campaigns featured the Subservient Chicken almost as prominently as the King in the company's ads.[19]

Results

The Subservient Chicken campaign was quickly proclaimed a success, based on critical acclaim from advertising critics as well as significant traffic to the website.

By April 15, just one week after the initial launch, the site had received over 15 million hits. By the end of 2006, the site had garnered over 19 million unique visits and 460 million hits.[20] Hits represent a single view of any page on a website, while unique visitors represent the number of IP addresses or computers that have visited the site, so it is a decent measure of "reach." Since multiple people can use a single IP address, unique visitor figures may underestimate the number of individuals who have viewed the site. The typical visitor to the site spent over six minutes interacting with the chicken, telling it what to do. In terms of generating interest and interactivity from consumers, the Subservient Chicken was a clear success. And the chicken had quickly become a cult icon, the subject of conversations across the country.

CP+B received the top honor at the Viral Awards, a London-based competition honoring viral advertising, for the Subservient Chicken campaign.

Assessing the success of the campaign in terms of driving traffic to the stores and sales of chicken sandwiches was difficult. Brian Gies, Vice President of Marketing Impact for BKC, cited double-digit growth in the awareness of the TenderCrisp Chicken Sandwich and "significantly increased" chicken sandwich sales as evidence of the campaign's success. Sales of TenderCrisp Chicken Sandwiches increased by an average of 9% per week after the campaign.[21]

Tia Lang, who joined BKC as Manager of Media and Creative after the launch of the campaign, said, "The Subservient Chicken put Burger King back on the map as 'cool.' I don't know if it sold chicken sandwiches, but it put us back into pop culture."

Frank Keller of CP+B cited anecdotal evidence of buzz, word of mouth, and foot traffic as evidence of the campaign's success. He said:

> Foot traffic is my biggest concern. I want people going to BK, talking about BK. I got a call from a friend of my wife. She said, "I was in Burger King and I don't know why." That to me is an effect of advertising.[22]

Not everyone was so confident that the Subservient Chicken could be directly correlated with driving sales. Because the campaign coincided with a number of other marketing activities, including new product launches, new advertising creative, and more focused customer targeting, they were unwilling to conclude that the campaign was definitively a success. One franchise owner said:

> It's difficult to show a causal relationship between sales and advertising. [Overall] system sales are doing well [and the chicken sandwiches are selling] reasonably well. In the long term this thing has to evolve. I'm more of a traditionalist. I like to see the food.[23]

Overall sales were up strongly in the subsequent two years. The company's revenues increased by 10.3% in 2005 and 7.7% in 2006. BKC also began to generate profits after losing money in 2002 and 2003 (see Exhibit 2 for BKC's income statement).

Following the Subservient Chicken website, BKC launched another website called "The Sith Sense," which was a tie-in with the launch of "Star Wars Episode 3: The Revenge of the Sith." Visitors who came to the site interacted with Darth Vader. They were asked to think of any object and, after answering a series of question, Darth Vader would use "The Force" to determine what the object was.

The site had limited mention of Burger King and, like the Subservient Chicken, had a mechanism for visitors to forward the site to a friend. The Sith Sense site attracted approximately 5 million unique visitors and over 12 million total hits – substantial figures, but nowhere close to the traffic generated by the Subservient Chicken.

Burger King Taps into the Social Networking Phenomenon

After the Subservient Chicken campaign, Klein and the BKC marketing team continued with its non-traditional, new media approach.

Social Networking Sites

The explosion of social networking sites such as MySpace, Facebook, and others in the early 2000s brought the opportunity to tap into enormous online social networks. Social networking sites blurred the distinction between the online world and the real world, which rapidly appealed to many young people who did not make such a distinction. Young people visited MySpace because it provided a sense of community, a venue to express themselves as individuals, and a place to interact with their friends and meet new people. According to a study by the Kaiser Family Foundation in 2005, 15- to 18-year-olds spent on average 1 hour and 22 minutes using computers each day. Increasingly, this time was being allocated to social networking sites.[24]

The first site with the expressed purpose of facilitating social networking was Friendster, which was founded in 2002. MySpace was launched a year later in October of 2003. While Friendster was started as a general social networking site, MySpace was specifically intended to give independent musicians free web space to promote their bands. After MySpace became popular, a Harvard student launched Facebook, a social networking site geared towards college students, which later opened up to all web users.

Because MySpace's site was faster and allowed more webpage customization than Friendster, it established itself as the number one social networking site on the web in 2004 and came to dominate the space by the end of 2005 (see Exhibit 9 for growth in unique visitors per month). In October of 2005, MySpace was the number eight website in terms of number of U.S. visitors. In addition to generating significant traffic, MySpace was very sticky, with the average duration of visit of over 28 minutes. Yahoo's and MSN's average visit were approximately 12 and 11 respectively (see Exhibit 10 for website visitor data).

In 2005, News Corp. acquired MySpace's parent company, Intermix Media, for $580 million and tried to monetize the visitors and social engagement on the site by selling advertising. Advertisers could purchase both banner ad impressions as well as set up special pages for their products and services to reach the young audience that MySpace attracts. In October 2005, according to a *BusinessWeek* article, MySpace accounted for 10% of all advertisements viewed online that month.[25]

The Presence of Burger King on Social Networking Sites

In an attempt to engage with target customers online, Klein's team set up MySpace pages for both the King and the Huckin' Chicken, a variation on the Subservient Chicken.

The King's MySpace page (see Exhibit 4) had pictures and videos of the King (the King's MySpace page is at www.myspace.com/BurgerKing, MySpace registration is required). In addition, BKC has teamed up with the Fox Broadcasting Network to offer free downloads of recent Fox television shows on the King's site. MySpace visitors have the option to put graphics and videos of the King on their MySpace page and to leave messages for the King. As of November 2006, the King had over 134,000 friends linked to his MySpace page as well as over 6,500 comments.

BKC also maintained a MySpace page for the Huckin' Chicken (the Huckin' Chicken's MySpace page is at www.myspace.com/HuckinChicken, MySpace registration is required). After the Subservient Chicken's popularity, BKC continued to evolve the concept. In addition to the Chicken Fight campaign and website, BKC ran TV spots and built a website for the Huckin' Chicken, a dirt-bike riding chicken. The MySpace page (see Exhibit 6) offered videos of the Huckin' Chicken, a computer desktop background, icons, and other pictures. With approximately 300 friends as of November 2006, the Huckin' Chicken MySpace page had much less consumer interaction than the King's page.

BKC's Other New Media Marketing

In addition to viral marketing and social networking, BKC launched several other new media marketing campaigns.

Consumer Generated Content

BKC also worked with Heavy.com, a broadband entertainment website that offered primarily comedic programming that users could stream on the website. Heavy.com sent 25 Burger King masks to Heavy.com's most frequent contributors. They were asked to use their mask to create an advertisement for Burger King. The ads were available online at Heavy.com for viewing or download to an iPod and were later available on YouTube.

As of November 2005, over 4 million visitors to Heavy.com streamed a popular advertisement called "BK Stripper." This racy, consumer-created ad depicted the body of a scantily clad woman writing provocative hand-written notes about taking her clothes off for the camera. The camera then pans up to show that the scantily clad woman is actually a man wearing the King mask.

DiddyTV

BKC joined hip-hop entertainer P. Diddy (Sean Combs) to sponsor both a new YouTube site called DiddyTV and his tour to support his *Press Play* album, launched in 2006. Diddy videotaped himself entering a Burger King restaurant where he ordered a Whopper sandwich "his way." The video was viewed by hundreds of thousands on the YouTube site.

Unfortunately, the site was deluged with negative comments about the video, with many stating that Diddy's alliance with BKC was an indication that he was "corporate." A spoof of the video called "Lisa Nova Does P. Diddy," created by a popular contributor of You Tube videos named Lisa Donavan, was quickly uploaded to YouTube and as of November 2006 has been viewed almost 900,000 times by the end of that year. The Diddy video made in the Burger King restaurant was taken down.

The Burger King Xbox Campaign

The idea for the Xbox campaign came from BKC's continued desire to create Burger King-branded related content that would entertain and engage target customers. They believed that if a customer spent time playing and enjoying a video game that featured Burger King characters and food products, it would be a far more engaging brand experience than being interrupted by a television advertisement.

Video games, particularly game consoles attached to a television and played at home, had exploded in the U.S. in the previous decade. In a 2005 study, four in ten adults claimed to own a video game console. More than half of respondents aged 18-44, and 58% of households with children owned a console; 83% of teens said they used a video game console attached to their television, up from 69% in 2001. In addition, about one-third of game console users spent 10 or more hours per week playing console games. The study of video game players also concluded that respondents overwhelmingly agree that "there are some games I would buy if they were priced cheaper," suggesting there was potential sales for very low-priced games.[26]

Advertising in video games had been a common tool for marketers for several years. Firms could pay a game developer to feature the company's logo or product in a game. In 2005, the total dollars spent on in game advertising was $56 million.[27] Most of this spend was for classic "product placement" within the game, such as a virtual billboard or a featured product. The Burger King Xbox campaign would take this concept to the next level by making Burger King restaurants, products, and characters the central character in the games.

The plan called for the development of three games to be played on Microsoft's Xbox console. The games would be offered to customers who purchased a Burger King value meal for a price of $3.99 each. A typical Xbox game cost $50-60. The price of $3.99 was slightly higher than the variable cost for the games. While a small contribution margin would be generated by a sale of a single game, the goal of the campaign was not to generate profits but to build the company's brand and generate incremental food sales. The games were:

- "Sneak King": The player controls the King as he tries to sneak up on people and surprise them with a sandwich;
- "Pocketbike Racer": Players race on mini-bikes as the King or Subservient Chicken;
- "Big Bumpin'": Players control the King or Subservient Chicken in a no-rules bumper car game.

(See Exhibit 11 for a graphic of the proposed Burger King Xbox game packaging.)

The games would be simpler than a typical Xbox game. Many Xbox games have incredible detail and several stages that require years of development. These games would be limited in scope, but not so limited that a player would not want to play them. BKC also planned to launch a BK Gamer website where users can see top scorers for each game.

The launch of the Xbox campaign was risky for several reasons.

First, the development of the games would cost approximately $9 million. This figure was an estimate based on prior development of Xbox games. There was no guarantee that the games would meet the quality standards that BKC desired, so there was a possibility for additional money to be required. In addition, the campaign would require the advanced purchasing of games. Overestimating sales volume would leave BKC with extra games, which would have to be written down as a loss.

The launch of the campaign would be accompanied by a traditional media campaign to support the sale of the games, but if the Xbox campaign is not launched, these dollars will certainly be spent to support another Burger King campaign.

Second, it was unclear if the franchisees would participate in the program. BKC could not force the franchisees to sell the game or take on the inventory. In this case, the franchisees would have to commit to sell a certain volume of games.

Third, the potential sales of the Xbox games were limited because the Xbox gaming console was owned by a somewhat small share of the market. In 2005, Xbox represented only 22% of game consoles owned in the United States and only 28% of games consoles owned by 18-24 year olds.[28] Therefore, the games could only be purchased by a minority of video game players (see Exhibits 12, 13, and 14 for more data on game console share of market).

As of January of 2006, there was an installed base of approximately 15 million Xboxes. This included approximately 14 million original Xboxes as well as approximately 1 million of the recently launched Xbox 360s.[29] Microsoft expected to sell an additional 4.5 to 5.5 million Xbox 360s by June of 2006.[30]

Fourth, there was risk that the customer base would perceive the game as too commercial. BKC had built a brand image that was subversive and anti-establishment. Associating the Burger King brand with Xbox games might be viewed as a blatant commercial attempt to inject a marketing initiative into something that is intended to be harmless entertainment.

Fifth, the quality of the games had to be high enough or else they would damage the Burger King brand. If the quality of the games did not meet the standard of the target customers, it would reflect poorly on the Burger King brand.

Adding these factors together, it was not necessarily clear what the economics of using the game as a marketing vehicle would be. Previous tactics were simpler. At less than $50,000 total cost, the breakeven for the Subservient Chicken site in terms of cost per impression was easy to justify; it wasn't really even necessary to calculate this. But the Xbox approach needed a more serious business case. These impressions would not be free and this approach would require a closer lens to be put on whether such new media strategies compare favorably to traditional approaches.

Conclusion

Russ Klein had led BKC to become widely known for its innovative approaches to building the Burger King brand and using new media. The company had launched a series of non-traditional campaigns that had re-established social relevance to the Burger King brand.

The Subservient Chicken campaign was lauded in the press as one of the most creative viral marketing campaigns of all time and CP+B continued to receive acclaim for the work it was doing on behalf of BKC. The Burger King MySpace pages had many thousands of friends.

Yet, it was difficult for Klein to determine the next steps in the new branding effort. Doing more of the same was not an option because the new approach required content that would be fresh and entertaining.

Russ Klein needed to decide how to proceed. Should he launch the Xbox campaign? Was it the next logical step in brand rejuvenation for Burger King? How successful was the new non-traditional marketing approach in driving sales and profit? How should BKC be measuring it? Was the potential payoff of the Xbox campaign worth the risk?

Exhibit 1: U.S. Fast Food Industry Media Spend

All figures in millions

Year	Industry Media Spend							
	Network		Cable		Syndicated		Total	
1999	$	691.6	$	233.4	$	19.9	$	944.9
2000	$	726.1	$	282.8	$	28.7	$	1,037.6
2001	$	666.5	$	289.9	$	40.0	$	996.4
2002	$	726.2	$	362.7	$	31.7	$	1,120.6
2003	$	808.8	$	436.4	$	38.2	$	1,283.4

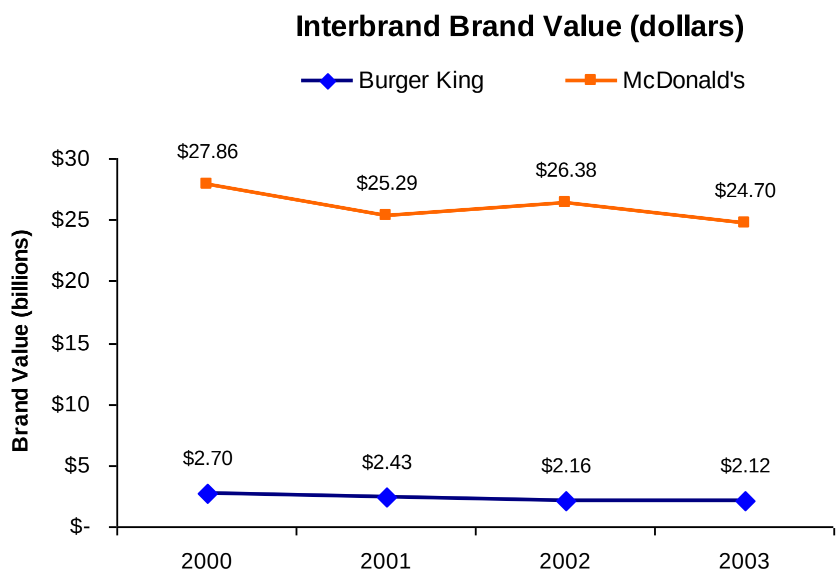
Source: “Fast Food,” *Adweek*, April 26, 2004.

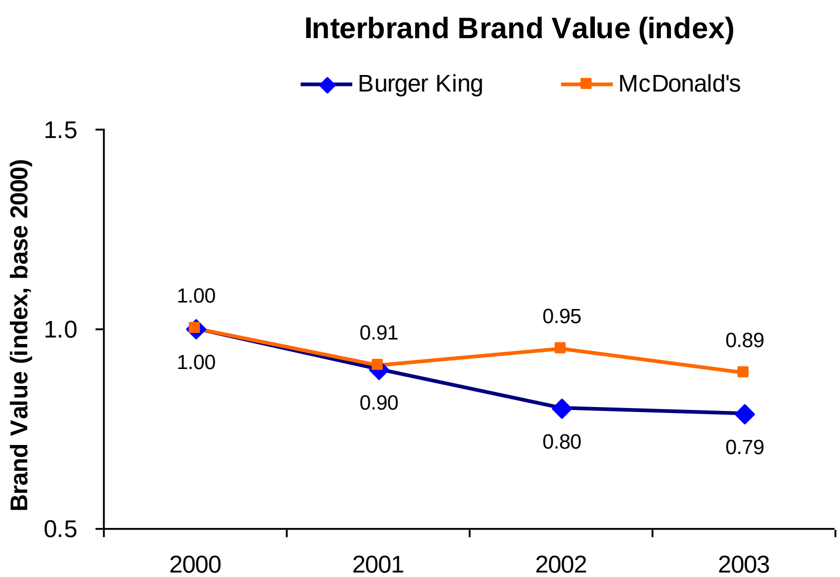
Exhibit 2: BKC Income Statement

	Burger King Holdings, Inc. and Subsidiaries				Burger King Holdings, Inc. and Subsidiaries	Predecessor	
	For the Fiscal Years Ended June 30,			Combined Twelve Months Ended June 30, 2003	For the Period from December 13, 2002 to June 30, 2003	For the Period from July 1, 2002 to December 12, 2002	For the Fiscal Year Ended June 30, 2002
	2006	2005	2004				
	(In millions, except per share data)						
Income Statement Data:							
Revenues:							
Company restaurant revenues	$ 1,516	$ 1,407	$ 1,276	$ 1,174	$ 648	$ 526	$ 1,130
Franchise revenues	420	413	361	368	198	170	392
Property revenues	112	120	117	115	60	55	124
Revenue	2,048	1,940	1,754	1,657	906	751	1,646
Company restaurant expenses:							
Food, paper and product costs	470	437	391	359	197	162	354
Payroll and employee benefits	446	415	382	349	192	157	335
Occupancy and other operating costs	380	343	314	314	168	146	298
Total company rest. expenses	1,296	1,195	1,087	1,022	557	465	987
Selling, general and administrative expenses	488	487	474	472	248	224	422
Property expenses	57	64	58	55	28	27	58
Fees paid to affiliates	39	9	8	6	5	1	7
Impairment of goodwill	—	—	—	875	—	875	5
Other operating (income) expenses, net	(2)	34	54	32	(7)	39	45
Total operating costs and expenses	1,878	1,789	1,681	2,462	831	1,631	1,524
Income (loss) from operations	170	151	73	(805)	75	(880)	122
Interest expense, net	72	73	64	81	35	46	105
Loss on early extinguishment of debt	18	—	—	—	—	—	—
Income (loss) before income taxes	80	78	9	(886)	40	(926)	17
Income tax expense (benefit)	53	31	4	(18)	16	(34)	54
Net income (loss)	$ 27	$ 47	$ 5	$ (868)	$ 24	$ (892)	$ (37)

Source: 2006 Burger King 10-K report.

Exhibit 3: Interbrand Brand Value Comparison, Burger King and McDonald's





Source: Report on Best Global Brands, *Interbrand*, 2000-2003.

Exhibit 4: The King and the King's MySpace Page

Exhibit 5: The Subservient Chicken

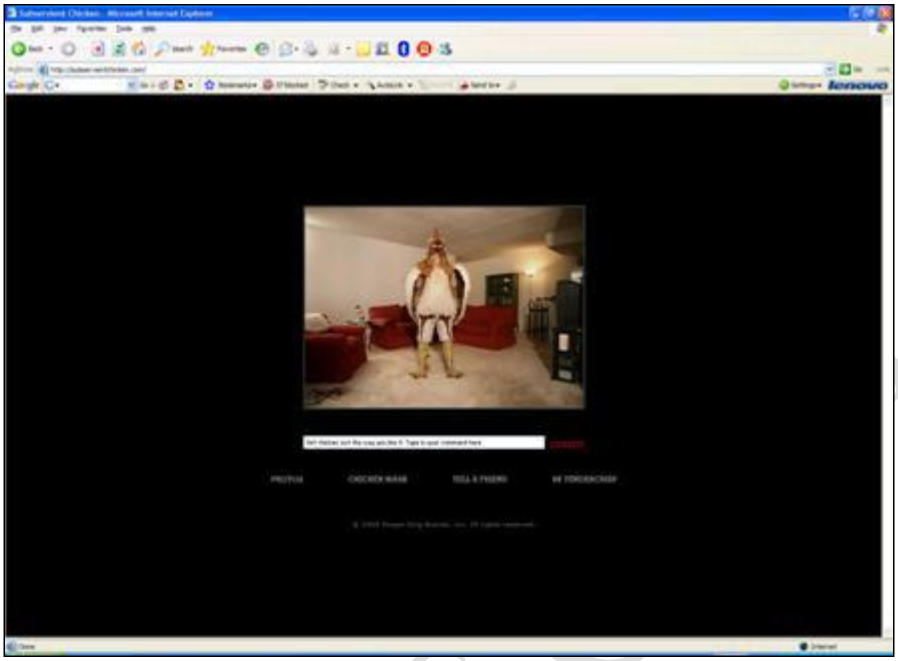
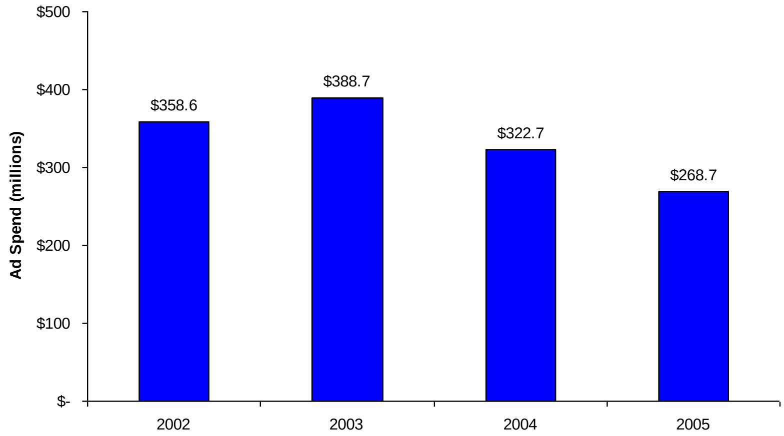


Exhibit 6: The Huckin' Chicken's MySpace page

Exhibit 7: BKC's National Ad Spend



Sources:
"Advertising: Burger King Takes Y&R Off Menu," *Wall Street Journal*, January 23, 2004.
"Where's the Beef?" *BusinessWeek,* April 10, 2006.

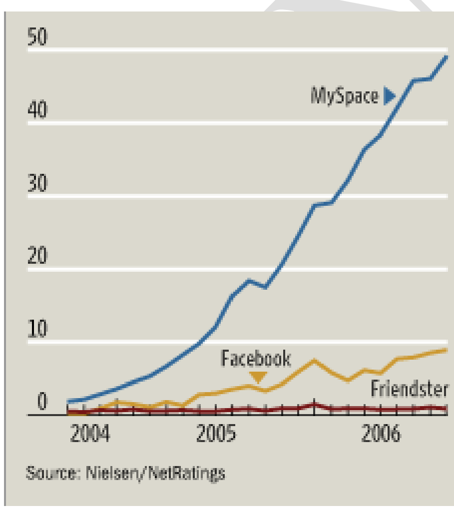
Exhibit 8: The Burger King Ad Campaign History, 1974-2001

Years	Slogan
1974-1976	Have it your way.
1976-1978	America loves burgers and we're America's Burger King.
1978	Best darn burger.
1979-1982	Mike it special, make it Burger King.
1982-1985	Battle of the ubrgers: Aren't you hungry for Burger King now?
1985	Seach for Herb.
1986	This is Burger King town.
1987	The best food for fast times.
1987-1989	We do it like you do it.
1989-1991	Sometimes you've gotta break the rules.
1991	Your way. Right away.
1992-1993	BK Tee Vee: I love this place.
1994-1999	Get your burger's worth.
2000	Got the urge?
2001	The whopper says…

Source: Keller, Kevin L., *Strategic Brand Management: Building, Measuring, and Managing Brand Equity*, second edition, Prentice Hall, 2003, p. 638.

Exhibit 9: Social Networking Site Traffic

Unique monthly visitors in millions



Source: "Social Whirl: Facebook, Riding a Web Trend, Flirts With a Big-Money Deal," *Wall Street Journal*, September 21, 2006.

Exhibit 10: Top Websites, U.S. Visitors per Month

Rank	Site	U.S. Visitors (millions)	Pages per Visit	Average Stay (minutes)
1	Yahoo	117.5	19.4	11:49
2	Google	108.8	10.9	5:05
3	AOL.com	108.4	15.9	8:28
4	MSN	75.6	13.6	10:35
5	eBay	74.9	30.5	17:27
6	Windows Live Search	60	5	1:23
7	**MySpace.com**	**57.3**	**65.6**	**28:06**
8	MapQuest	48.3	8.5	9:05
9	Microsoft.com	46.9	6.1	5:20
10	Amazon.com	45.8	12.2	8:07
66	**Facebook**	**10.2**	**37.1**	**13:25**

Source: Compete.com, October 2006.

Exhibit 11: BK Xbox Games

Exhibit 12: Video Game Console Ownership, by Selected Demographics, January-September 2005

	Own video game console
All	**40%**
Age:	
18-24	59%
25-34	58%
35-44	54%
45-54	35%
55-64	21%
65+	14%
Household Income:	
Under $25K	31%
$25K-49.9K	38%
$50K-74.9K	45%
$75K-$99.9K	43%
$100K+	43%
Presence of Children	
One or more children	58%
No children	27%

Base: 24,617 adults aged 18+
Source: Mintel/Simmons 2005 Fall NCS.

Exhibit 13: Selected Video Game Console Ownership Share of Market, 2002-2005

	2002	2003	2004	2005
Sony PlayStation 2	29%	42%	50%	52%
Microsoft Xbox	5%	9%	15%	22%
Nintendo GameCube	6%	10%	17%	18%

Base: 8,815 adults aged 18+ whose household owns video game console attached to a TV
Source: Mintel/Simmons 2005 Fall NCS.

Exhibit 14: Type of Video Game Consoles Owned, by Age, January-September 2005

	All	18-24	25-34	35-44	45-54	55-64	65+
Sony PlayStation 2	52%	56%	55%	54%	49%	42%	30%
Nintendo 64	28%	30%	22%	29%	33%	30%	34%
Sony PlayStation 1	27%	27%	29%	27%	27%	23%	26%
Microsoft Xbox	22%	28%	23%	18%	21%	15%	15%
Other	19%	21%	18%	16%	19%	22%	25%
Nintendo GameCube	18%	19%	16%	22%	18%	13%	16%
Sega Dreamcast	5%	6%	4%	5%	4%	5%	5%

Note: Respondent can answer affirmatively to as many platfoms as they own
Source: Mintel/Simmons 2005 Fall NCS.

Exhibit 15: Burger King Media Mix, 2006

Media Channel	Allocation
Television	84%
Direct Marketing	5%
Radio	3%
Outdoor	1%
Sponsorships	4%
Print	1%
Emerging Media - Digital	2%

[1] "Burger King Corporation," Harvard Business School Publishing, February 27, 1998.
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[30] "Update 1 – 600,000 Xbox 360 U.S. Game Units Sold in U.S. – NPD," *Reuters News*, January 13, 2006.