



Rekindling an Old Flame on a Zero-Based Budget



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How 3G Capital made Burger King cool again.

Whether you love or hate his work, [Andy Warhol](#) eating a Whopper for 45 seconds during one of the most expensive ad slots in television this year was astonishing. Super Bowl Sunday – the most macho of American sporting events – coupled with the quintessential Pop artist had people talking the morning after. Some were profoundly confused about what they had just watched, others were amazed by Burger King's latest demonstration of its fearless approach to brand building.

Always the bridesmaid and never the bride, Burger King was perennially number 2 behind McDonald's in the burger restaurant competition. After churning through several owners that ran what a [New York Times](#) business columnist described as “an enrichment scheme for clever financiers”, Burger

King dropped to number 3 in the burger race behind Wendy's in the early 2010s. A far cry from its earlier iconic campaigns like [Whopper Freakout](#) and [Subservient Chicken](#), Burger King continued to air campaigns like [SpongeBob SquarePants](#) or [Wake Up with the King](#) that were so shocking or weird that the King himself was included on Time Magazine's 2011 list of [creepiest mascots](#).

A different kind of private equity owner?

In 2010, when private equity firm 3G Capital bought Burger King from Goldman Sachs, TPG, and Bain Capital for US\$3.3 billion, many wondered how the new owners would recoup their investment. The Brazilian financiers were known for buying well-known "Big Food" brands, conscientiously trimming the fat. Unlike other private equity firms, they preferred to hold on to their acquisitions for the long term. This meant that they would have to put money into the brand.

By 2014, more than a thousand restaurants had been sold back to their franchisees and Burger King's financials were trending up. However, there were still many issues to solve. One of them was the growing competition from [fast-casual](#) chains like Chipotle Mexican Grill and Panera Bread. Another was a serious problem with consumer perceptions. Millennials, for example, were not keen to be associated with fast food despite being [frequent customers](#).

Also, a matter common to the entire Quick Service Restaurant (QSR) category was the increased interest in healthy eating. According to one 2016 [survey](#), 54 percent of respondents believed that Americans paid more attention to healthy eating than 20 years ago. However only 29 percent of survey respondents thought Americans actually ate more healthily. Documentaries critical of fast food's impact on health, like Oscar-nominated [Super Size Me](#), had far-reaching impact and were often shown to [high school students](#) in the United States.

The response from the QSR industry was an [end to supersizing](#) and a move towards menu diversification, especially to provide more options for vegetarians and weight-conscious customers. In 2012, the new Burger King management launched a series of advertisements showcasing healthier menu items with popular celebrities, under the tagline "*Exciting Things Are Happening at Burger King*". For example, footballer David Beckham became the face of the chain's [fruit smoothies](#) and movie star Salma Hayek helped

debut **salads and wraps**. Despite the high-profile celebrities featured, the new campaign failed to generate excitement. Even its core target customer perceived Burger King as a tired, uninspiring, generic burger chain.

A new team

When Fernando Machado (INSEAD MBA '03) joined Burger King's young management team in 2014 to become head of brand marketing, his mandate was clear: To make Burger King cool again. Machado joined from Unilever, where he had been responsible for award-winning campaigns for Dove's **Real Beauty**. As a long-time fan of Burger King's heyday of marketing, he was keen to work on the brand and convinced that it had the potential to become culturally relevant again.

In a new INSEAD case study, "**Can 3G Capital Make Burger King Cool Again?**", co-written with Laura Heely (INSEAD MBA '17J) and Machado himself, we describe the situation in 2014 and the decisions that the marketing head and his team had to make.

Machado's first task was to understand what the brand was really about and to come up with a short and simple definition – rather than the three unhelpful definitions with which the brand had limped along. From this starting point, he made decisions about restaurant design, incredibly fast and on-brand television commercials and social media campaigns that would build the brand and earn the attention of the media. All of this for the smallest possible investment, of course. **Zero-based budgeting** is when all expenses must be justified over a short period, with strategic goals that tie the budget to specific departments in an organisation. Any spend must have quantifiable results.

Viral campaigns mixing technology and social issues

Without revealing all the ingredients in Burger King's new secret sauce, which are described in detail in the case study, its more recent campaigns have been widely admired for their ability to generate conversations, while promoting the Whopper and its warm "backyard BBQ" association.

Burger King didn't shy away from talking about important social issues, ranging from **bullying** to opposing **blank votes** in the Brazilian presidential election to **net neutrality**. What makes the chain's approach special is that, unlike some famous flops from other brands (**Kendall Jenner's Pepsi ad** comes to mind), the campaigns were always related to their brand or

products. For example, when the **Proud Whopper** was launched in San Francisco during LGBT Pride month, it was wrapped in rainbow packaging, which revealed a regular Whopper and the text “We are all the same inside”. Machado told **AdWeek** in 2014, “Proud Whopper sandwich [is] the first of many different opportunities to bring the 'Be Your Way' global attitude to life in unexpected ways.”

Burger King also used technology to its advantage. In another **award-winning** campaign, the television ad spoke directly to home assistants, with a Burger King server asking the camera, “OK Google, what is the Whopper burger?” This prompt set the devices to read from the Whopper’s Wikipedia page, which had been edited by Machado himself. Google tried to stop its devices from chirping a response by blocking the voice used in the commercial, so Burger King changed the voiceover. The media loved reporting on how Burger King had “hacked” Google. More importantly, the message about its burger was out.

Consistent with Burger King’s identity as a bold, confident challenger that likes to have fun, the brand often trolled its main rival, McDonald’s. A particularly cost-effective print ad simply showed the barbeques in the back gardens of McDonald’s executives. This campaign, called **McMansions**, created a lot of media coverage highlighting America’s love of flame-grilled burgers.



Burger King's app was launched later than that of its QSR rivals, but its **Whopper Detour campaign** dropped **with a bang**. If customers went within 600 feet (~180 meters) of a McDonald's location and ordered a Whopper via the app, they only paid a penny. With millions of downloads, the app went to the top of Apple's free apps list. The trolling produced a generous helping of **free media coverage** too.

Who wears the crown?

Despite being far from the top spender in the marketing category, Burger King saw its growth accelerate after 2014. System-wide sales grew at an average compound rate of 9.4 percent in 2015-2017 (vs. 3.8 percent in 2011-2013). Since Burger King was acquired by 3G Capital, its sales have **increased** to more than US\$20 billion. What about the brand? According to **BrandZ**, the value of the Burger King brand has doubled between 2015 (US\$3.17 billion) and 2018 (US\$6.56 billion). Machado received the second of his **Brand Genius** awards in 2018.

None of this happened by following conventional routes and without its fair share of controversy. Let's go back to the Warhol ad. It ranked dead last in *USA Today's* Super Bowl Ad Meter. Yet, because many viewers didn't know who that guy was, or what the point of the ad was, searches for Burger King

and Andy Warhol spiked. **In fact**, the campaign reached more than 3 billion media impressions globally, the equivalent of US\$25-30 million in earned media. More importantly, it delivered on the idea that Burger King is for everyone and is willing to do things differently. How many other Super Bowl ads are people still talking about?

Machado and his team have demonstrated that it is possible to turn around a stale brand on a budget. Doing so required not only the ability to identify what the brand really stands for, but critically, delivering on that promise on all fronts, from the Super Bowl to the uniform of the restaurant crew. It also required not wavering in doubt when making big decisions, like using the most expensive 45 seconds of television time in the world to show a 37-year-old film of some grey-haired dude silently eating a burger, without a kicker. A whopper of a bet.

For all the information available to the marketing team at the time, see the [INSEAD Burger King case](#) website. The case study itself is available from [INSEAD](#), [Harvard Business Publishing](#) or [The Case Centre](#). Instructors who register on the [INSEAD Case Publishing](#) site also have access to additional interviews, a detailed teaching note and a slide deck.

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