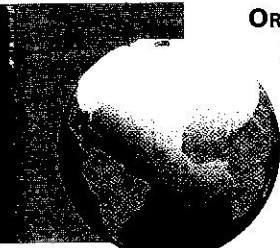


CASE 18

Burger King (Mini Case)

J. David Hunger



ORIGINALLY CALLED INSTA-BURGER KING, the company was founded in Florida in 1953 by Keith Kramer and Matthew Burns. Their Insta-Broiler oven was so successful at cooking hamburgers that they required all of their franchised restaurants to use the oven. After the chain ran into financial difficulties, it was purchased by its Miami-based franchisees, James McLamore and David Edgerton, in 1955. The new owners renamed the company Burger King, and the restaurant chain introduced the first *Whopper* sandwich in 1957. Expanding to over 250 locations in the United States, the company was sold in 1967 to Pillsbury Corporation.

The company successfully differentiated itself from McDonald's, its primary rival, when it launched the *Have It Your Way* advertising campaign in 1974. Unlike McDonald's, which had made it difficult and time-consuming for customers to special-order standard items (such as a plain hamburger), Burger King restaurants allowed people to change the way a food item was prepared without a long wait.

Pillsbury (including Burger King) was purchased in 1989 by Grand Metropolitan, which in turn merged with Guinness to form Diageo, a British spirits company. Diageo's management neglected the Burger King business, leading to poor operating performance. Burger King was damaged to the point that major franchises went out of business and the total value of the firm declined. Diageo's management decided to divest the money-losing chain by selling it to a partnership private equity firm led by TPG Capital in 2002.

The investment group hired a new advertising agency to create (1) a series of new ad campaigns, (2) a changed menu to focus on male consumers, (3) a series of programs designed to revamp individual stores, and (4) a new concept called the BK Whopper Bar. These changes led to profitable quarters and reenergized the chain. In May 2006, the investment group took Burger King public by issuing an Initial Public Offering (IPO). The investment group continued to own 31% of the outstanding common stock.

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