

PRICE WAR in FAST FOOD - BURGER KING TO PROVIDE, FREE, FLAME GRILLED DOG BONE!!

Date : November 28, 2018

PRICE WAR in FAST FOOD - BURGER KING OFFERING FREE, FLAME GRILLED, DOG BONE !!

The latest "initiatives" in the fast food space include (1) all you can eat fries at Wendy's for \$1.00 (2) \$0.89 pancakes at Burger King (3) \$1.00 coffee at McDonald's in Canada (4) 10 nuggets for \$1.00 at Burger King.

And just this morning:

"Burger King is launching the DOGPPER, the first flame grilled bone, for your best friend. This dog-friendly alternative to the WHOPPER sandwich is a bone shaped treat with flame grilled beef taste for the dogs of these generous owners. The DOGPPER is available for free exclusively through DoorDash when you order a WHOPPER sandwich* . Plus, new customers can get a zero delivery fee with your \$10+ order at DoorDash....use promo code DOGPPER from November 28 through December 4th.**"

**Offer valid for one Dogpper dog bone on qualifying purchase of the WHOPPER + Dogpper combo. Not for human consumption. Offer valid while supplies last at participating locations. Not valid for pickup or dine-in. Limit one per person. Fees, taxes, and gratuity apply. All deliveries subject to availability. Must have or create a valid DoorDash account with a valid form of accepted payment on file. No cash value. Non-transferable. See full terms and conditions at dasherhelp.doordash.com/offer-terms-conditions."

***\$0 Delivery Fee Terms: Offer valid through 12/4/18. Valid only on orders with a minimum subtotal greater than \$10. Valid for new customers only. Valid at participating locations. Limit one per person. Other fees (including service fee), taxes, and gratuity still apply. All deliveries subject to availability. Must have or create a valid DoorDash account with a valid form of accepted payment on file. No cash value. Non-transferable. Use promo code DOGPPER to redeem. See full terms and conditions at dasherhelp.doordash.com/offer-terms-conditions."

OUR TAKE

(1) As described above, ONE DOLLAR has become the promotional price point, and you can get three pancakes and ten chicken nuggets for \$1.89 at Burger King. This traffic building strategy is unlikely to build the average ticket and equally unlikely to improve the dollar profitability at franchised locations.

(2) The dollar driven sales "initiatives" are no doubt is part of the reason that large franchised groups at Jack in The Box, Tim Horton's, McDonald's, and others are publicly expressing their dissatisfaction. Since franchisees are normally reluctant to go public with criticism of their franchisor, and knowing how challenging their business has become, we can surmise that many other franchise systems are suffering in a similar fashion.

(3) Burger King's business is not "going to the dogs" exactly, but this admittedly creative approach is a demonstration of the desperation within the QSR segment to build traffic. It might even work, for a while. Got to say: I really love the commercial. Who could argue with Willie Nelson singing "You Were Always On My Mind" and appealing dog shots? We don't know how extensively it will be advertised, but will likely create trial. We assume that DoorDash will be paid, even if a reduced fee has been negotiated for this short promotional period, so the margin for the operator will be compromised. The success of the program, if pursued further, in terms of profit for franchisees will be determined down the road. The most significant question for us:

Is this a long term edge for Burger King? Is this new approach valid strategically, and is it competitively defensible? How far can Willie Nelson, and cute animals take you? Is this how BK intends to differentiate their commodity? It seems to us that competitors can react, and will, in short order. Burger King has no doubt tested the appeal of their flame grilled product, but my dog is not too discriminating, and would likely appreciate a Ronald McDonald offering just as much. (McDonald's could roll out George Strait singing "Write This Down", cute puppies, and a baby or two.) Seriously though, Burger King would have to become "the pet food authority in QSR", which seems to us to be a bit of a reach.

Roger Lipton