Real Burger World (RBW) Case Study

Real Burger World (or RBW as it later became known) was a small hamburger chain established in the UK in the early 2000's. Despite a significant financial investment, professional management, the use of branding consultants, and extensive media coverage, the business did not prove to be viable and closed within a few years.

This case study is based upon the real-life experience of RBW. As RBW was a private company, their actual financial and sales data is unavailable – any numerical information contained in this case study is for study and academic purposes only and is not intended to reflect the actual position of the firm.

The Origins of RBW

The inspiration for RBW came to Naz Choudhury one night in London when he was heading home from work late one night. Naz was hungry and the only quick/convenient food options available to him at that time were the traditional fast-food chains, such as McDonald's and Domino's. So, the light globe went on over Naz's head – "why isn't there a healthy, higher quality 'fast food' chain in the market?"

Hence, the concept of RBW was born in a visionary moment. Naz was so excited that he raced home and jumped onto his computer and started to type out a vision and plan for his fast, but real, food chain – much like the scene in the Jerry McGuire movie, when Tom Cruise's character has a vision of sports agents building real relationships with their clients. And much like Tom Cruise in the movie, Naz sets out to make his vision a reality.

In the movie, Tom's partner was played by Renee Zellweger ("you had me at hello"), but in the real-life sage of RBW, Naz's initial business partner was Mark Viegas, a long-time friend. Mark was employed as an industrial chemist, but was so persuaded by Naz's vision of a real burger empire that, not only did he quit his job, but like Naz he sold his apartment and they both invested around 100,000 UK Pounds plus into the new venture.

Naz and Mark were able to secure a further investment from a business angel (a silent partner – at least initially) and collectively the three of them had start-up capital of more than 300,000 UK Pounds (approximately $500,000 USD) to create a franchised real burger empire that they planned would conquer the UK first and then the rest of Europe.

The market – at that time

McDonald's was born in the 1950's when the McDonald's brothers opened their first store. After Ray Kroc took over and started franchising successfully in the early 1960's, the McDonald's juggernaut was able to deliver increased profits consistently every year for around 50 years – up until the turn of the century.

In around the year 2000, McDonald's had its first profit setback and revenues stated to fall. The underlying trend – of healthier and more diverse choices – had caught up with them. You probably have noticed the extent to which McDonald's has diversified its food offerings over the last decade or so, including higher quality and healthier food choices.

This is the trend that RBW wanted to tap into in order to execute their growth plan. Also keep in mind that 98% fat free products started to emerge in the early 1990's and organic food products were also starting to grow in popularity. Therefore, as you can see, Naz and his RBW "vision" appeared to be "on trend" – and he had the money, the motivation, and the opportunity – so what went wrong?

RBW's initial focus

The long-term plan was to turn Real Burger World into a successful franchise business. Typically franchises schemes start with that end goal in mind and strive to structure and refine two to three successful outlets first before they start their franchising efforts. This was the intended plan of Real Burger World – set up two successful stores and look to a franchised operation throughout the balance of the UK and then onward throughout Europe.

A key part of this initial strategy and overall direction was the importance of brand equity building. Naz saw the success of the venture being built around "brand". Although he was running a fast-food operation, he saw that the longevity and financial success of the organization depended upon the creation of a strong brand.

A strong brand would generate ongoing franchisee sales, as well as strong customer loyalty and communicate key points of difference. As a result, during the development the Real Burger World operation they engaged the services of a specialist branding company to help in the design of their second store in particular, as well as help them with logo design and generating media attention. Obviously, this was a reasonably expensive exercise that depleted some of their start-up capital.

Media attention

Fortunately – or unfortunately – depending upon your viewpoint, RBW was able to secure the publicity and media attention of a reality TV show in the UK on Channel 4 known as "Risking It All". This TV series profiled start-up operations and entrepreneurs and highlighted their challenges and successes.

The TV show ran for two series and during that time RBW was highlighted in two episodes, bringing their brand to millions of viewers in the UK at the time. The first episode focused upon the set-up of the first store and the various challenges and setbacks that they faced, while the second episode reviewed their performance after the store had been established and highlighted their plans to create a second store.

In particular, it highlighted the changes in store-design, product process, and overall menu that they had implemented as a result of their learning and experience from the first store. At the end of the first episode, the financial realities of supporting an individual store that had franchise aspirations were acknowledged.

When the end goal is to create a franchise system, then there are additional costs associated with the operations of the store. It becomes more than just a local hamburger joint – and becomes the starting point of "something special".

The additional costs were to prove overly significant and there was a decision made to let Mark leave the organization – in order to reduce the cost structure – and the silent investor became an active partner in the business. Through this transaction, this silent partner was then willing to invest further funds in order to set up a second store.

The second store

The first store had numerous difficulties as highlighted on the TV series (as will be outlined below). However, based upon the learnings of the first shop, it was anticipated that the second store would be better located, better structured, better staffed, have a better menu – and would become their template for the franchise system throughout the UK and the balance of Europe.

The design of the second store was significantly different to the "fast food" look and feel of the first store. It was friendlier, more modern, and was more spacious. It created clear expectations for the amount of time (around 7 to 10 minutes) that customers needed to wait for "real food". The seating areas were more comfortable, and the overall atmosphere was more exciting and interesting.

Despite changing the store design significantly, and altering the overall atmosphere, the basic problems of the first store were not adequately addressed and unfortunately carried over. As a result, the second store did not achieve the level of sales required to generate a viable business and to attract potential franchisees. This meant that the vision of Naz had ended after only two stores – despite a significant level of effort, a willingness to learn, a willingness to succeed, and a significant overall investment.

The problems with the first store

The first episode of "Risking It All", which highlighted Real Burger World, concentrated upon the implementation of its first store. Unfortunately, while Naz had the entrepreneurial vision and spirit, the overall execution of his plan was not ideal.

There were several fundamental errors made which limited the potential of his concept. The first was that they started "fitting out" the store prior to signing the official lease. Upstairs from the store, the owner of the building was developing apartments to sell and decided that a fast-food outlet would distract from his sale prices.

At this time, Naz and Mark had invested significant time and money into the structure of the first store. They were forced to negotiate from a weakened position. One of the key concessions of the negotiations was to rename the business from Real Burger World to just RBW.

But it just didn't end there in terms of things that unfortunately went wrong. In all good intentions, they hired a friend of theirs to be the manager of the store. Not only did this add to the overall cost structure of the operation, but surprisingly their friend had not worked in a fast-food outlet before.

Compounding the problem with the store management was the store design was based upon a concept of how it should look/feel to the consumer without consideration of the serving time and the preparation of food. In other words, the store design, particularly the kitchen area, was not overly supportive of a streamlined food preparation operation.

Upon realizing the extent of their limited-service time and delays, Naz and Mark hired a professional consultant in the area of fast-food operational aspects. This consultant was immediately concerned with the preparation and service time which was generally in the order of 7 to 10 minutes. This consultant recommended several changes which were not consistent with the original "vision" of Naz and included the precooking and/or use of frozen products.

While the vision was aligned to the significant growing trend of health and even organic food, RBW did not position themselves in that particular space. Instead, they focused on the word "real" – which communicated that their food was fresh, chemical free, preservative free, not frozen, not precooked. So, as you can see, we have a dilemma – we have a fast-food consultant recommending that the way to increase service and delivery times is to violate the basic underlying vision and values of the business.

This is where the second store was to come into play. Not only was the second store improved in terms of the customer experience, but the kitchen and food preparation area were more structured around a timely and efficient manner. The brand continued to promote the fact that it was providing "real" food and try to build the expectation in the customer's mind that real/quality food was worth waiting for. To help build this expectation they had signage around the store indicating that the food was "worth the wait".

Another recommendation of the consultant that the two partners did adopt was to replace their friend as store manager and hire a professional/experienced manager of a fast-food operation. This helped make a difference to the speed of their operation, as well as the motivation and training of the day-to-day staff.

Menu design

One of the key elements of the operation's marketing mix that did not substantially change between the two stores was their menu and burger designs. Perhaps surprisingly, without any professional cooking/chef experience, both Naz and Mark took it upon themselves to design the burgers and menu items.

To achieve this end, they went to local stores/markets initially and then prepared burgers in their own kitchen. Without consideration to the cooking environment/store structure, they determined a menu range that would be offered within both stores. There were mixed reactions to their burger products, as highlighted on the two episodes of the TV reality show.

Some products were highly successful, such as their natural shakes/fruit drinks and their chips/wedges that still had part of the potato skin on. However, their burger range was somewhat lacking in appeal. For instance, in the second episode, there were a group of male teens who purchased burgers at a store across the road and then came to RBW for their shakes only.

Clearly, the fast-food chain had a “share of customer” (known as “share of stomach” in the fast-food industry) problem that they were not readily addressing.

Promotional activities

Up until Mark left the business as a full-time partner, he essentially assumed the role of a Promotions Manager (although it was referred to as marketing manager on the TV series). In this regard, Mark was very active and conducted a whole series of marketing experiments – to reasonably varying degrees of success.

For instance, he had a “protest” against the local McDonald’s store nearby their first store. Mark himself as dressed as an angry Ronald McDonald and was protesting against processed and encouraging the local commuters/passers-by to visit RBW where they could sample “real” fast food. On another occasion, he had a discount burger day, and also he had a free burger day – provided you bought another product.

While these activities may sound a little extreme, it is important to note that in the early days of the business – given the long-term franchising goal – it was necessary to build brand awareness, establish positioning, and generate an initial trial of their food products. To this end, it needs to be acknowledged that Mark was very successful in achieving these goals. However, for some reason, the Real Burger World concept failed to generate sufficient repeat business to be viable, relative to their underlying cost structure.

Cost structure

As indicated in the first episode of the TV show, the breakeven point of the operation (when they only had one store) was approximately 1000 UK Pounds per day (which is equivalent to $2,000 US) in order to just break even. So, the question is how can a local hamburger store have such a high underlying cost structure?

As you can imagine, this is not a common cost structure for the local take away food place. However, we need to consider the long-term goals of Real Burger World, which was to create a successful franchise chain. Therefore, the costs were much higher than a local take away due to: two full-time managers that were not involved in the day-to-day operations of the business, the use of branding and other consultants, the willingness to reinvent the store design, the investment in promotional activities, and the use of discounting (penetration pricing) in the early stages in order to generate a higher number of first-time customers.

Why the second store?

It is clear that the second store was opened and redesigned despite the first store not being viable at the time. So how could this happen? The obvious answer relates back to the underlying goal of the business and its long-term intent. This business was primarily structured to become a franchise system.

The owners and investors in the business simply needed to demonstrate that one or two stores could become quite viable and then they could be demonstrated to potential franchisees, who would then invest their own capital to expand business/brand. Therefore, Naz, Mark and the silent investor viewed the initial store as a “marketing experiment”.

While they had hoped that the initial store design, process, and menu offering were to be successful, they also took the view that this was a “market test” that would provide valuable feedback for the long-term goals of competing against the major players in the fast-food arena. While they did learn valuable lessons from the first store, particularly in terms of store design and managing customer expectations, perhaps they should have had a closer look at their product range?

Key lessons?

Certainly, Naz and Mark had the commitment to make this business a success and were willing to invest a significant amount of their own money to achieve the vision. Like most entrepreneurs, they believed that they were on a winning pathway and thought it presented a significant market opportunity as they were tapping into a key trend and a gap in the marketplace.

In Australia, around the same time, it should be noted that Crust Gourmet Pizza stores were tapping into the same trend and would ultimately become very successful and implement a franchise structure/system and eventually sell their operation to a major corporation. And like a successful and adaptive marketer, they were willing to learn from their mistakes and to view their decisions as ways to generate “market feedback” about what worked and what was less responsive.

It is difficult to accuse these two partners of being overly committed to their original decisions – they were willing to hire a new store manager, willing to redesign the stores, willing to implement different promotional tactics, willing to “expose” their business and decision-making on two episodes of a reality TV show, and so on.

The two partners, as betrayed on the TV show, were certainly likable and hard-working and it is disappointing that two risk-taking entrepreneurs were not able to make a difference in this market. As previously mentioned, since the RBW concept was implemented, McDonald’s has adapted to the changing marketplace.

For instance, in recent years McDonald’s has broadened their food offering (to include: upmarket burgers, salads, create your own tastes, fruit shakes, gourmet coffees, and so on), they have relaxed the look/feel of the stores and reinforced the quality/natural ingredients.

Therefore, one would have to assume that it was either a question of timing, limited branding, overrun of cost expenditure, product design, or overall strategic execution – and probably a combination of all these – that did not deliver the results of the initial Real Burger World vision.

Student Discussion Questions

1. Given that the brand had the long-term goal of building a franchise system, which was reliant upon a strong and successful brand being developed, do you think that they were too focused on brand and not focused enough on their process and operations?
2. Highlight the intent of the various promotional activities, the redesign of the store, and other marketing aspects as listed in the case. What was the firm attempting to achieve with these activities? (Hint: Think beyond just acquiring new customers.)
3. Based upon the information within the case study, what recommendations for the two business owners in order to achieve their business goals?