
THE WALL STREET JOURNAL

Boss Talk: Man Behind Burger King Turnaround --- Chidsey Says Identifying His Restaurants' 'Superfan' Helped Beef Up its Offerings

By Janet Adamy
1,425 words
2 April 2008
The Wall Street Journal
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English
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Miami -- At a time when many large restaurant chains are struggling, Burger King Holdings Inc. CEO John Chidsey has managed to sustain the once-floundering fast-food company's turnaround.

The world's No. 2 hamburger chain by locations behind McDonald's Corp. is using what it calls a "barbell" menu strategy that pushes both upscale products, like its new Steakhouse Burger with Angus beef, alongside \$1 sandwiches to appeal to cash-strapped customers. This year the company plans to introduce a new concept called the Whopper Bar, a smaller, hipper restaurant specializing in the chain's flagship burger.

Mr. Chidsey, a 45-year-old certified public accountant and a member of the Georgia Bar Association, recently sat down with The Wall Street Journal to talk about why Burger King isn't rushing to sell espresso drinks, why the U.S. has room for thousands more Burger Kings and why the job of CEO is overrated. Excerpts:

WSJ: Just six years ago, people were writing the obituary for fast food as "fast-casual" restaurants like Panera Bread were on the rise. Now fast-food companies are among the few restaurant chains doing well. How did that happen?

Mr. Chidsey: I think that fast-casual really did a great job of scaring quick-service restaurants into getting their act back together. You look at the new products that have come out of McDonald's and Carl's Jr., Taco Bell, ourselves, I think the whole industry has done a much better job over the last four or five years in terms of improving the quality of the products, improving the breadth of the offering.

If you look in the fast-food hamburger space, it is unfortunate for the greater economy as a whole, but we benefit from the pressure people feel from a disposable-income standpoint. People who cannot afford to go to Applebee's, cannot afford to go to Chili's, we are the beneficiaries of that squeeze. It's very hard for me to imagine that the economy could ever get so bad that somebody could not afford to go buy a Double Cheeseburger from McDonald's or a Whopper Jr. from us for \$1. If you go to the grocery store, I really challenge you to find something for under \$1.

WSJ: What were the keys to your company's turnaround?

Mr. Chidsey: Most importantly, I'd say it was finding who our target customer was, figuring out who was the superfan and not wasting our time trying to be all things to all people.

WSJ: When you looked more closely at your core customer base, you learned that it's almost split evenly between males and females. Did that surprise you?

Mr. Chidsey: It was a little bit surprising.

WSJ: But your marketing is more targeted at males, isn't it?

Mr. Chidsey: If you think about sports like the NFL or Nascar, believe it or not, if you rip the demographics apart, women are humongous NFL fans. Nascar has an enormous female following.

WSJ: Much of your growth will come from overseas during the next few years. Why do you think the company can expand internationally and what markets are you most interested in?

Mr. Chidsey: We're in [almost] 70 countries around the world. It's not like we need to go into 30 new

countries. Really what we need to do is drill down in the countries we're in. We need to be a lot bigger in Germany. We need to be a lot bigger in the U.K. We need to be a lot bigger in Japan.

The second thing that really resonates for us is the fire-grilled food. Consumers really prefer fire-grilled food in their cultures. As Peter Tan, who now runs our Asia operations, said, having run McDonald's in Asia, "You guys should have killed us because Asians so prefer fire-grilled food."

WSJ: Other Burger King executives have said the company has no plans to do a new coffee program in the U.S. that would require franchisees to buy expensive new equipment, even though your most direct competitor, McDonald's, is doing that so it can sell lattes and cappuccinos. Why aren't you doing it too?

Mr. Chidsey: In the U.S., the reason's pretty simple. Our breakfast business, compared to McDonald's, is underdeveloped. We make a lot more money putting our ad dollars and our product behind just breakfast in general than homing in on coffee.

WSJ: Do you think there's also more risk in trying to place a big bet on coffee for a fast-food chain?

Mr. Chidsey: Our customer is not somebody that's going to pay \$3 or \$4 for a cup of coffee. So, on the Dunkin' Donuts model, if you're really more in the \$1 to \$2 range, do you get enough traffic to get a good return on that investment?

WSJ: You added salads to the menu but other executives say they're not big sellers. Why keep them?

Mr. Chidsey: If your brand promises "Have it your way," you can't have a mom or a dad who pulls up to Burger King with the kids and says, "I'm not going to go here, I'm going to go to McDonald's or Wendy's because I can get a salad." Why do you have Apple Fries and this new Kraft macaroni and cheese and applesauce and fun drinks for kids? I've got to tell you, the vast majority of parents do not substitute [those items into kids' meals]. I think you want to have it there so people who say, "I'd rather my son or daughter have carrots or Apple Fries," it's there.

WSJ: How do you think fast food will look in 50 years?

Mr. Chidsey: I think there's a lot more room for us to elevate quality. Like this new batch broiler [cooking equipment] that we launched. If we so chose, we could put a pork chop on there. We could do steaks.

WSJ: How do you think we'll continue to see consumers' behaviors change?

Mr. Chidsey: I look every year, and the drive-through creeps up more and more in Latin America and Europe. As they become more and more economically advanced, it's funny, everybody becomes time-starved. Everybody becomes more of a drive-through, hurry-up-and-eat-on-the-run kind of culture.

WSJ: Burger King had such high turnover in your position prior to your coming. How did that make your job harder?

Mr. Chidsey: The CEO job is the most overrated position in the world. If you ask why Burger King has been successful over the last five years, it's the quality of the team.

WSJ: Do you think we're entering an era where cheap commodity prices are over?

Mr. Chidsey: We all have to assume, worst case, we're going to be living in a world of 3%, 4%, 5% [commodity cost increases this year for Burger King], not just because of things like ethanol. As the world becomes more and more affluent, more and more people want proteins, more and more people want to eat a lot of the things that are going to drive your basic commodity costs up around the world.

WSJ: How often do you eat at Burger King, and what do you eat?

Mr. Chidsey: Probably on average three days a week. I love the Stackers [hamburgers] here in the U.S. I have a weakness for Chicken Fries. But I guess I would probably pick the Whopper because that's what I ate as a kid.

WSJ: It seems like there's already a fast-food restaurant on every corner. Where can you grow in the U.S.?

Mr. Chidsey: There are about 14,000 McDonald's in the U.S.; there are 7,200 Burger Kings. So that's a two-to-one gap. But there are 3,500 McDonald's out there that do not have a Burger King within three miles of them. If you could just fill in those 3,500 where there is no competition within three miles, that's basically

50% growth there. That's going to take you a decade just to fill in that gap.

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