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Burger King \$1 double cheeseburger results questioned

by [Christa Hoyland](#) * • 03 Feb 2010

Burger King's \$1 double cheeseburger has met with controversy since the chain first presented the pricing change to franchisees. First, franchisees voted it down — twice — and then a number of them filed suit against the company when it moved ahead with the pricing promotion. Now, [The Miami Herald](#) has uncovered a discrepancy between the numbers the chain is providing to franchisees about the sandwich's success and data found by Restaurants Services Inc., the chain's independent purchasing cooperative.

According to the story, Burger King has reported to franchisees that the burger's promotion has boosted sales and gross profits, comparing a five-week period before the promotion began in early October and an 11-week period since it started. RSI reports that sales were up only marginally and gross profits were down, comparing the 12-week period prior to the promotion and the 11-week period after.

Burger King will report its second quarter earnings on Thursday and analysts are eagerly awaiting the report. Many of them have downgraded Burger King's stock in recent months, some from "buy" to "neutral" and others from "neutral" to "hold," as they report that sales have continued to decline in recent months despite the promotion.

[Seeking Alpha](#) contributor John Gordon said in a recent post that Burger King's \$1 double cheeseburger promotion is only a short-term stop-gap to the company's sales decline. Instead, the chain needs "a theme to promote."

The company has many new products in the wings, including the Steakburger XT, due to roll out this month. But while the company was waiting for franchisees to finish installation of the new batch broilers to handle the new burger line, other chains have moved aggressively with product rollouts. Carl's Jr. and Hardee's continued their rotation of limited-time premium burgers, McDonald's added its McCafe beverages and Angus Burger line, Wendy's added boneless wings and spicy chicken nuggets, and Jack in the Box added its own \$1 burger as well as other product innovations.

The \$1 cheeseburger results discrepancy is just one more issue in a long list of beefs many Burger King franchisees have against the franchisor. In May,

franchisees filed a class action suit against the company when the chain announced it intended to divert 20 percent to 40 percent of the franchisee's soda rebate fund in order to boost its national advertising spend. The diversion of funds was supposed to begin this month, but the company has decided to allow franchisees to [keep their full rebate](#) until the pending litigation is resolved.

Last month, [Burger King filed suit](#) against a small number of franchisees who failed to meet a Dec. 31 deadline for installation of the chain's new point-of-sale system. Some franchisees indicated their failure to meet the deadline was a means to voice displeasure over the franchisor's recent decisions.

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