

Burger King aiming for Asian expansion

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After years of seeing outlet numbers in decline or modest growth, the fast food chain is embarking on ambitious plans to build its brand internationally, with a focus on Asia-Pacific.

At a recent investor conference Burger King revealed that it added just 25 outlets in 2006 but now plans to expand by 300 to 400 outlets per year worldwide. Asia is the company's main target market and CEO John Chidsey said that the region has "the greatest growth opportunities" for the brand. However, the market could prove a tricky one and Burger King has encountered challenges in key countries within the region in the past. International focus

Burger King has said it expects 80% of future growth to come from international expansion, with Asia playing a leading role. Chidsey has predicted that Asia will surpass Europe to become the leading international market for Burger King in the next few years. "While Latin America and Europe will continue to grow, I think the opportunities in Asia are so much stronger," he said. Euromonitor International indicates that Asia-Pacific was the region of the world where burger fast food enjoyed not only the biggest value growth but also the biggest outlet expansion between 1999 and 2006. Hurdles ahead

Asian-Pacific markets on which Burger King is likely to focus include India and China, two of the fastest growing markets for burger fast food, and Japan, which is the biggest market in the region. The way forward in such markets will not be simple. In each of these three countries, McDonald's has a considerable lead on Burger King in terms of brand awareness and outlet numbers. It could also have a pricing advantage, catering to a wider range of pockets than Burger King with its upmarket positioning. In China, for example, Burger King added service bells to tables to convey a more premium image. In addition, Quarter Pounders slightly undercut Whoppers with trimmings when McDonald's launched them in the country last year, selling for RMB12.5 or RMB14 compared with RMB12 for a basic Whopper and RMB15-17 for added cheese and bacon.

Burger King seems to have had difficulties in entering the Chinese market. By March this year it had seven outlets in the country but plans to open 10 stores within its first year in China were reported when the brand launched there in 2005. Burger King is this year re-entering the Japanese market after a six-year absence. It appears to have had a tough time in Japan the first time round, exiting after a price war with McDonald's. Tempting local taste buds

Burger King also faces the challenge of needing to adapt to local requirements, especially in India where there is a high presence of non beef-eaters and vegetarians. Both Burger King and McDonald's have the disadvantage compared with KFC of a core product based on beef rather than chicken, which is more of a local favourite. However, Burger King has recently been investing in the development of premium chicken products in the US, including Tendercrisp chicken burgers with special toppings, most recently BBQ Bacon, and Hold Em's wraps, which come in two chicken varieties. Such innovation could prove to be useful practice at home for tempting palates abroad.

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