

QUT BlueShift Business Case Competition

2017 Business Case: Burger Urge



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Table of Contents

1.0 A brief background of burgers	3
2.0 Fast food burger shops in Australia	3
3.0 Background of Burger Urge.....	7
4.0 Burger Urge menu and marketing	8
5.0 Business challenge for BlueShift consulting teams	9
6.0 Research starters	9

BlueShift QUT Business School Case Competition for high schools students

1.0 A brief background of burgers

Burgers have been a staple of family dinner tables, barbecues, and restaurants, particularly fast-food restaurants since the late 1800s. While the true origin and inventor of the burger are unclear, it is very clear how popular and omnipresent burgers are in most markets around the globe.

A history of burgers, burgers today, and some features of burgers around the world can be accessed on [Wikipedia hamburger entry](#).

Through the 20th century, the establishment and growth of international fast food chains, such as McDonald's and Burger King (or Hungry Jack's in Australian market), has seen the burger dominate fast food menus. Other burger chains originating in the United States, such as Fatburger and Wendy's, are also building a strong global presence. Over the past 20 years, smaller players focusing on gourmet and speciality burgers have emerged, with some growing from single store to chains with company-owned and franchised stores.

2.0 Fast food burger shops in Australia

A September 2016 IBISWorld Industry Report on Fast Food Burgers Shops in Australia identified some interesting trends and influences. The Executive Summary of the report is provided below:

Rapidly changing consumer preferences and the entry of premium, gourmet burger shops have supported revenue growth for the Fast Food Burger Shops industry over the past five years. Despite the presence of industry heavyweights McDonald's and Hungry Jack's, these changes have prompted the industry to shift from traditional burger shops and to niche establishments. However, a weaker economic environment has placed pressure on overall fast-food sales, and a trend towards healthier eating has constrained industry revenue growth. Over the five years through 2016-17, industry revenue is expected to grow by an annualised 3.5%, including a 2.5% revenue increase in 2016-17, to total \$6.9 billion.

Increased competition has dramatically changed the trading landscape for industry operators. The wider fast-food industry has embraced a move towards a diverse range of cuisines, with each operator competing for a larger share of consumer dollars. As the range of available fast-food options has increased, traditional operators have felt the squeeze. Trends towards healthier eating and premiumisation have also shaped the industry over the past five years.

Consumers have increasingly demanded better quality products, regardless of the higher pricepoint. While this has constrained revenue for typical fast-food burger shops, it has also provided opportunities for growth. New entries at the premium end of the market have supported growth, with these operators offering high-quality burgers made from premium ingredients. These trends are projected to continue over the next five years, with small independent operators and food vans becoming more popular.

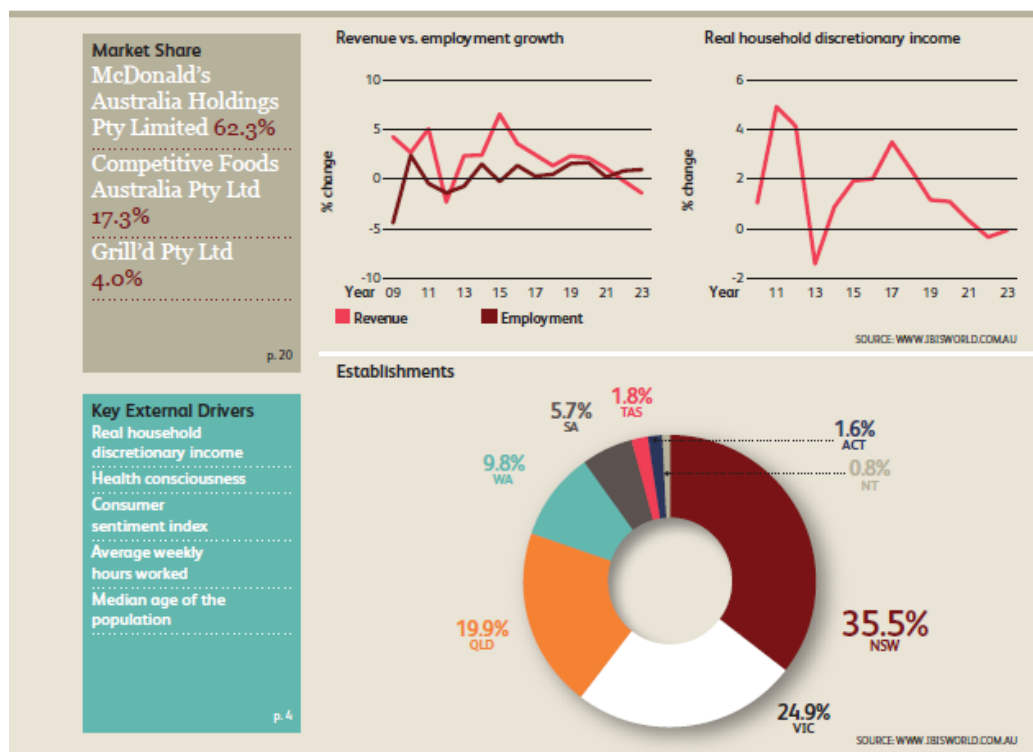
Despite growth at the premium end of the market, the industry is anticipated to grow at a slower pace over the next five years. Industry revenue is projected to grow at an annualised 1.4% over the five years through 2021-22, to reach \$7.4 billion. Competition from other fast-food industries will continue, as operators offering healthier options are anticipated to benefit at the expense of traditional burger shops.

Industry operators will need to understand changing consumer preferences, reflecting these changes in updated menus, if they wish to remain successful.

Industry at a Glance

Fast Food Burger Shops in 2016-17

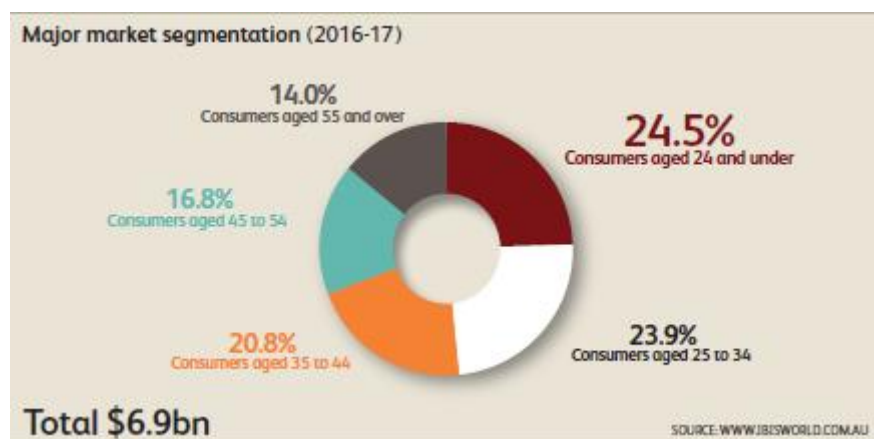
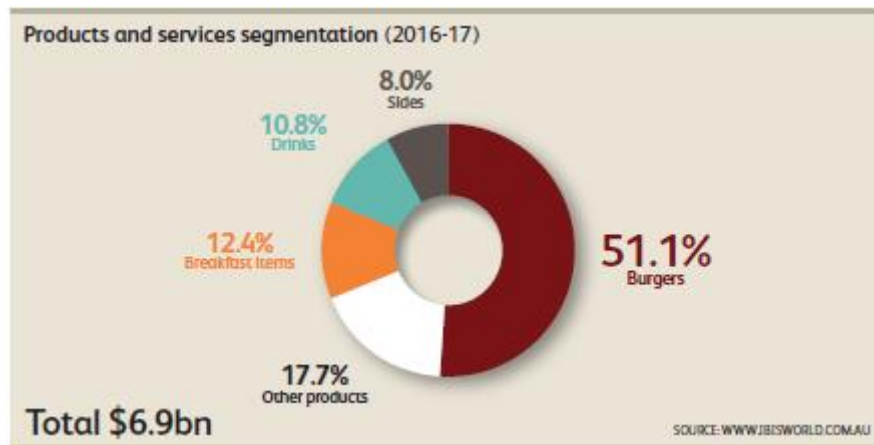
Key Statistics Snapshot



Industry Structure

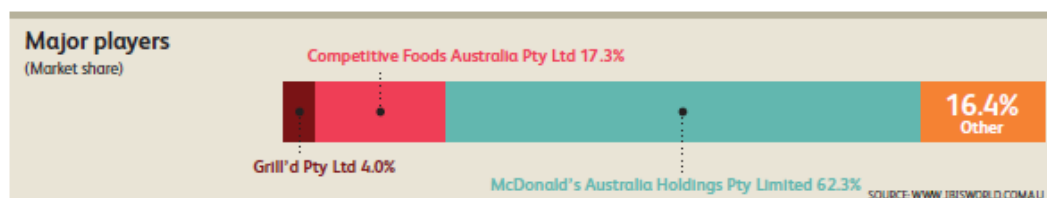
Life Cycle Stage	Mature	Regulation Level	Light
Revenue Volatility	Low	Technology Change	Low
Capital Intensity	Low	Barriers to Entry	Low
Industry Assistance	Low	Industry Globalisation	Low
Concentration Level	High	Competition Level	High

The IBISWorld Industry Report on Fast Food Burgers Shops in Australia provides some key data across products and services segmentation, and major companies in the Australian market. The report also provides key statistics for the fast-food burger market in Australia. This data is presented in diagrams from the IBISWorld Industry Report below:



Major Companies

McDonald's Australia Holdings Pty Limited | Competitive Foods Australia Pty Ltd
Grill'd Pty Ltd | Other Companies



Key Statistics

Industry Data

	Revenue (\$m)	Industry Value Added (\$m)	Establishments	Enterprises	Employment	Exports	Imports	Wages (\$m)	Domestic Demand
2007-08	5,286.0	1,502.4	7,454	5,287	40,467	-	-	1,172.0	N/A
2008-09	5,513.4	1,551.9	7,378	5,270	38,685	-	-	1,138.0	N/A
2009-10	5,662.6	1,547.1	6,870	4,978	39,624	-	-	1,130.1	N/A
2010-11	5,951.7	1,592.4	7,571	5,408	39,458	-	-	1,112.5	N/A
2011-12	5,816.1	1,559.2	7,618	5,441	38,921	-	-	1,101.9	N/A
2012-13	5,955.3	1,587.6	7,252	5,217	38,654	-	-	1,097.3	N/A
2013-14	6,101.4	1,630.6	7,752	5,617	39,252	-	-	1,115.4	N/A
2014-15	6,503.5	1,738.7	7,884	5,755	39,166	-	-	1,177.4	N/A
2015-16	6,738.9	1,796.4	8,102	6,001	39,714	-	-	1,209.2	N/A
2016-17	6,907.6	1,893.4	7,931	5,899	39,844	-	-	1,268.3	N/A
2017-18	7,003.1	1,929.1	7,919	5,910	40,049	-	-	1,282.1	N/A
2018-19	7,169.4	1,965.3	8,075	6,026	40,690	-	-	1,302.3	N/A
2019-20	7,326.3	2,000.5	8,148	6,126	41,381	-	-	1,324.2	N/A
2020-21	7,408.3	2,016.8	8,326	6,260	41,480	-	-	1,326.4	N/A
2021-22	7,395.5	2,021.5	8,136	6,072	41,843	-	-	1,323.5	N/A

Annual Change

	Revenue (%)	Industry Value Added (%)	Establishments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)
2008-09	4.3	3.3	-1.0	-0.3	-4.4	N/A	N/A	-2.9	N/A
2009-10	2.7	-0.3	-6.9	-5.5	2.4	N/A	N/A	-0.7	N/A
2010-11	5.1	2.9	10.2	8.6	-0.4	N/A	N/A	-1.6	N/A
2011-12	-2.3	-2.1	0.6	0.6	-1.4	N/A	N/A	-1.0	N/A
2012-13	2.4	1.8	-4.8	-4.1	-0.7	N/A	N/A	-0.4	N/A
2013-14	2.5	2.7	6.9	7.7	1.5	N/A	N/A	1.6	N/A
2014-15	6.6	6.6	1.7	2.5	-0.2	N/A	N/A	5.6	N/A
2015-16	3.6	3.3	2.8	4.3	1.4	N/A	N/A	2.7	N/A
2016-17	2.5	5.4	-2.1	-1.7	0.3	N/A	N/A	4.9	N/A
2017-18	1.4	1.9	-0.2	0.2	0.5	N/A	N/A	1.1	N/A
2018-19	2.4	1.9	2.0	2.0	1.6	N/A	N/A	1.6	N/A
2019-20	2.2	1.8	0.9	1.7	1.7	N/A	N/A	1.7	N/A
2020-21	1.1	0.8	2.2	2.2	0.2	N/A	N/A	0.2	N/A
2021-22	-0.2	0.2	-2.3	-3.0	0.9	N/A	N/A	-0.2	N/A

Key Ratios


	TVA/Revenue (%)	Imports/Demand (%)	Exports/Revenue (%)	Revenue per Employee (\$'000)	Wages/Revenue (%)	Employees per Est.	Average Wage (\$)	Share of the Economy (%)
2007-08	28.42	N/A	N/A	130.62	22.17	5.43	28,961.87	0.11
2008-09	28.15	N/A	N/A	142.52	20.64	5.24	29,417.09	0.11
2009-10	27.32	N/A	N/A	142.91	19.96	5.77	28,520.59	0.11
2010-11	26.76	N/A	N/A	150.84	18.69	5.21	28,194.54	0.11
2011-12	26.81	N/A	N/A	149.43	18.95	5.11	28,311.19	0.10
2012-13	26.66	N/A	N/A	154.07	18.43	5.33	28,387.75	0.10
2013-14	26.73	N/A	N/A	155.44	18.28	5.06	28,416.39	0.10
2014-15	26.73	N/A	N/A	166.05	18.10	4.97	30,061.79	0.11
2015-16	26.66	N/A	N/A	169.69	17.94	4.90	30,447.70	0.11
2016-17	27.41	N/A	N/A	173.37	18.36	5.02	31,831.64	0.11
2017-18	27.55	N/A	N/A	174.86	18.31	5.06	32,013.28	0.11
2018-19	27.41	N/A	N/A	176.20	18.16	5.04	32,005.41	0.11
2019-20	27.31	N/A	N/A	177.05	18.07	5.08	32,000.19	0.11
2020-21	27.22	N/A	N/A	178.60	17.90	4.98	31,976.86	0.11
2021-22	27.33	N/A	N/A	176.74	17.90	5.14	31,630.14	0.10

Figures are in inflation-adjusted 2017 dollars.

SOURCE: WWW.BISWORLD.COM.AU

3.0 Background of Burger Urge

Burger Urge is an Australian fast-food burger chain, headquartered in Brisbane, Queensland. It was founded in 2007 by brothers and QUT graduates Sean and Colby Carthew. From a hole in the wall in Brunswick Street in Brisbane's Fortitude Valley, it has grown into a popular brand with restaurants across Brisbane, coastal and regional Queensland. In early 2017, Burger Urge had 20 burger bars, with more scheduled to open. Burger Urge operates both company owned and franchised restaurants. The feature article from Autumn 2013 edition of QUT alumni magazine *QUT Links* capture the early years of Burger Urge business story:



'Taste addiction' was the guiding motto of brothers and QUT graduates Sean and Colby Carthew when opening the first Burger Urge six years ago.

OVER a miniature wire basket of superbly crisp, herb-seasoned sweet potato chips with wasabi dressing, it's clear the Carthew brothers achieved their goal: planning my next meal here begins after just a few mouthfuls. It's impossible for a cheese lover to ignore a menu board featuring a burger with blue vein and tomato chutney.

Sean has a Bachelor of Property Economics and Colby a Bachelor of Business Management – opening a burger bar in a crowded market was hardly an obvious choice for a first business venture. Nevertheless they parlayed Colby's long experience

with food in various hospitality student jobs and their QUT-acquired knowledge into a thriving gourmet burger business.

"We started with the concept of 'taste addiction' and built our brand around that tagline. We wanted it to have an urban feel," says Sean, seated in their fifth and latest New York-inspired, industrial-look outlet (complete with graffiti by local street artists), in the new Science and Engineering Centre.

"Half of our business is property – understanding leases and retail spaces – finding the right location is half the battle for a successful product. It's very difficult to succeed in retail if the store location isn't right – even if the product is great, so we spend a lot of time on this part of the business."

Colby took on the job of working with local chefs for six months to develop the menu from locally grown produce for their first New Farm venture.

"I love the food side of the business but I've probably used the accounting component of my degree the most for analysing costs and price structures," he says.

The brothers acquired some effective HR skills from their studies too. Many of the senior management team have been with the company more than three years, and their operations manager joined more than five years ago.

"We have a good culture, we encourage individuality. We want people to be themselves and we want our staff to have fun in their work environment," they say.

And though some of the unusual burgers, such as the blue cheese, can be "polarising" the new offerings coming on line – homemade gelati and boutique beers – should bring everyone back together again.

– Niki Widdowson

The Burger Brothers

The story can be accessed at <http://www.links.qut.edu.au/wp-content/uploads/2016/05/links-2013-autumn.pdf>

4.0 Burger Urge menu and marketing

Burger Urge positions its brand as “Dealers of Delicious”, taking an ‘out of the box’ approach to its menu and marketing. The [Burger Urge menu](#) focuses on burgers with quirky and off-beat names, salads, sides, and drinks. The menu regularly features special edition burgers, recently including [The Donald Trump](#) and [Mrs Clinton’s Chipotle Chicken](#). Burger Urge takes deliberate choices about ingredients and suppliers with no preservatives, colourings, additives, or chemicals and free range chicken, mayonnaise and eggs. All packaging is biodegradable. Burger Urge supports Australian producers with 100% Australian beef patties.

Australian dairy and potato farmers have been supported through donations to charities [Aussie Helpers](#) and [Aussie Farmers Foundation](#).



Burger Urge has received attention for its edgy, and at times, controversial marketing campaigns. In a [feature on Burger Urge](#) in February 2017 on Smart Company website, co-founder Sean Carthew responded to a question about the controversial marketing campaigns, explaining: *“I try to have more regard for my own kind of moral compass and view on issues and less regard for what other people think. At times people might not align with the way we see things, but we approached our marketing as ‘close to the line, but not over the line’. Our campaigns aren’t doing any damage to the fabric of society. It doesn’t bother us that we’re a bit controversial.”*

5.0 Business challenge for BlueShift consulting teams

For the BlueShift case competition in 2017, your team is challenged to provide analysis and recommendations for Burger Urge to help plan the next five years for the business. There are plans in place to expand beyond the state of Queensland, to locations across Australia. For the BlueShift case competition, your team is asked to consider Burger Urge expanding to international markets, particularly in the Asia-Pacific.

Your team must submit a report which includes:

1. Cover page (one A4 page)
2. Table of contents (one A4 page)
3. Executive Summary (one A4 page)
4. Understanding of the fast-food burger industry in Australia and internationally, and Burger Urge as a business, and consideration of international markets for expansion (maximum three A4 pages)
 - A clear and complete analysis of the business and the industry using relevant analysis tools and frameworks
 - A summary of the current position, including key challenges and opportunities for Burger Urge
 - Identify and analyse three countries in the Asia-Pacific that Burger Urge should consider for expansion
5. Recommendations (maximum three A4 pages)
 - Select one country (from the three countries in the Asia-Pacific that you analysed) that should be prioritised for international expansion of Burger Urge stores
 - Inspired by the country your team has selected, design and name a burger to feature on the Burger Urge menu (across Australia and in the selected country for international expansion)
 - The marketing approach recommended for the selected country
 - Identify the major budget items that Burger Urge needs to consider for entry into the selected country
 - Provide a timeline for next five years (June 2017 to June 2022) which outlines key activities for entry and expansion in the selected country
6. Overview of your consulting team (one A4 page)
 - Include consulting team name and profile of each team member
7. List of references and sources (no page limit)

Note: The challenge for the BlueShift case competition in 2017 has been developed for the competition, and may not reflect the current business plans or consideration of the case company.

6.0 Research starters

There are hyperlinks to online resources throughout this briefing document. These should be your research starters. To provide a compelling and well justified report, your team will be expected to undertake additional research.