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What Shake Shack Knows About Growth that McDonald's Has Forgotten

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The idea that organizational growth comes from doing a few things well is popular and proven. But debate remains on *how* to direct your firm's focus as you grow.

There are many options. With a technology focus, you might manage to launch a successful breakthrough, but your success will be short-lived because sustaining a technological advantage today is so difficult. A sales focus fails to deliver a profitable market leadership position because it favors short-term revenue growth and customer acquisition over sustainable margins and customer loyalty. Companies have been right to give more attention to customers in recent years, but when understanding customers, developing value propositions, and applying brand values are considered responsibilities only of the marketers in your organization, your company lacks the alignment and integration needed to produce a complete and coordinated superior customer experience. And, as a customer-focused organization, you may be embracing a concept that's popular now, but ultimately you'll run up against the reality that it is neither financially nor operationally feasible for a scaled enterprise to satisfy all desires of all customers.

The bottom line: if your growth plan is not grounded in your brand identity, it will likely disappoint in delivering the results you seek. The problem with the areas of focus above is that none of them actually define what your company is and what it stands for. They are merely the *means* for executing and expressing your core, your essence — in other words, your brand.

Great brands use their brand identities as their one true focus because that's the only way to ensure continued relevance and resonance with customers — and continued value to shareholders.

Organizations that grow by staying true to their core brand values and identity are successful in the long term because they don't get swept up by changes in tastes, events, and trends. And with a strong brand focus, it is much easier to make swift decisions that are consistent with the values the company hopes to embody for its customers. So the leaders behind great brands drill down to their core values and execute on them relentlessly, even when it means saying "no" to attractive short-term opportunities. Over time customers learn exactly what the brand stands for and come to trust that the brand will deliver it every time.

A tale of two brands illustrates the value of brand focus. McDonald's, the \$27.5 billion corporation with over 34,000 locations worldwide, recently reported its fifth consecutive quarter of disappointing sales. Shake Shack, the burger-and-shake chain with 34 locations, continues to open profitable units around the world. The CEO of McDonald's

admits the company has “lost some of our customer relevance,” while Shake Shack enjoys such strong appeal that the lines to get into its locations are as legendary as they are long.

While the difference in the scale and complexity between the two organizations is significant, the importance of having a focused brand is the same. Leading the list of reasons for the golden arches' recent poor performance is the company's seemingly scattershot approach to innovation. It has chased multiple priorities such as McCafé, its value menu, and new products including so-called healthier ones that actually aren't even that healthy. These disparate efforts have compromised operational excellence. One analyst observed (<http://www.fool.com/investing/general/2014/02/08/mcdonalds-is-still-not-addressing-its-biggest-prob.aspx>) that “as with its admittedly overcomplicated menu that now has over 180 items, the company's priority list seems just as long.” If the company had kept its focus on its brand essence — appealing to the child in all of us — it would have managed to diversify in more integrated and distinctive ways, and it would have steered clear of menu items, promotional strategies, and operational developments that detract from delivering a playful experience.

McDonald's diffused focus starkly contrasts with the singular brand focus behind Shake Shack's success. Shake Shack has become one of the category's most remarkable success stories in recent years by committing and staying committed to its brand mission: being “the best burger company in the world.” Its CEO, Randy Garutti, explains his organization's commitment to the principle “Do what you want to do really well in its most basic version.”

From selecting new restaurant sites, to hiring and developing employees, to creating the unique look of each location, the folks at Shake Shack use their brand values as a compass and their heritage as a guide for everything they do. Speaking about the chain's first location in New York City's Madison Square Park, Garutti reports (<http://www.fastcompany.com/3023260/bottom-line/shake-shack-ceo-the-bigger-your-business-grows-the-smaller-you-need-to-act>) that he and his team make decisions by “running everything through the filter of when we built this little restaurant behind us.” Out of an expressed commitment to an extraordinary burger experience, they find themselves frequently rejecting otherwise-enviable growth opportunities, such as catering or operating a food truck, because they fail to square with the company's brand identity.

Shake Shack's brand focus has also led the company to make some unpopular decisions. For example, last year it replaced its frozen, crinkle-cut French fries with fresh, hand-cut ones. Although Garutti and his team knew that some customers would pan the change, they went forward with it because the new item is fresher and higher quality and tastes better — each a defining attribute of the Shake Shack brand. And the company has only continued to grow and attract more fans.

Whether your company is large or small, or has been around for decades or days, focusing on the core of your brand — and staying committed to that focus — is the key to successful, sustainable growth.