

Mos burger franchise expansion strategy



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1. 0 INTRODUCTION

MOS Burger is a famous fast-food service in Japan that founded in 1971 by Mr. Satoshi Sakurada. The name of MOS comes from the words Mountain, Ocean, and Sun and each of this word have its own meaning. Mountain stands for dignified and noble, Ocean stands for wide and vast while Sun represents vibrant and life-giving (“ MOS Food Singapore”, 2012). It is now the second largest fast-food service in Japan after McDonald and MOS outlets had successfully expanded into overseas markets such as Taiwan, Singapore, China, and so on.

The company differentiate itself from competitors by apply ‘ cook to order’ concept (“ MOS Burger Website”, 2012). The foods will be cooked only after the customer’s order to ensure the freshness of the foods. MOS’s burgers used rice bun and many other Japanese sauces like teriyaki sauce that cover up on the burgers to shows its uniqueness which emphasized on providing a healthy, delicious and clean food. Moreover, the company also served variety of unique and original MOS Burger as well as using transnational strategies when going global because they keep standardized the recipe and the business system while localized some of the product to fit with local taste and preference.

The corporate motto “ To make people happy through food” was an important driver for the company to produce fresh, delicious, and quality burgers to their customers (“ MOS Burger Website”, 2012). The passionate commitment of the company make it successful possible and to ensure a continuous survival in this competitive market.

MOS Burger has successfully expanded its business globally and currently there are 28 outlets in Singapore, 223 outlets in Taiwan, 16 in Hong Kong, 7 in Thailand, 2 in Indonesia, 18 in China, 2 in Korea and 5 in Australia ("MOS Burger Website", 2012). The 1412 outlets in Japan have almost reached the limit for the company to expand, therefore the company hopes to accelerate its expansion with a vision from "MOS of Japan to MOS of Asia" and finally "MOS of the World". The company planned to expand their business and choose to enter those markets that they have not entered yet such as Malaysia, Canada, Western countries and so on in the future ("MOS Food Singapore", 2012).

The entry mode used by MOS Burger to enter the overseas market normally lies on joint venture and franchise system. The company forms joint ventures with the local company as an expansion strategy into overseas markets ("MOS Burger Website", 2012). MOS Burger headquarters will assign a personnel to discuss about the development and joint effort with the local company to ensure that they can enter into the new market successfully which is totally different in terms of the ways of doing business, culture issues and other issues.

MOS Burger also uses franchise as one of the entry mode strategies but it is not easy to obtain a franchise license from MOS Burger because it needs to fulfill the requirements set by the company. The potential franchisee needs to know well about the company's philosophy that was created by Mr. Sakurada because he wishes to partner with those who care for nature; and also a group of people who can contribute to the creation of happiness both for people and society ("MOS Burger Website", 2012). However, the company will only

seek for the countries or regional franchisees. As conclusion, the company is preferred to use a master franchise system to enter the new markets instead of a normal franchise system.

2.0 CURRENT EXPANSION STRATEGY

MOS Burger starts to expand their business since year 2001 and the first overseas outlet is established at Taiwan. MOS burger has work attentively to expand their business and successfully opened 265 stores across seven regions in year 2011. (" MOS report", 2011).

2.1 Joint Venture

Joint venture is an entry mode by establishing a firm that is jointly owned by two or more otherwise independent firms (Charles and William, 2011). MOS Burger decided to use joint venture as one of the entry modes to enter other regions because it able to control over the business and at the same time it also can deeply understand that particular region's culture and lifestyle. In expansion into each region, MOS Burger only will establish a joint venture agreement with those companies that stressing on good human relationship even it is able to pursue profit (MOS Burger Website, 2012).

MOS Burger will carefully in evaluate and select their joint venture companies in order to ensure their business performance to achieve satisfaction result. Those companies that qualified to pursue a joint venture agreement with MOS Burger must going through few processes start from submission of proposal, presentation, interview and they must able to cooperate in the development of MOS Burger in that particular region (" MOS Burger Website", 2012).

This strategy have been used very successfully in Taiwan by established a joint venture with TECO Group in year 1990. After 22 years, there are 223 stores was opened in Taiwan (“ MOS Burger Website”, 2012). The successful expansion of MOS burger in Taiwan is because they expert in training their employees who able to understand the basic philosophy of MOS burger which is “ safe and secure”. (Kouhei, Hideaki, Tsukasa, & Shigeharu, 2010) In Indonesia, MOS Burger established a joint venture, Pt Mog Indonesia in year 2008 and they start the first outlet in Plaza Sendayan located at South Jakarta (“ Plaza Indonesia Shopping Centre”, 2009). Moreover, MOS FOOD SERVICES Inc. has joint venture with Media Will Holding Co. Ltd, a Korean company that involved in broad spectrum of activities including printing, distribution and restaurant management to open a new South-Korea outlet in March 2012 (“ MOS Report”, 2011).

Joint venture is important for MOS Burger and successfully using by MOS to expand their business to overseas regions including Taiwan, Hong Kong, Singapore and others. MOS burger decided using joint venture because they found that the natural barrier in developing the business opportunities overseas. Those natural barriers mainly refer to each region’s language and culture differs from each other (“ MOS report”, 2011).

The successful of this strategy can be seen in Taiwan which consist the highest number of outlets among the foreign markets. It was so success because the joint venture company - TECO group fully understand their own region and succeed in training the employees who can speak Chinese well and at the same time they able to understand the basic philosophy that developed by MOS burger. (Kouhei, Hideaki, Tsukasa, & Shigeharu, 2010)

However, joint venture still has its own limitations which are MOS burger unable fully control over their own business and conflict may arise when there is different point of views. (Charles and William, 2011)

2. 2 Franchising

Other than joint venture, franchising is another entry strategy that used by MOS Burger as it falls under fast food industry. According to Charles and William (2011), franchising considered as a specialized form of licensing in which franchiser sell the intangible property to the franchisee and insists on rules to do the business. MOS burger expands their business and increase the number of outlet out of their home country by seeking large franchisees instead of seeking the small scale or individual capacity (“ MOS Burger Website”, 2012). Within every single region, those individual franchisees will be managed by the joint venture company together with MOS Burger to make sure all franchisees perform according to the established business practice and ensure the quality control in term of food as well as their customer service.

Similar to joint venture, the franchise agreement will be signed after gone through several processes which are propose, present, interview, environment analysis and then only come with the agreement. MOS burger will only engage in partnership with those franchisees that sympathy to their idea included do work that will be appreciated by customers, getting personal satisfaction when customer satisfy with them and must have the full heart motivation to operate the franchise business. (“ MOS Burger Website”, 2012) Today, MOS burger has become the second largest franchise in Japan after McDonald. (Phillip, 2012).

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This franchise system has been applied in different Asia region including Singapore, Hong Kong, Taiwan, Thailand and others. MOS Burger use franchise system able to generate fixed income by collecting royal fees from the franchisees. However, increasing number of franchise granted by MOS Burger will result in a stronger competition among all the MOS Burger's franchise business within a particular region. In Taiwan, MOS Burger consist of 223 outlets and each outlet is compete together in order to achieve the highest profit for each other. Strong competition between the franchisees will decrease the overall profit that can generate by MOS Burger and this becomes the limitation of this strategy.

There are many success franchises from MOS Burger in different regions; however there is a failure case that found in Hawaii, United State. In the late of 1980s, MOS Burger was enter to Hawaii but the business is fail due to the high rents, inventory problem and inconsistent food quality (Andrew and Kulwant, 2005).

2.3 Wholly Owned Outlet

In planning to expand their business out from then Asia, there is a wholly owned outlet which opens in Australia in April 2011. Michelle (2012) reported that Shinji Yamaguchi who is the head of international operation of MOS burger said they enter Australia because it closes to Asia and there are a lot of Asian people which have similar culture (Michelle, 2012). Besides, Australia outlet also is a test run of their business practice for MOS burger before their plan of entering Western countries. Yamaguchi said MOS burger now is still unclear to use franchising strategy or wholly own business by them in the following year to expand the business.

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3. 0 FUTURE EXPANSION STRATEGY

Success only belongs to those who are well in prepared. An organization or company want to achieve a continuous successful, a well planning future strategies is a crucial. In order to achieve the goal from ' MOS of Japan' to ' MOS of the World', MOS Burger has been involved in expansion of the business in Asia and even plan to enter Europe market in the future. Once the MOS Burger decides to enter a foreign market, it must implement some of the entry mode strategies which are suitable for future expansion. As a fast food company, it is popular for using franchising or joint venture as a strategy for international expansion. However, increases in competition during international expansion, MOS Burger also need to consider some other strategies for future expansion and stand out from competitors.

3. 1 Export – Canada

MOS Burger is recommended invest into new product line besides from joint venture and franchising. MOS Burger should use this well established brand name to come out some snack food and using exporting strategies in future as well. This practice found in success case of Old Town White Coffee which expand their business by come out own brand of package instant coffee besides from set up the food stores. MOS Food services, Inc has experience in collaboration with other companies and come out product such as ' MOS Baked Choco Caramel Corn' and flight meals such as ' Air MOS Burger' (" MOS report, 2011"). Moreover, it also collaborates with Kit Kat in Japan and come out ' rich white chocolate' within limited time period. These indicate there is a possibility of MOS Burger to implement this strategy. MOS Burger is suggested export snack food such as Japanese Dorayaki, dessert like

Hokkaido milk ice, pudding and sells their uncooked Hokkaido Croquette at the hypermarket in foreign countries.

As mention above, MOS Burger is planning expand to Canada, so exporting strategy may adopted to expand their business as it is a low risk strategy. Besides, exporting strategies provide opportunities for MOS Burger to learn and understand more about the overseas markets in term of culture, politic, economic, preference before invest in bricks and mortar store (" FAO Corporate Document Repository", 1997). Canada will be the first Europe country suggested for MOS Burger to adopt export strategy for snack foods because according to National Eating Trends (NET), snacking is the fastest growing circumstance in Canada and snacking consists of more than 24% of all meal eaten in 2009 compared to 2000 with 22 % (Demontis, 2010).

Using export strategy can be a stage to adopt franchise in Canada for MOS Burger. Export snack foods able to create Canada's consumers awareness, interest and familiarity toward this brand. Moreover, MOS Burger also can increase their understanding toward Canadian consumer behavior and preference. When MOS Burger achieve favorable result in Canada by using export, they can be easier to planning the adoption of master franchise system in Canada in the following year (" MOS Food Singapore", 2012).

Canada is a viable market due to growing in Canadian prefers Asian fast food with a growth rate of 9% (Ryomoto, 2009). Moreover, Ryomoto (2009) said that, changing in the consumer trend toward convenient, safety and quality foods also increase the feasibility for MOS Burger fast food franchise in Canada. Canada also can become platform for MOS Burger to expand into other western countries.

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3. 2 Partnership – Malaysia

Simultaneously, another entry strategy that recommended for MOS Burger is partnership. Partnership is one of the entry modes which two or more parties contribute their resources such as money, property, talent, knowledge and etc to share in the profit and losses of the business (Gerald & Kathleen, 2005). Partnership can bring several benefits. First and foremost is capital acquisition. The fund is rising easily if there have several partners because they can easily contribute more funds rather than a single entity. Second is share responsibility. Different partners will have different abilities and skills. Rather than assign the task equally, partnership allow all the parties responsible the task they are excel in.

Malaysia is the suggested country that to adopt this entry strategy. In order to avoid the fierce competition in fast food industry throughout Malaysia, MOS Burger will be suggested to start and growth-up their business at the location along with the South-North Expressway, Malaysia. These locations suggested as it can mainly target the travelers who use the expressway and lack of fast food outlets along the highway. MOS Burger can partner with the petrol station such as Petronas, Shell or etc. This proposed entry mode is derived from other fast food firm such as Pizza Hut and Taco Bell. The Pizza Hut and Taco Bell have created a strong partnership and this is a successful cooperation (“ Co-branding examples”, 2012).

According to Onakayo (2003) the managing director of Mobil Oil, Mobil petrol station has a fast food court called “ On The Run” and it provide family or friends to enjoy in a comfort and quality place. Besides, Dr. Paa (2003) said

that partnership of fast food with petrol station provide benefits to customers, share holders as well as the overall economy of a cities or places.

Besides, the practice of this strategy can benefits those long journey travelers who use the South-North Expressway especially those from Singapore to North areas need to pump in the petrol and take a rest during their journey or half way. Dr Paa (2003) also said that this practice can commend as a tourism attraction because it able to serve the travelers' need who moving around and between cities. Once this partnership has been implementing, after the traveler pump in the petrol they can take a rest while will enjoy their meal just beside the petrol station only. This will open-up a new opportunity for the MOS Burger while also will attract the traveler for particular petrol station to fill up fuel and rest. This will create a win-win situation.

3. 3 Backward Integration – New Zealand

Last but not least, MOS Burger can adopt backward integration which is taking the role of their suppliers. Backward integration allow MOS Burger to gain some benefits such as to ensure the source of quality of the raw material at a competitive prices, have full control to the cost and able to supply the expanding market either locally and abroad (“ Poultry Integration, 2012”). This practice has been used by KFC Holding (KFCH) as they have invested into different activities that assist their core business (“ Poultry Integration, 2012”). To implement backward integration, MOS Burger's is recommended to to own a breeder farm and hatchery, feed mills, animal farm, broiler farming or further processing plants through acquisition.

Acquisition refers to acquiring others businesses through occupying certain

amount of share or assets (Tan, 2009). Acquisition strategy able to provide the benefits of speed, decrease in risks, avoids strong competition, overcome entry barrier and others (“ Business management strategy”, 2010). Acquisition is worth to be practice as it allows the company to access a wider customer base and increase their market share.

The most appropriate country for MOS Burger to adopt backward integration. Dairy Group (2012) said that New Zealand is the country which holds 35% of dairy products in the world market. The dairy industry in New Zealand is famous and distinctive in term of its high quality and flavorful products. Besides, according to the statistic New Zealand (2011), milk powder, butter and cheese are the top one as well as meat and edible offal as the top two commodities that exported by New Zealand. In order to hold the strong position in the world market, New Zealand is very straight in protecting their grass-fed heard through bio-security policies and using bio-nutrients to feed the cow (“ Investment now”, 2012).

As conclusion, the high effort of New Zealand to ensure the quality of their dairy products provide a great opportunity to MOS Burger to implement the backward integration as they can fully control the quality of the dairy products that may used as one or more raw materials for MOS Burger in the fast food industry.

Conclusion

In conclusion, the study has identified the entry modes and also the expansion strategies that adopted by MOS Burger to enter foreign markets. There are also some future expansion strategies proposed for the company

which are applicable and implementable as some of the real cases discussed have shown a good example. The entry modes that currently used by the company for expansions are mainly fall on franchise and joint venture. The company will choose a suitable franchisees or partners that know well and align to the MOS Burger's philosophy to cooperate. This is to make sure that the risks of enter into a different market for doing business can be reduce and to maintain a substantial control over the quality of the food. Moreover, choosing the right partners is to ensure that the commitment of the company can be transmit to those who like to eat MOS's burger.

Besides that, MOS Burger can expand their business using other entry modes as well in the future to compete with their rivals in foreign markets.

Exporting is another alternative for MOS as it is the easiest way for the company to enter the new markets and reach the customers easily. The company is suggest to export their product in term of snack form by using the well established brand name " MOS Burger" to enter the Canadian market which has a high consumption of snack food. Meanwhile, the partnership entry mode can be adopted as well in Malaysia by cooperating with local well known company for example Petronas. MOS can partner with the petrol station distributor to build their outlets beside or near the petrol station along the South- North Highway in Malaysia to gain benefit while the travelers take their rest or refill petrol at the petrol station on the highway. Next, the company can also use the backward integration strategy to gain some advantages on the cost of material and also to strengthen the supply chain system of the company which need not depends much on the main suppliers anymore. This can be done probably in New Zealand by acquiring a

piece of land and breed their own poultry that needed for making the burgers. Finally, MOS Burger is a company that has a potential to expand and grow globally. Thus, it need to be managed by a talented and committed management team and also maintain a good cooperation with his partners and franchisees.