

# Case

[Nutrition](#), [Fast Food](#)



C A S E I I Leonardo R. Garcia, Jr. Jollibee De La Salle University The Philippines The Taste that Jochen Wirtz Conquered a Nation NUS Business School National University of Singapore Singapore When someone says "fast-food restaurant", what is the first name that comes to mind? Chances are good that it's McDonald's, the world's largest food service organization. McDonald's holds 20% share of the U. S. fast-food market, triple the share of closest competitor Burger King, and is rapidly expanding its worldwide presence. Ask the same question in the Philippines, however, and the first name uttered will likely be Jollibee. In the grand scheme of global commerce, Jollibee Foods Corporation isn't exactly Et household name. But in its niche-the Philippines-it is king of the burger market. In fact, Jollibee is the largest homegrown fast-food chain in the Philippines, outperforming even the global giant, McDonald's, in the Philippines' fast-food scene. Even in its overseas branches, Jollibee is able to compete head-on with global players like McDonald's, Burger King and Carl's Jr, winning over both Filipino and non-Filipino customers. Jollibee develops, operates and franchises the Jollibee hamburger fast-food concept, the Greenwich Pizza-Pasta fast-food concept and other food retailing concepts in the Philippines and in 25 international stores in the following countries: the U. S., Hong Kong, Brunei, Saipan, Guam, Vietnam, Indonesia, Dubai and Kuwait. In 2000, Jollibee achieved system-wide retail sales of up to PhP19. 8 billion (US\$390 million), Copyright C Garcia and Wirtz. 2001. Dr. Leonardo R. Garcia, Jr., Certified Professional Marketer (CPM-Asia Pacific), is the Director of Graduate Studies, College of Business and Economics, De La Salle University, 2401 Tart Ave., Manila Philippines. E-mail cbelrg@mail. dlsu. edu. ph. Dr Jochen Wirtz is Associate

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This case was prepared as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation. The authors gratefully acknowledge Jasmine A. C. Ow for her excellent research assistance in gathering data and assisting with the write-up. The exchange rate was PhP51.25: US\$1 in June 2001 when the case was written. 179 180 CASE an increase of 23.9%; over 1999, with consolidated total revenue that reached PhP15.4 billion (US\$310 million) which was an increase of 19.2% over 1999. HISTORY OF JOLLIBEE Filipino-Chinese Tony Tan Caktiong and his brothers started Jollibee in 1975 when they opened a two-branch ice cream parlour in Manila's commercial districts of Cubao and Quiapo. After running the ice cream business successfully for the first few years the Tan brothers expanded the menu to include hot sandwiches, burgers and other meals that eventually outsold the ice cream. In response to the growing popularity of their burgers -made from their mother's secret recipe-and the other hot meals, Tom Tan and his brothers formed the Jollibee Foods Corporation (JFC) on January 28, 1978. Instead of recreating a fast-food outlet that serves standardized meals as those found in the U. S., the Tan brothers decided to develop their own brand, complete with a mascot and menu that would appeal to the Filipino palate. Hence the creation of the mascot, a jolly bee. Jollibee was conceived as a fast-food outlet of high quality but reasonably-priced food products tailored especially for the Filipinos, who are served by the jolly, "busy-as-a-bee" restaurant crew. Since its inception, Jollibee has experienced phenomenal growth that saw it making its way into the ranks of

the top 100 Filipino corporations in 1981. By 1989, it became the first Filipino fast-food chain that broke the 1 billion peso sales mark. It then went public at the Philippine Stock Exchange in 1993 to broaden its capital. It prepared for laying the groundwork for expansion both within and beyond Philippine shores. Over the years, various magazines such as Forbes, Far Eastern Economic Review and Asian Business have ranked Jollibee to be among the top Asian companies. In fact, it was recognized as the Number One Food Company in Asia by Euromoney and the Best Managed Company in the Philippines by Asiamoney. To cater to the changing taste preferences of the Filipinos, Jollibee even brought in foreign brands like Delifrance bakery products. To reach out to the various customer segments, Jollibee went on to expand and acquire a portfolio of other fast-food concepts: such as the acquisition of Greenwich Pizza, the country's leading pizza and pasta chain in 1994, and Chow King Foods Corporation, Philippines' top Chinese fast-food chain in 2000.

#### JOLLIBEE'S PHILOSOPHY AND VISION

The constant drive to provide quality food (F) and deliver fast and efficient service in a clean and comfortable (C) setting, or FSC, is the heart and soul of the Jollibee business. It is the synergy of Jollibee's people that transcends the entire organization in the attempt to anticipate the needs and wants of customers. This is in line with Jollibee's mission of providing total customer satisfaction through the offering of superior taste, consistently high FSC standards, a delightful dining experience and great customer value.

#### JOLLIBEE 181

The foundation of Jollibee's rapid expansion lies in its vision to dominate the food service business in the whole of the Philippines and in every territory where Jollibee operates, with stores that are conveniently located and operating at

full capacity. JOLLIBEE'S WINNING FORMULA IN THE DOMESTIC MARKET In the Philippines, people love to eat and are used to eating up to five times a day; therein lies the opportunity for fast-food concepts such as Jollibee to flourish. With a love for snacks in between meals and a comfortable place to chat with friends and loved ones, it is little wonder that the Philippines is a very attractive market for competitors such as McDonald's, Kentucky Fried Chicken, Wendy's and Burger King. Yet, Jollibee has managed to maintain its dominant position as the leading fast-food chain in the Philippines through its strategy of establishing maximum market coverage through convenient store locations complemented with a menu tailored Specifically to the Filipino preference. Jollibee's keen insight and understanding of the Filipino psyche has brought the promise of langhap-sarap (freely translated, it means " smells good so it must be good") to everyone's lips, bringing satisfaction to local tastebuds everywhere. Instead of meals with fries. Jollibee offers rice or spaghetti with its entrees. Its moist burger patties and spicy sauces are so distinctly Filipino that Jollibee's burgers are often likened to what a Filipino mother would cook at home! This strong understanding of the Filipino's taste and preferences is what sets Jollibee apart from its competitors. Instead of providing the same standardized fare as its counterparts like McDonald's has done, Jollibee's strategy is one of distinct localization (see Exhibit 11. 1). While all-time favourites like Chickenjoy, Spaghetti Special, Jolly Hot-dog, French Fries and Yumburgers still continue to lord over Filipino palates, a newer and broader product range was devised to bring more excitement and variety More rice-based products like Honey Beef Rice and Shanghai Rolls, newer burgers like Amazing Aloha and the new

heavyweight Champ with a one-third patty; more flavourful desserts like Swirtly Bitz and newer, fresher offerings like Fish 'n' Fries with a rice option, all add to an already impressive line-up of treats synonymous with the Filipino taste. Never before have Filipinos-children, families and adults from all walks of life-been offered so much in one single place. Beyond its special understanding of the Filipino palate, Jollibee has also mastered the country's culture and lifestyle. " What happens in the normal Filipino family is that weekends are especially for children," notes a Filipino business analyst, " and parents try to ask their children where they want to eat." Jollibee lures kids with in-store play activities and a cast of captivating characters. Its hamburger-headed Champ, complete with boxing gloves, goes head-to-head with McDonald's Hamburglar. Jollibee's massive orange jacketed bee and a blond spaghetti-haired girl named Hetti are better known and loved in the Philippines than is Ronald McDonald. 182 CASE 11 Exhibit 11. 1 Value Proposition of Jollibee vs McDonald's Restaurant in the Philippines Value Proposition Jollibee McDonald's Number of stores in 400 235 the Philippines Target market Families and children Families and children Business operations To provide high-quality food, fast and friendly To provide outstanding quality, service in a clean and comfortable service, cleanliness and value environment Menu Tailored to the Filipino palate, e. g. peach-Standardized fare, e. g. meals mango pie and meals with spaghetti or rice with fries.\* Promotions - Langhap Sarap Value Meals - Extra Value Meal - Jolly Kiddie Meal (with premium items and - Happy Meal (with premium toys items and toys) - Eats for Free purchase rewards programme - Bestsellers Campaign (20% discounts on various combinations of the popular Langhap

Sarap Value Meals) Mode of international Franchising Franchising expansion

"" McDonald's has since bowed to the pressure of conforming to Filipino taste preferences by introducing fare such as McSpaghetti and McDo, a heavily seasoned burger. In a study conducted by advertising management students from De La Salle University, it was found that there are distinctive rational and emotional factors Filipino consumers look for in Jollibee (see Exhibit 11. 2). For instance, they firmly believe that the fast-food chain offers affordable and cheaper prices, has faster service, is accessible, and serves tastier food. On the emotional side, Jollibee to them is pam. pamilya (family togetherness), has a friendly atmosphere or ambience and touches their sense of patriotism because it is a Filipino restaurant that offers food that appeals to their unique tastebuds or the so-called langhap-sarap concept. Jollibee's success, as can be inferred from the study, is attributable to its constant drive to provide quality service and an excellent dining experience. This involves consistently reinventing the menu and making each visit a memorable one for the closelyknit Filipino families. Having an advertising strategy that is deeply rooted in the traditional values of family, with a tinge of national pride, allows Jollibee to position itself as the destination outlet for family outings. By concentrating on such a niche market, Jollibee is able to tailor its menu and marketing strategies to better reach the customers. This accounts in part for the phenomenal success that Jollibee has achieved over its close competitor, global giant McDonald's. While global players like McDonalds choose to spread their resources among their fast-food chains worldwide, Jollibee focuses most of its efforts only in the Exhibit 11. 2

Attributes Filipino Consumers Look for in Jollibee Rank Attribute N % Rational

Attributes of Jollibee | Affordable/Cheaper 47 94 2 Accessibility/Many outlets 38 72 3 Tastier 33 66 4 Frequent and effective ads 28 56 5 Variety of food chains 25 50 6 Faster service 22 44 7 Promotional items are useful 20 40 8. 5 Accommodating personnel 19 38 Delivery services 19 38 10 Offers seasonal products 18 36 Emotional Attributes of Jollibee | Family togetherness, Pampamilya 39 78 2 Friendly atmosphere 32 64 3 Patriotic, Pam-Pinoy, Lasang Pinoy 30 60 3 Mass appeal 30 60 5 Likeable Filipino selections, Putaheng Pinoy. Sangkop Pinoy 28 56 5 Better environment for kids 28 56 7 Use of Filipino language 20 40 8 Wholesome/"cute" endorsers 13 26 9 Hang-out/Tambayan 12 24 10 Brings you closer to home | | 22 Total number of respondents: 50 100 Philippines. This was particularly evident during the 80s when political instability hit the Philippines, causing McDonald's to take a step back in its expansion process. Jollibee, on the other hand- proceeded on with their strategic plans of expansion that proved fatal to McDonald's. By the time the country was back on track, Jollibee had already gotten the upper hand in terms of store locations, thus leaving the global giant trailing behind. The unique geographical structure of the Philippines also makes it very difficult to compete in the fast-food industry . Hence, among all the fast-food chains in the Philippines. Jollibee is the only fast-food chain that operate.-; countrywide, thus allowing it to enjoy virtually zero competition in certain places. Other factors that also contributed to the success of Jollibee relate to its dedication in achieving operation efficiency in its commissary and hiring the right candidates to manage its operations and strategy planning. It is investing some PhP1 billion (1 US\$200 million) for the opening of a new manufacturing and distribution centre in



Canlubang, Laguna, in the southern part of Metro Manila, to support the company's network operation. The new commissary will be the company's biggest so far, occupying a 10hectare area in the bustling Calabarzon area. The complex is the company's third and will service about 700 stores (Jollibee and Greenwich combined) in the Luzon area- while another facility in Cebu will continue to serve the Visayas and Mindanao region. Jollibee's strategy to expand its commissary system, which is the largest of its kind in the country, provides the company with a competitive advantage in strengthening its market leadership. The commissaries allow the company to manage the supply requirements of its stores by assuring efficient manufacturing and distribution operations to meet the growing demand of its retail chains. JOLLIBEE GOES INTERNATIONAL Having enjoyed such business success in the Philippines, despite being up against global players like McDonald's and Kentucky Fried Chicken, Jollibee is more than ready to conquer new frontiers overseas. With a vision of establishing itself as a leading international food set-vice organization in the Asia-Pacific region, Jollibee first focused on reaching communities with a large Filipino population to capitalize on its brand awareness. Today, Jollibee has successfully broken into markets such as the U. S., the Middle East and many markets in Asia where there are plenty of overseas Filipino workers (OFWs). By harnessing the franchising concept as global giant McDonald's has done, Jollibee is able to bring the taste of hometown food to Filipinos overseas. Through the capitalization on