

# Jollibee case essay sample

Countries, Philippines



Jollibee began as an ice cream parlor in 1975 and has evolved into a major fast food corporation in the Philippines and numerous other countries in Asia. The company still continues to pursue international expansion and has been successful with 24 stores bringing in over 9 million US \$ in Europe. There have been many ups and downs in the process of international expansion both inside Jollibee and from outside forces. Due to goals that were a little too heady set and attempted to be achieved by Tony Kitchner, it is now up to Noil Tinzon to pick up the pieces and determine what the best strategy is to be used for international expansion. The three entry options he has to weigh are expansion into New Guinea, adding an additional store in Hong Kong and expansion into California. His decision will shape the international division at Jollibee. Question 1

Jollibee was able to build its dominant position in fast food in the Philippines for a number of reasons. The company had its roots in the food industry in the Philippines early on with the ice cream business, so the entry barrier into fast food was very low. It was a smooth transition from being ice cream only to fast food after the oil crisis in 1977. This transition was also aided by using a recipe that was developed in the Philippines and was appealing to the markets that were serviced by Jollibee's. This would eventually be a contributing factor in the competitive advantage Jollibee held over McDonald's in it's the Philippines. Jollibee also built itself around the solid foundation of the " Five F's". Friendliness, flavorful food, fun atmosphere, flexibility and focus on families summed up Jollibee's philosophy and allowed for Jollibee to become a recognizable brand throughout the Philippines. The operations and marketing strategies employed by the company can be

credited with establishing a dominant position through the previously mentioned actions. Once the Jollibee brand was established, growth was necessary to continue the company's success. The company was able to finance their growth completely in house. They did not incur any debt or accrue any interest in the process of growing. When we look at the Philippine's culture on spending, they save then spend and don't particularly like to incur debt or pay interest. Jollibee reflected the Filipino mentality.

The Tan family continued to be in control of Jollibee's destiny and provided stability through the growth process. This stability assisted in the company's continuing success especially in 1981 when McDonald's entered the Philippines. When McDonald's entered the market, Jollibee was faced with its largest threat. It was a David vs Goliath situation in terms of resources and experience. Fortunately for Jollibee, it was better in tune with the local culture. Jollibee's home grown recipe for its burger was preferred to McDonald's burger in market research conducted in the Philippines. By being established in the Philippines prior to McDonald's entry into the market, Jollibee had set the bar for competitors that were coming into the fast food market in the Philippines. The expectations of consumers were set by Jollibee and McDonald's failed to match the expectations set by Jollibee. Even though McDonald's had the cheaper prices and more intense international presence, consumers still chose Jollibee based on personal preference.

They were willing to pay more for a Jollibee burger that was spicier than pay less for a burger they viewed as inferior at McDonald's. Jollibee also had luck on its side. The political and economic crises in 1983 slowed McDonald's

expansion in the Philippines. When this happened Jollibee went for it all and expanded its core menu to include offerings tailor made for local consumers. Once the dust had settled from the political and economic crisis, Jollibee had expanded to 31 stores, thus having an even more dominant position in the fast food market in the Philippines. When we look at what the best way is for Jollibee to expand globally, franchising may be their best option if it is done correctly. Highlighted by the failure of the franchise in Singapore, Jollibee realized that franchising has major pitfalls.

Jollibee also learned from McDonald's that they need to pick the right partners and the right location to be successful. In my opinion, they struck out too many times, which cost them time and money, with franchises in bigger countries such as Singapore and Indonesia for a franchise to be successful in those countries. However, with the success in Brunei aided by a silent partner who allowed for Jollibee to have total control over the operation, my thought is to have franchises in the smaller nations. It shows that it is imperative for Jollibee that they select the right franchisee in the right location for a franchise to be successful. Question 2

The two themes of Tom Kitchner's international expansion strategies as the first head of Jollibee's international division are "targeting expats" and "planting the flag". The first of the expansion strategies was to target areas where there were large Filipino populations working. This move ultimately failed because the markets that were chosen was limited by both upper and lower class preferences of Filipinos in other nations. Although, this strategy seems like it would have been a viable strategy, Kitchner should have been

more prepared through market research or use of primary or secondary data about the demographics populations that were being targeted to realize this strategy would not be effective. This strategy had potential to be successful if gone about the right way. As mentioned before, a little bit of market research or even looking into the companies past failures in bigger countries could have aided in his targeting of areas with high populations of Filipino expats. The second strategy, “planting the flag”, was based around Jollibee being the first-mover in fast food wherever Jollibee expanded to. This was evidenced by the expansion into Brunei, which was a success.

Jollibee was able to get into Brunei, establish itself and become successful prior to the infiltration of McDonald’s and KFC. They had a similar built in competitive advantage, similar to the advantages held in the Philippines as referenced in question 1, in Brunei and were able to fend off challenges from the bigger fast food companies. This would have been my preferred approach because it had worked in the past and it led to sustained success. It’s not surprise that this led Jollibee to lead the “plant the flag” movement. As mentioned in the case, there are downfalls to this approach. The brand had to reach a certain level of sales in order to really promote and advertise the brand. This would be troublesome if sales were low or if the number of stores necessary to make money was not possible. Jollibee would also need to count on a franchisee to put up the money to build brand awareness, which would not always be the case.

This would require finding a franchisee that could be trusted, which as evidenced by the failure in Singapore, and that could be problematic. In the

end, I don't believe his strategy was focused enough to achieve success. He strayed away from what had made Jollibee a success and that hurt the corporation. It's very possible that his time with Pizza Hut had corrupted his thinking when it came to Jollibee. Pizza Hut was an international brand that was very different from Jollibee in almost all aspects. He expanded too fast from November 1994 to December 1996 without a focused strategy. He wanted too much too soon for Jollibee and that ended up hurting him and Jollibee in the end. He should have adopted a quality over quantity approach when expanding Jollibee. This means that he should have chosen to establish success in a few areas and not worry about how many stores were opened.

### Question 3

When Noil Tingzon took over as General Manager of the International Division of Jollibee, he immediately faced three options that would shape the future of Jollibee. His three choices were to expand to Papua New Guinea, expand its current base in Hong Kong and expanding to California, where there are a high number of Filipinos. The expansion into Papua New Guinea would follow a path that has been successful in the past. This would exemplify the "plant the flag" strategy. The area offers an untapped market that is ripe for a new fast food entity. There are merely three fast food stores that are poorly managed and had recently severed ties with an Australian chicken franchise. The stage is set to have another Brunei type success, if the correct partners are selected. In order to cover the costs in the new market, three or four stores would need to be opened. With a potential franchisee willing to open 5 stores, the situation seems ripe. In New Guinea, Jollibee would get first movers advantage and the franchisee would put up

the money to fund the project. By going back to its roots by not risking any debt or interest, avoiding direct competition while building the base and getting consumers to set expectations for challengers, Jollibee would return to practices that contributed to the early success of the company.

The pitfalls of the New Guinea investment plan are the risk that the consumers will not like the product, a competitor may move in that appeals more to customers before the brand awareness can be built by the franchise and the cultural differences may be too different to overcome. In order to succeed in this endeavor, the franchisee will need to understand what is expected so there are no disagreements and the locations will need to be chosen with nearly no errors. Of the three options, in my opinion, this would be the safest based on past experiences of the company being successful as the first mover in an area where there are limited competitors. That is what the brand identity for Jollibee should be, it's what they have a track record at being good at. The second option of opening a fourth store in Hong Kong is not as appealing as the New Guinea option. The current inability of the current stores to immerse themselves into the culture in Hong Kong along with the operating issues need to be resolved in the current stores before opening a new one. It makes no sense to expand in a market where you are already having issues.

It would be wise to correct the current issues and then reassess the scenario and see if a fourth store is necessary if the current three are thriving.

However, opening a fourth store in the suggested area would improve the awareness of Jollibee in Hong Kong, allowing locals to become more familiar

with the brand something that may boost the revenue of all the stores in Hong Kong. This would not be the choice for me if I were playing the role of Noil Tingzon. The third option of expanding to the United States is very appealing. By flipping the script on McDonald's and expanding in their backyard, Jollibee would be placing itself in the biggest market for fast food, the United States. Although the reasoning may be off, thinking success in Guam would lead to success in the United States, I like the move. With a large Asian contingent, including Filipinos, in California the base may be there.

We have previously seen this idea previously fail in Saudi Arabia and other places, but market research may show Jollibee is wanted or needed in California. If the research shows data that supports favorable expectations of a California expansion, it could be done. Lots of analysis of store locations, the number of stores needed to make the expansion profitable, cultural problems and franchisee options would need to be done as well. Jollibee would also be facing extreme competition it had never faced before.

Americans may not prefer their burgers or menu and relying only on Filipinos for business would not support a long stay in America. For Jollibee this would be a total culture shock for their company. They would now have to manage stores that were 8 time-zones away. This is why a thorough analysis of all options in California would need to be necessary. This is the riskiest of the moves. This move has the most upside, if successful could open up more of the United States for Jollibee to expand to. In the end, my choices rank as New Guinea, California and then Hong Kong.