

The Bee that Stings McDonald's in Asia: Lessons on Strategic Behavior of A Multi-National Company from the Philippines¹

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Abstract

The term McDonalds Index in the field of development studies underlie the global dominance of McDonalds in the area of food chain business. Not known to many, McDonald's has not captured the market leadership in Asian countries where the presence of Jollibee is established. The study provides empirical evidences how a simple ice-cream parlor from the street of Manila reinvented itself to survive business competition and eventually mutated into a multi-national company in Asia, the Middle East and the US.

The study is divided into three parts: first it discusses the business plans and market analysis of Jollibee. Secondly, the study discusses expansionist strategies of the company on how it has captured market leadership in Philippines, China, Taiwan, Brunei, Middle East, and parts of US mainland. Thirdly, the study highlights the lessons that could be drawn for business strategies and corporate management by pointing out insights and brighter options.

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I. Brief History of Jollibee: From an ice cream parlor in the street of Manila to a global fastfood chain

Jollibee is an all Filipino fast-food chain in the Philippines which started as an ice-cream parlor in the street of Manila in 1975. From a family based ice cream parlor, it transformed into Jollibee Corporation in 1978 and opened its own bake shop and on the same year. Gross sales during its initial year posted P 2 million. The corporation introduced spaghetti in its products in 1979 and opened the first franchised store. The market base of Jollibee Corporation during this period is only focused in Manila and being the capital of the Philippines, Jollibee Corporation opted to use the power of advertisements on television and radio in 1980 to promote its products with their own mascots of a happy bee.

In 1981 Jollibee Corporation has entered in top 1000 Philippine Corporation and has expanded into ten outlets in Metro Manila. And in 1982 it introduced a Filipino menu (palabok) in its products. In 1982 two additional Jollibee Mascots were introduced (Lady Moo and Chikee) which represents a particular product within its menu. In 1984, Jollibee climbed into the top 500 corporation and has assumed market leadership in the local fast-food industry. On the following year, the company again introduced breakfast for students and office workers.

It is in 1986 at the height of Philippine nationalism, when Jollibee Corporation won an International Award in Barcelona, Spain and on same year has opened its first offshore outlet in Taiwan. On the same year it has moved into top 250 corporations of the Philippines. Due to major success of its operation in Taiwan, the second outlet was opened in 1987 and the first outlet in Brunei Darussalam was also opened in the heart of Bandar Sere Begawan. On this year Jollibee has earned P570 million gross sales and landed in top 100 corporations.

In 1988, Jollibee Corporation has captured 31 percent of the total market share in the food chain industry and 57 percent in the hamburger segment. Their gross sales jumped to P 921 million. On the preceding year, the second outlet in Brunei has opened and total gross sales have reached P1.3 billion, the first fast-food chain to reach the billion mark. The gross sales continued to climbed to P1-8 billion in 1990 when Jollibee introduced into the market Peach Mango Pie and hotdog.

In 1991 Jollibee opened 35 new stores within the Philippines bringing a total of 100 outlets nationwide and the gross sales reached P2.65 billion. From 1992 until the end of the decade, Jollibee has experienced phenomenal market expansion and captures 73 percent of the market share in the hamburger sector. Jollibee has captured market leadership in Taiwan, China, Indonesia, Brunei, Saipan, Middle East (Saudi Arabia, Kuwait, UAE, Bahrain) and now Jollibee is slowly penetrating the US mainland by starting in California with 22 outlets in 3 major cities. It has now moved to Las Vegas, Nevada and New York, New York.

Currently, Jollibee is the undisputed market leader in the Philippines with 1,383 outlets nationwide and has acquired 100 percent ownership of its rival, Chow King (Chinese foods), Greenwich (Pizza) and Delifranze (bread). It also captures market leaderships over its rivals

in Taiwan and other markets where it has its presence. To strengthen its market dominance in mainland China, two big Chinese fast-food chain in mainland China has been acquired by Jollibee as of June 2008. These are Hongzhoungyuan and YongHeKing. This is in addition to 70 percent stake in Taiwan base Lao Dong restaurants which it acquired for (\$1.4 million). In July 2008 Jollibee acquired 12 percent equity of Chow Fun Holdings in the US, which also has two restaurants that serves Asian foods in New Mexico. The current plan is to open 100 new outlets in China every year (starting 2008) in the next ten years until it has 1000 outlets in the mainland.

II. Business Strategies

1. The educational preparation of the Chief Executive Officer Mr. Tony Tan is impressive. He took his Master of Business Administration at Asian Institute of Management (AIM) in Manila which is considered as one of the premier MBA schools in Asia. The MBA program has proven effective in bringing out insights and ideas to prepare for business expansion and global competition. The MBA program he took offered solid foundation in global analysis of business trends and strategies while at the same time has given him chance to reflect back into the actual situation of managing his own company.
2. The advertisements and packaging of Jollibee may at a certain extent considered a copycat to its competitor McDonalds. McDonalds has its clown while Jollibee created a mascot of a happy bee reflecting hard work and happy face. A smile in Filipino culture is essential in establishing friendship which has been reaffirmed by the working culture developed among the crew of Jollibee. The bee mascot has effectively captured the attention of all social classes in the Philippines which widened immediately its market base. The design and color of the bee is classy which appealed to the upper class. The bee is also easily identified by the middle and lower class because the Philippines being an agricultural country recognized the bee as a partner in its production. Unlike the clown which is not part of the Filipino culture, it has scared children which runs counter to its intention to capture the market. In effect in the early part of the competition, Jollibee has captured the sentiments of its Filipino market by using deep cultural appeal where every Filipinos could identify and associate as part of their daily life.
3. Local market study is essential in Jollibee prior to its entry in the local market. It has spent more than two years in research of the market in mainland China prior to its major acquisitions. Local market study show serious cultural norms and values, public policies, supply chain, expansion options, local partners.
4. Immediate market based. This refers to more than 10 million overseas Filipino workers (OFW) working or living outside the Philippines. Market expansion of Jollibee outside Philippines was intentionally for Filipino workers living abroad. Jollibee has become a symbol of Filipino pride and an area of socialization among

them. The immediate success of Jollibee outlet in mainland China which opens across the existing McDonalds is attributed to more than 5,000 OFWs living and working within the area. Having a 5000 captured regular market with a multiplier effect (average of 4: friend, officemates, children or elderly being cared by caregivers) plus the local walk-in customers, the store has already captured more than 20,000 customers. A strong market base to immediately threaten market dominance of McDonalds in the area. This same case reflects in the US mainland with more than 3 million Filipinos working in the medical field. The 3 million only reflects the first wave of Filipinos that has entered the US as nurses, teachers, tutors, and domestic helpers. With most of them having families and children (average of 3) the US mainland alone has a captured market of more than 10 million with Filipino ancestry.

The middle east with more than 2 million OFWs has made immediate success and continued to expand and cater for both Filipinos and other Asian migrant workers.

5. Flexibility and Pricing. Jollibee adopts the local food taste and adjusts its product line according the local standards while retaining its original menu for Filipinos. This gives Jollibee an advantage in capturing the Filipino market and the locals. Menus of chicken in Malaysia, Indonesia, and Brunei has an Indo-Malay flavors of satays (peanut sauce and spices) while same chicken menus in Taiwan, China, Hong Kong has bell peppers, tomato sauce, pineapple and bit of sugar. Menus in the Middle East has more spices and labeled Jallal, while menus in the US mainland were adjusted to fit the American tastes similar to that of McDonalds. The pricing of Jollibee if compared to McDonalds is almost the same but Jollibee has adjusted its price bit lower in terms cents. Example in some stores of McDonalds, the price of a regular soft drink, regular hamburger, and regular French fries is \$10.30, Jollibee offers the same product for \$ 9.95.³ This will appear positive for regular customers who are particular of the price in getting same products.

III. Insights and Some Brighter Options

Europe is the unpenetrated market but the home of more than 3 million OFWs. Large concentrations of Filipinos are in Italy (Milan and Rome with nearly 1 million), Spain (Barcelona more than 400,000; Madrid and Toledo 200,000), United Kingdom (London 200,000), Ireland (70,000), The Netherlands (10,000) , Luxembourg (20000), Belgium (20000), Germany (30,000), and Switzerland (Geneva 12,000, Zurich 10,000, Berne 8,000, others 8,000). With the opening of France as market for OFWs to work in hospitals and hospices would surely increase the presence of Filipinos in Europe.

Major European ports of entry like Copenhagen, Denmark; Antwerp, Belgium; Rotterdam and Amsterdam, Netherlands; and Hamburg Germany are immediate potential markets of Jollibee.

³ The figure is constructed for illustration purposes.

Why? Two million Filipinos are sea-based workers working as ship crews from ship captains down to the lowest staff. If the average docking of each ship in every port of entry is 10 days for loading and unloading with more than 30 Filipinos in each ship (multiply this to ten ships on the average) would give at least 300 Filipino sea workers to patronize the each outlet daily.⁴

What is meant by the figures? It means captured market of Jollibee when it plans to penetrate Europe market.

The Filipino community in every parts of Europe has an established organization which binds them together. Their organizations offered them socialization activities, cultural entertainments, psychosocial activities and legal support for those being abused by their employers. One of the directions being studied by each organization is to support inherent Filipino business in the global market. This is a healthy sign of market driven initiative for business expansion.

I am happy that Jollibee has opened franchise strategy in market expansion. With the desire of OFWs based here in Europe to support Filipino corporations such as Jollibee, Europe will soon taste its products. The bee has already swarmed Mac in Asia and continued to chase Mac in its home in US mainland. Soon the bee will sting Mac in hearts of Europe. Thank you.

⁴ Conservative estimate.

