

## **CASE D-1**

### **Jollibee: Catering to Local Tastebuds the World Over**

These teaching notes were prepared by Marcellian Arlany and Lau Geok Theng.

#### **Case Objectives**

- To understand the concepts of needs, wants and utility.
- To explore marketing strategies to enter the global market.

#### **Case Synopsis**

- Jollibee was re-branded from Jollibe by Tony Tan and his family who started off with selling ice cream. The change was initiated by a better gain they got from selling their side orders – burgers, instead of their main product – ice cream. Positioning itself as one that offers high quality fast food at reasonable price, Jollibee was the first Philippine fast food chain that broke the 1 billion peso sales mark in late 1990s.
- The company tapped on its business expansion to grow its capital expenditure. By March 2008, Jollibee's assets nearly doubled to 4.0 billion pesos with outlets that totaled up to 1464 in Philippines and 191 overseas. The company acquired other fast food chains in local and overseas markets as to establish its name in the fast food industry.
- Jollibee's business strategies and product offerings vary across its operations in different markets. To enter an international market, the targeted at local expatriates who were positioned in those selected international markets, also to focus on the less competitive markets. Another strategy was to position itself as an 'alternative' not direct rival to its competitors.

#### **Case Questions and Answers**

##### *Question 1*

*What needs and wants are fulfilled by Jollibee's products and services? What utilities are satisfied by Jollibee's offerings?*

- Needs are the basic human requirements. The physical need served by fast food chain like Jollibee is the need for food for human survival. The social need to feel belong and have a 'taste of home' particularly for the Filipino expatriates working overseas. The individual or self-esteem need served by

Jollibee is the need for self-expression as consuming fast food is linked to a young, fast-paced and modern kind of lifestyle.

- Wants are desires for specific objects that are driven by needs and shaped by customer's knowledge, culture and personality.
- The wants that Jollibee fulfilled are customer's want to consume fast food instead of other types of food, to find a place where they can enjoy meals that reminds them of home as to cure their homesickness and where they can organize gatherings or special occasions with their family and friends, and lastly to be seen as individuals who lead a fast-paced and modern lifestyle.
- Utility refers to the benefits or customer value received by users of the product as a result of marketing exchange process. Four types of utility satisfied by Jollibee are form, place, time and possession.
- Form utility refers to the production or alternation of a good or services for consumers. Jollibee turned ingredients for their food such as chicken, bread, tomato, cheese and lettuce into burgers.
- Place utility refers to the value to consumers for having products or services where they need them. Jollibee first outlet in US was located at Daly City which was heavily populated by its target market – Filipino immigrants. Also, the company created more drive-thru windows to suit the lifestyle of Americans whose main mode of transportation is cars.
- Time utility refers to the value to consumers for having products or services when they need them. Jollibee outlets in various countries are usually open from 6.00 AM to 10.00PM or later. Basically, they are open during the usual dining hours.
- Possession refers to value creation to consumers for their ability to use or consume the products or services they buy. When Jollibee consumers buy their food, they can consume it safely. Its UAE outlets also provide function rooms where consumers get to organize gatherings or special celebrations with their family and friends while enjoying the dishes offered.

### *Question 2*

*What global environmental factors confront Jollibee as it pursues international expansion?*

- Global environmental factors faced by Jollibee can be classified under the PEST (Political, Economic, Social and Technology) framework.

- Under the political factor, companies in the Food & Beverages sector has to adhere to certain rules and regulations set by each country. In most cases, it has to pass the food safety standards and be certified by the local ministry before operations. Also, building good relationship with local suppliers and franchisees are equally important as different countries have different nature and culture of doing business.
- Under the economic factor, the main concern will lie on the rising commodity prices such as rice that will reduce Jollibee earnings as costs of production increase. This will give a greater impact for those outlets that use rice as their key ingredient. The economy crisis also result in consumers cutting down its spending on leisure food such as fast food, as they turn to home cooked meals to save money.
- Under the social factor, consumers are getting more health conscious nowadays that they reduce their fast food consumption. Globalization has also allowed many American or other international fast food chains to enter the Middle East and Asian markets thus resulting in higher competition for Jollibee. As the demand gets smaller, number of suppliers of fast food chain gets bigger, a red flag signal to Jollibee as its market share may be affected in time to come.
- Under the technological factor, there is a constant emphasis of sustainability in business operations. As there is a growing concern to be environmentally friendly such that businesses are encouraged to fulfill the 3Rs (reduce, reuse, and recycle), Jollibee may have to tap on technology development to re-design its food packaging or other materials used as to conserve the environment.
- Understanding Jollibee target markets well and building good relationships with local partners are particularly important as they can help the company to penetrate through the markets more effectively.

### *Question 3*

*What market entry strategies are Jollibee using in the international markets? Do you think these strategies are appropriate? Why or why not?*

- The first strategy the company used is to select its international market carefully. Its main focus is to enter to market where there is large number of Filipino expatriates and where the market is less competitive. Internally, Jollibee also introduced a new department that will be responsible of all matters with regard to franchising. International franchises also adopted the standardized Jollibee floor plan and closely followed other operating decisions to ensure consistency and efficiency throughout all outlets.

- To support its direct entry to the selected international markets, the company uses two ways to gather important information: send a team of staff to study the market and industry in the selected markets or acquire local food chains and employ the locals to help them better understand the local consumer markets. These two ways were adopted in Jollibee expansion in US and China markets respectively.
- Another strategy is product adaptation in which Jollibee re-design its product and service offerings to cater to the different local needs and wants. For instance, Chowking in UAE provides function rooms for consumers who frequently patronize the outlet for gatherings or celebrations of special occasions. Also, it modifies its menu to satisfy its target market whose perceived desire is to enjoy food with a ‘taste of home’. Another example will be its Brunei outlet that offers more Asian-like dishes to suit the local familiarity of taste.
- The company tries to position itself as a fast food chain that offers high quality of fast food at affordable price and yet every set of menu is localized to meet the different tastes and expectations of consumers in different international markets.
- Lastly, the company adopts multi-branding strategy to establish its names in the fast food industry. This is to ensure that it acquires large market share and that if one brand name fails, it can tap on others in the same industry.
- It is reasonable for Jollibee to enter the international markets directly because it has done an extensive market research by sending its team to study the market before hand. By acquiring local brand names, it also enables the company to tap on the local knowledge to further improve its own Jollibee outlets in that country in order to better satisfy consumer’s needs and wants. Furthermore, since Jollibee has been a successful brand name in Philippines market, it will be easier for it to attract its target consumers who are originated from that country as well.

#### *Question 4*

*What marketing mix strategies are Jollibee using in the international markets? Do you think these are appropriate? Why or why not?*

- For product, Jollibee focuses on localizing its menu to local taste and preferences and at the same time retaining its original trademark as an American fast food. Additional new dishes and services are also introduced whenever and wherever necessary.
- For price, food is priced at reasonable price.

- For place, its outlets in US and UAE are located where its target markets are. For instance, its first US outlet was opened in Daly City which is heavily populated by Filipino immigrants. Also, Jollibee introduced more drive-thru windows in US outlets compared to Philippines as to suit the American main transportation mode. Other outlets were opened in major cities such as New York and Dubai.
- For promotion, Jollibee used its mascot of a large bee in a shirt, blazer and chef hat that portrays its fun personality. Also the international division of the company added a slogan “great burgers, great chicken” to its logo to emphasize on product offerings to its logo. The company also expects a higher spending for its advertising and positioning plans in near future. Its next campaign in Indonesia will focus on branding and in-store activation.
- The marketing mix strategies used are fairly appropriate. Nevertheless, the company should try to keep its originality of serving Americans’ all time favourite fast food instead of localizing its menu too tremendously. This to say that Jollibee has to stay focus on its unique branding as a fast food chain as not to confuse its consumers.