

## WHY IS THERE NO COMPANY LIKE JOLLIBEE IN KOREA?



Jollibee Foods Corporation has been in the news recently with their acquisition of the Coffee Bean & Tea Leaf brand. It was their second major buy-out in the USA market following the purchase of Smashburger. It is an unusual strategy for a foodservice company from an emerging market like the Philippines, but then again Jollibee is anything but a usual company.

Since its start 40 years ago, the company has grown dramatically with a mix of organic development and acquisitions of brands. Never content to be just a fast food leader in the Philippines, the company has grown its brand footprint to China, Vietnam, the Middle East, parts of Europe and now the USA. The company also entered into a partnership with the well-known American Chef, Rick Bayless, to develop a Mexican fast-casual brand in that market as well.

At the end of 2018, Jollibee sales exceeded US\$4 Billion and the group operated more than 4000 locations worldwide. They are selling congee, noodles and American donuts in China, Pho noodles, burgers, fried chicken and coffee in Vietnam, & burgers, coffee and Mexican food in the USA, in addition to their wide portfolio of brands in the Philippines covering burgers, grilled chicken, pizza, Chinese, & bakery. They also recently entered in to an agreement to develop the Michelin star Tim Ho Wan dim sun brand in Asia Pacific.

Their key mission is “to serve great tasting food and spread the joy of eating to everyone.”

So how did this upstart from the Philippines really build such a powerful company in the foodservice industry and why is there no similar group in Korea or Japan for that matter? What can Korean companies learn from the Jollibee success?

### **Fearless Entrepreneurial Orientation**

Jollibee is Tony Tan Caktiong, the founder of the company. He is the driver of the strategy and the key reason for the success. While Jollibee is a family company, the founder is the undisputed decision maker. He had a vision to be a global leader in the foodservice industry while building a dominant position in his own country first. He has made many bets in emerging markets as well as the USA and some may well fail, but he is taking risks he thinks are prudent to build a world class foodservice company. While large groups like McDonald's, YUM and Starbucks are willing to take long term losses in selected markets to build businesses, none of them had the level of brand diversification and an initial small base like Jollibee to start from.

Naturally we can point to the great Korean entrepreneurs who built Samsung, Hyundai LG, and others. Their main strength was in manufacturing not service businesses.

They could make products that had appeal all over the world with minor modifications. Food is a much bigger challenge as most cuisine is local. Tony Tan knew that the Jollibee brand would not play well in international markets except in Filipino communities so he went out and acquired local brands that would have that appeal. Large Korean foodservice groups are mainly trying to sell Korean food outside of their borders but Korean cuisine is not likely to have sufficient mass appeal to be a large enough business opportunity overseas.

### **International M&A Mindset**

As we mentioned above, Jollibee is not afraid to take the risk and buy brands in overseas markets. Why have not Korean brands adopted this strategy to grow overseas? I think it all comes down to the management of the company. Most English speaking managers with good educational backgrounds tend to work for the Chaebol firms. English capabilities in Korean foodservice companies tend to be very low. The Heads of their International Divisions tend to have little international business experience and are simply not capable of developing an overseas M&A strategy and then selling it their President. Also, most foodservice companies tend to rely on a local model that sells individual franchises to retired businessmen or young couples. Many have no real knowledge about the international marketplace. On the other hand, Tony Tan spoke English and was well travelled.

### **Lack of Flexibly**

Jollibee has always been very flexible and adaptable to local conditions overseas. They usually stuck with the Philippines game plan in the beginning but adjusted rapidly if they suffered large financial losses. From my experience, Korean managers are less flexible and more stubborn in their approaches to international business. They are a product of their insular culture – the so called “Hermit Kingdom.”

Several Japanese companies are now aggressively expanding overseas with their brands and also looking at M&A options in selected markets. Toridoll Holdings (Marugame Seimen), has been investing in restaurant concepts in Hong Kong, Europe and the USA to diversify beyond their udon noodle base. Ippudo has become the most famous ramen chain in the world with their overseas expansion and the same can be said for Coco Ichibanya in the curry rice sector.

Korean companies can emulate these strategies if the man or woman at the top is flexible, adaptable and has a strong entrepreneurial spirit. Who is the one who will do it!