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COMPARATIVE STUDY OF FAST FOOD OUTLETS

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ABSTARCT

The paper is based on the study of the practices of branded eating joints in Mexico and India. The branded eating joints were selected for two reasons: One the sector is very competitive, two the joints have mature practices and three these are professionally managed taking sufficient care of the consumer preferences. India and Mexico are two countries placed diagonally opposite on the globe. In spite of a world full of differences between the two, there are some striking similarities. The study tries to highlight the differences in customer expectations vis -à-vis the fast food services in these two societies.

The study evaluated the hypothesis by one, studying the consumer response- enabling gap analysis – what consumer wants and what he gets, two by analyzing the provider opinion of his/ her services, three by making independent observations.

Most of the service providers have become conscious of the requirements of the customer satisfaction. They would like to have valuable feed back from the customer. Unfortunately, in spite of their best intentions they fail to understand that consumers of services have needs and requirements that are typically local. They are used to designing services and feedback evaluation forms that are standard and created and used by corporate offices. They fail to realize that local priorities often are different and vary from location to location. They perhaps need to even position their services accordingly. Branded (franchised) eating joints are a case in point. The study focused on identifying the relative importance of various service quality dimensions and the respective gaps.

INTRODUCTION

Ever since the economic liberalization in India in early 1990s, the service sector has witnessed an unprecedented boom. Both, the local service initiative and the international participation have increased many folds. According to Human Development Report, 2000, the

contribution of services to the GDP was 45%¹. As a result of this structural economic transformation, it has become apparent that we focus more on services and at a micro level we need to develop expertise in managing these service companies- earlier the better. While services have touched almost every aspect of our existence, one of the more visible and talked about sector is the quick-serve food industry, popularly known as the “fast-food” industry. While the socio-economic construct of the society is undergoing a huge change owing to the globalization and thereof the ever-changing aspirations of the consumer, there has been a growing trend for dining out. This opportunity has been capitalized by the local enterprise as well as the global players like McDonald’s, Domino’s Pizza, Wimpy’s and Pizza Hut to name a few. Presently with central government in process of drafting a specific food processing policy the availability of amount of food in processed form is expected to increase from 2% to 10% of the total food produced in the country.

As the competition becomes fiercely intense there is a growing pressure that these players look into the specificities of consumer taste and means to approach them and thereafter satisfy them. They must use all resources at their disposal to woo them and retain them. The key is superior service.

Service providers are often found to be apprehensive of their service products owing to their intangible nature. They relentlessly make efforts to tangibilize their offers so as to convey the concept and design to the consumers. This leads to creating a context for offering the services. This can be understood as the environment of service encounters. Service literature has identified three important dimensions of this context (called the contextual variables) – the participants (their packaging, presentation and

¹ Reports by Reserve bank of India (apex central bank of India) suggest that the contribution of services to the GDP had touched 51.16% in 1998-99 itself.

interaction), the process and the physical evidence (the setting, décor, etc.). This thus extends the traditional marketing mix from four (product, price, place and promotion) to seven (participants, process, and physical layout). The service provider thus makes an attempt to position its services (both copy positioning and product positioning). The underlying hypothesis of the proposed study is that the context created by provider is in consonance with the socio-economic-cultural construct of the society.

In this paper we have made an attempt to compare the “branded eating” scenarios in India and Mexico for select multinational eating joints. For the purpose of study we have selected McDonald’s, Pizza Hut and Domino’s Pizza as these have significant presence in both the countries. We have selected Mexico and India as cases as these two societies placed almost diametrically opposite on the globe have striking similarities and differences that we believe have significant affect on their respective consumers. Geographically placed between almost the same latitudes the two countries have striking similarities in their climate and vegetation. The geographical diversity of the two countries is comparable. As history suggests that the accidental discovery of this part of Americas was mistaken as India. The indigenous people even today are called Indians. Both the countries have been home to some great civilizations- Mayas and Aztecs in Mexico and the Civilization of Saraswati River in India, before they fell to the European colonizers. While Mexico was a Spanish colony, India became a British colony.

Yet there are differences in the two cases. While Mexico has been independent for almost 180 years India is a relatively young nation with 54 years. The Mexican society is more homogenous in terms of culture dominated by catholic traditions and a common language (though there are some other marginal linguistic groups). Indian society on the other hand is very heterogeneous- different racial groups, different religious traditions, almost 18 national languages, high rate of illiteracy, and the traditional society. This makes the Indian consumer diverse and fragmented. They have to be approached as different segments. The effects of colonialism and bureaucracy are still very visible in Indian systems.

As far as the distribution of population is concerned, 70 % of Mexicans live in urban locations. As opposed to this 70 percent of Indian live in scattered villages, while the remaining 30 percent is shared by more than 500 cities. This has offered an economy of scale to Mexican retailing including food retailing. On the other hand the sheer population of India has attracted companies from all over the world. While Mexico had always had the influence of proximity of United States, India, because of its pre cold-war affiliations had a socialistic leaning. It was only in early 1990s that the liberalization was effected. The subsequent political leadership of the country continued

this. Hallmark of Mexican economic progress was the signing of NAFTA in 1986.

The two countries today are growing and leading developing economies in the two hemispheres. While Mexico enjoys the US support, in recent years there has been a growing US interest in India. While the Mexican economy has averaged around 3-4 % growth rate the Indian economy has also show a significant growth rate of 5-6 % during recent years.

Branded Eating Joints in third world: - The current restaurant system prevalent across the third world is highly fragmented and unorganized. Anyone with some money and some real estate can open a restaurant shop and cater to the demands. There are a number of reasons behind this fragmented restaurant system. Some of the major reasons being- poverty and lower literacy levels, low per capita income, savings focused and less indulgence mindset, poor infrastructure facilities like roads etc., high taxes, no exposure to media, high import duties on imported goods, restaurant is not considered as a business or industry by the government, and, expensive supply chain.

Besides this there are other reasons too, which led to stifling of growth of organised segment of restaurant chain and which have instead led to high fragmentation of market.

Today, in the third world most of the restaurants are family run and locally owned. There are very few nationally present restaurants. But slowly with increasing influence of media and urbanization the market is shifting towards organised segment. Seeing the huge market size of restaurant in the country and the current level of organised segment many players have jumped into the fray and many are waiting for the right opportunity to enter it.

ANALYSIS

“Dining out” is more prevalent in Mexican society and visiting restaurants is a part of routine. Further, pizza and burger lines are now much accepted as a regular part of the food. Working people usually go out to eat as it goes well with their daily busy routines with both husband and wife being working. In India on the other hand the male member is generally the earning member and with shorter working hours every day in a 6-day week, people prefer to eat at home. They generally get to work with a heavy breakfast or early lunch and have dinner back home. Further while the taste for burgers and pizza is picking up, yet it has not become a part of regular food. It is still a snack that is enjoyed once in a while- some special occasions or a freak out. Though McDonald’s had positioned itself as a “Family Restaurant” it still is a choice for youngsters. Pizza Hut because of its Premium pricing in India and the décor and other contextual factors has almost scared the younger freak-outs and is therefore visited more by families and elders. This kind of difference was not visible in Mexican outlets. In India going to

restaurant with family is limited to only “special occasions” while it’s the friends that more frequently accompany to eating joints. While this was true for Mexican customer also the difference was not much significant.

Gender preference for restaurants was almost same for both the cases with male: female ration being 59: 41 for India as compared to 52: 48 for Mexico. The difference can be explained by the social norms in two societies- in India the women are not generally out going. But this trend is fast changing, especially in the middle and higher income groups that are the potential segments for these outlets. Another notable feature was that while Pizza hut was believed to be more a regular dine-out joint, McDonald’s was perceived to be a freak-out joint. Subsequently, the gender ratio was 57: 43 for Pizza Hut while it was 66: 34 for McDonald’s. In Mexico by contrast, because of freer mobility of women and their mixing with men the ratio was 51: 49 and 52: 48 for Pizza hut and McDonald’s.

Another important variable was age. The most significant group in India was 18-28 years. While this was an important group in Mexican outlets also, the other age groups were also in significant numbers. Mexican outlets attracted customers of all age groups from 8 to 58 years of age. In India by contrast the two groups 8 to 18 and 48 and above were significantly less. This can be explained by the fact that in a more collectivistic Indian society the young people especially girls are more dependent on the family that has shown fewer propensities to visit these outlets (as a family). Similarly for the elder population visiting restaurants and other such places is not common unless it is a family occasion. Mexican society though also collectivistic and family oriented, allows relatively more freedom to younger people. The older group also visits these outlets for routine dining and by official engagements. McDonald’s in India has to a limited extent been successful in attracting kids and the their younger parents through its promotions and play facilities for children. This was missing in case of both Domino’s and Pizza Hut.

The marital status also appears to play an important role in Indian market. Marriage perhaps means the start of “the family way” of life that is supposed to be significantly different from the earlier part of life. 69% of the people who visited McDonald’s were singles. This is also supported by the fact that the most significant group was from the age group 18-28. The “freak-out” perception perhaps played an important role here too. Almost 50 % of Pizza Hut’s clientele was married. This perhaps augments its position as a more sophisticated regular dining-out joint. Domino’s Pizza had an intermediate position with around 40 % of its customers being married. The trend was similar for Mexican customer though the differences were not very pronounced- Mc Donald’s 51%, Pizza Hut 56% and Domino’s Pizza 54% being married.

McDonald’s commands loyalty with 68% of its Indian and 40% of its Mexican customers being frequent visitors. 56% of Indian customers are frequent visitors at Pizza Hut while 52 % of Mexican customers say that they are coming there for second or third time and only 17% say that they are more frequent visitors. This is perhaps because the Mexican customer has more choices in terms of eating-joints. The low percentage of people visiting Domino’s is because of its positioning as a “home delivery” service. People do visit Domino’s outlet but subsequently rely on its home delivery services. But pizza being a non-traditional food for Indians it is generally associated with fun and special occasions. Domino’s in India have therefore invested significantly in their restaurants. People do not consume their pizza out of need or pressure of time thereby availing of their home delivery services- they do come to Domino’s for an outing or place an order for pizza to have something for a change.

Generally people visit these eating joints with their friends. This inference stand supported by the fact that the maximum crowd that visits these places one-unmarried college-going students, thus they come accompanied mostly by their friends. The companion groups mostly consist of family, friends & spouse. Looking to the collectivistic nature of Indian society, McDonalds tried to position itself as “ A Family Restaurant” yet the consumer’s do not view it as such. At McDonald’s, 55% people visit along with their friends and 37% people visit the place with their family. This is supported by the fact that most of the people visit McDonalds for freak out. Thus McDonalds provides them an environment for this. At Domino's 51% people their visit with their friends and 28% people with their family. Domino's also shows a trend of visiting the place with spouse, which is minimal for the other eating joints. At Pizza hut 90% of the people visit Pizza hut with their friends and family members. So they have shown equal preference for friends and family members. Pizza hut provides an ambience, which makes people visit with their family members, which is not so with the other eating joints. On the contrary, in case of Mexican consumers of McDonald’s around 36 % come with family, 32 % come with friends and only 20% come with their spouses. In case of Pizza Hut around 48% people come with friends, 22% with family and only 15 % with spouses. At Domino’s Pizza maximum customers come with their friends. As expected in case of family or spouses they prefer to have the pizza home delivered

Another interesting characteristic of consumption was the occasion to visit the outlet. In case of McDonald’s (80%) and Pizza Hut (37%) celebrations (other than birthday’s) was the most important occasion for visiting these joints. Domino’s didn’t attract customers for any kind of celebrations in its premises (less than 20%). In case of Indian customers analysis showed typicality. Celebrating birthdays was one of the most important reasons for coming to joints (around 40%) followed by celebrations of

other types (32 %). In case the birthday party was for friends; McDonald's was a preferred joint. In case it had more serious gathering of family and family-friends, Pizza Hut was more preferred. Thus while the Indian consumer enjoyed at these outlets for special occasions, the Mexican consumer was a regular visitor in spite of any special reasons. Around 35% percent visited for "other" reasons in case of Mexican consumers while this was as low as 26% in case of Indian consumers.

As far as the preferred day of visit was concerned it was more uniform in case of Indian consumers with a variation of just 6% within different days. This could be attributed to the fact that many offices in the country (barring the metropolitan cities) have a six-day work schedule. People work lesser time each day and have time to enjoy every day. Mexican society that generally have a 5day week have shown greater demands on Fridays (26%), Saturdays (34%), Sunday (11%), Monday (10%) while the it's as low as 4% on Tuesday and 2% on Wednesday. The concept of weekend is more pronounced in Mexican society. For Indian consumer weekend and weekdays do not make much difference. Though Sunday is a preferred day. As far as the time of the day is concerned in all cases evenings are the most preferred time. Yet while the traffic is very thin in during daytime in India (8 to 9 %), it's more in Mexico (15-20%). Among all variation in demand for Domino's pizza is far less than the other two. This may be because of the "calling option" at Domino's.

Indian spend less time in the restaurant with only 62 % in McDonald's, 72% in Domino's and 71% in case of Pizza Hut staying more than an hour. In case of Mexicans more than 85% in McDonald's, 91 % in case of Domino's pizza and 95% in case of Pizza Hut stay more than one hour in the restaurant. Accordingly, the restaurant dining spaces are larger in case of Mexican outlets as compared to the Indian outlets. The natural exception being Domino's Pizza as many Mexican consumers prefer the home delivery while Indian consumers of Domino's may come down to restaurant to enjoy.

Another very significant difference in two consumer types is with reference to the source of information they have about the restaurants. Advertisements and hoarding are the most important source of information for Mexican consumers with more than 65% relying on these sources. The Indian consumers were found to rely more on personal recommendations of friends and other acquaintances. This was especially true for Pizza Hut (56%) and Domino's Pizza (52%). For McDonald's 44% respondents reported that they received information through TV commercials and newspapers. Hoardings doesn't seem to be that important media to reach out for this segment of Indian consumer.

CONCLUSIONS

Services are ephemeral and experiential. This very fact establishes the importance of customer perception about the service quality- in absence of tangible elements. Two issues are worth noticing. One that service customers looks out for tangibility in the surrounding context to gather some clues to base his evaluation on. The service providers must therefore be very careful in designing the service environments. Second, the perception of the customer about the service is what matters and that this perception is affected by the context. The perception of the customer in turn is to a large extent dependent on his past experience and cultural systems. A service context is considered appropriate only if it is culturally befitting. Customers judge the context subconsciously through the window of their cultural context. As more and more service companies try to go international, they must give a serious thought to the cultural differences as they attempt to enter the alien markets. Some elements of culture are more visible while others are subtle. This would result into some of the elements of service package being accepted as it is and some others requiring major modifications.