
by

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Thesis submitted in partial fulfilment of the requirement for the degree of Doctor of Philosophy

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DECLARATION

I declare that this work has not been previously been accepted in substance for any degree and is not being concurrently submitted for any other degree.

I further declare that this thesis is the result of my own independent work and investigation, except where otherwise stated (a bibliography is appended).

Finally, I hereby give consent for my thesis, if accepted, to be available for photocopying and for inter-library loan, and for the title and abstract to be made available to outside organisations.

Mohamed Abdelgawwad Aly Abdelgawwad (Candidate)
DEDICATION

The work is dedicated to my honourable father, mother and my grand mother Elsheikh Mohamed Hamza Elfeqy. Also, my dear and respected wife Dr. Shimaa Genedy, my lovely two sons “Zeiad” and “Hamza”.
ACKNOWLEDGMENT

I would like primarily to praise and thank ALLAH, the most Gracious and the most Merciful, who has given me the ability to do this work.

Although few words do not do justice their contribution, I would like to thank many people for making this work possible. In particular, I would like to express my deepest gratitude and sincere thanks to my director of study my supervisor Prof. Elii Jones, for her patience, interest, support, professional guidance and unlimited intellectual advice which has been very inspirational. Dr. Phil Coleman for his support and assistance continuing throughout this journey. Finally, my supervisor Dr Stephen Moore for his encouragement, support and valuable advice.

Special thanks to my beloved country “Egypt” which gave me this opportunity to study in the UK by sponsoring this research. I also would like to thank all the restaurant managers and other practitioners who participated in this research for their time and their input. I also would like to thank my all my colleagues and all the family of McDonald’s Egypt.

Last, and by no means least, I am very grateful to my extended and immediate family for their support. I would like especially to thank my dear wife Dr. Shimaa Genedy her unlimited support and encouragement, two my lovely sons “Zeiad” and “Hamza” who have been my source of inspiration and my brothers and sister for their unlimited encouragement and support.

Wales 2012
Mohamed Abdelgawwad Aly Abdelgawwad
ABSTRACT

Global quick service restaurants (QSRs), e.g. McDonald’s and its iconic golden arches, have been in the vanguard of the globalisation phenomenon in non-Western countries. Various challenges have forced global QSRs to “think globally but act locally” spawning a new generation of products, referred to in this thesis as “glocal products”. In Egypt, for example, the arrival of global QSRs in the late 1980s catalysed a highly-competitive industry comprising global QSRs (e.g. Wimpy’s, McDonald’s, Hardee’s, KFC and Burger King - many of American origin) and local QSRs (e.g. Mo’men, Wessaya and Cook Door). American military interventions in the Middle East – Iraq and Afghanistan – fuelled anti-American feelings. McDonald’s was seen to be too American and was boycotted. In response McDonald’s sought to promote its local credentials through various activities including developing new glocal products – first the McFalafel sandwich and later the McArabia sandwich.

The aim of this study was to investigate the critical success factors for new glocal product development activities through a single case study of McDonald’s Egypt with two embedded units of analysis - two new glocal products - launched in Egypt: the failing McFalafel and the successful McArabia. The study involved a case study of four global and four local QSRs in Egypt through three phases of data collection involving in-depth semi-structured interviews with QSR experts and senior managers supplemented by the analysis of relevant documents. Phase one focused on external factors driving the new product development process. Phase two explored internal and product-related factors. Phase three focused on the new glocal product development process itself.

A model of glocalisation through new glocal product development by global QSRs in non-Western countries (Egypt) identifying the critical success factors for new glocal products was developed. The model shows the interrelationships between a complex set of factors that can be used by practitioners to enhance the chances of success for new glocal products in non-Western countries.
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LIST OF ABBREVIATIONS

APMEA: Asia Pacific Middle-East Africa.
BOG: Be Our Guest.
BSE: Bovine Spongiform Encephalopathy
CHAMPS: Cleanliness, Hospitality, Accuracy, Maintenance, Product, and Service.
CSR: Corporate Social Responsibilities
FIT: Food Improvement Team.
GBOSH: Go Big or Stay Home.
GDP: Gross Domestic Product.
GSF: Golden State Food.
H1N1: Swine Flu
HRM: Human Resource Management
IT: Information Technology.
LEED: Leadership in Energy and Environmental Design
MDS: McDonald’s Delivery Service.
MNC: Multi National Companies.
MTO: Made-To-Order.
QA: Quality Assurance.
QSRs: Quick Service Restaurants.
R.D.: Research and Development.
SKU: Stock Keeping Unit.
SMS: Short Message Service.
SWOT: Strengths, Weaknesses, Opportunities and Threats.
TNS: Transparent Network Substrate.
Wi-Fi: Wireless Fidelity.
# Introduction

## 1.1 Introduction

## 1.2 The quick service restaurants

## 1.3 Globalisation, localization and glocalisation in the global marketplace

## 1.4 The quick service restaurant industry in Egypt

## 1.5 The research problem and title of the thesis

## 1.6 McDonald's in Egypt

### 1.6.1 The McFalafel sandwich

### 1.6.2 The McArabia sandwich

## 1.7 The research questions

## 1.8 Aim and objectives

## 1.9 The significance of the research

## 1.10 The structure of the thesis

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CHAPTER ONE
INTRODUCTION

1.1 Introduction

I am Mohamed Abdelgawwad. I have been involved in the hospitality industry academically and practically since 1996. I am currently an assistant lecturer of Hospitality Management in El-Minoufia University in Sadat City in Egypt. I have been sponsored by the Egyptian government to undertake my PhD degree in Cardiff School of Management at the Cardiff Metropolitan University, Cardiff on the topic of quality management.

Academically, I completed my Bachelor's degree in Hospitality Management at Helwan University in Cairo, Egypt in 2000 and my Master's degree also in Hospitality Management at Helwan University in 2004. In 2002, I got a job as a demonstrator in the Hotel Management Department in El-Minoufia University. In 2004, after completing my MSc in Hospitality Management, I was promoted to the post of assistant lecturer in the Hotel Management Department at El-Minoufia University.

Practically, during the period from 1996 to 2002 I trained with the Magdy Ghaly Group who operate five-star floating hotels on the River Nile on the Luxor-Aswan route in Upper Egypt and with the Sofitel Cairo El-Maadi Towers Hotel (a five-star hotel). I also worked in a number of quick service restaurants (QSRs),...
including Wimpy in Elharam in Cairo. After my graduation in 2000, I worked in various Cairo-based hotels: the Helnan Shepherd (a four-star hotel), the Royal Meridien (a seven-star hotel) and the Pyramids Park Intercontinental Resort on the Alexandria desert road (a five-star resort hotel). Finally, I worked in TGI Friday’s, a casual dining restaurant, in Heliopolis in Cairo.

I am particularly interested in QSRs and their impact on the process of globalisation which, in relation to its impact on Egypt (my home country) in general and the Egyptian hospitality industry in particular, has been relatively underexplored. McDonalds (and its golden arches – see Figure 1.1) is a global QSR which has become emblematic of the United States of America (USA) and a trailblazer for the globalisation process through its global franchising operations. However, its manifestation in different country contexts is not the same and in Egypt, for example, McDonald’s is an aspirational product which appeals to customers in socio-economic classes A, B and C1. This is not the case in the UK where McDonald’s products appeal to lower socio-economic classes.

1.2 The Quick Service Restaurants

Restaurants are an important part of the hospitality industry and a significant part of modern-day life. Ball & Roberts (2003: 31) define a restaurant as “an establishment where refreshments or meals can be obtained, usually for money by the public”. However, a wide variety of operations could be included in this
definition, for example pubs, bistros, snack bars, cafés, specialty restaurants (such as WokToWalk in the UK), popular restaurants, QSRs and some fish and chip cafés (Jones, 2002).

Sobaih (2010) emphasises the fact that restaurants, as opposed to take-out food operations, offer facilities for customers to sit down to consume their food. QSRs generally combine take-out and sit-down operations although typically the tables and chairs available in QSRs are not that comfortable and encourage rapid turnover. QSRs may also be ‘drive through’ operations with payment windows separate from food pick up windows to save time (Baraban & Durocher, 2010). The characteristics of QSRs are summarised in Table 1.1.

Table 1.1: The characteristics of quick service restaurants (QSRs).

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<td>Type of cooking</td>
<td>Simple menu items, e.g. chicken, burgers, pizza, sandwiches, vegetarians, sweets (ice cream), combo meals, some ethnic dishes (e.g. Mexican, Chinese).</td>
</tr>
<tr>
<td>Type of kitchen</td>
<td>Dry kitchen (i.e. pre-prepared food items requiring low/no skills in house).</td>
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<tr>
<td>Time of serving</td>
<td>Quick service.</td>
</tr>
<tr>
<td>Type of service</td>
<td>Self service (Counter service and drive through).</td>
</tr>
<tr>
<td>Customer response time</td>
<td>Fast.</td>
</tr>
<tr>
<td>Menu configuration</td>
<td>Fully restricted menu with limited choice.</td>
</tr>
<tr>
<td>Presentation</td>
<td>Packaged and ‘to go’ not ‘on a plate’ with QSRs’ brand logo.</td>
</tr>
<tr>
<td>Ambiance</td>
<td>Young lively atmosphere, often piped music, often uncomfortable seats.</td>
</tr>
<tr>
<td>Production process</td>
<td>Easy and short prepared with standardized ingredients of products.</td>
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<tr>
<td>Décor</td>
<td>Well lit with bright colours to fit the QSR branding.</td>
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<td>Market</td>
<td>Eating market (eat to live) not dining market (live to eat).</td>
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<tr>
<td>Location</td>
<td>QSRs location should be close to malls, companies, schools and universities or busy traffic through streets.</td>
</tr>
<tr>
<td>Promotion</td>
<td>Humorous advertising to get customers’ loyalty.</td>
</tr>
<tr>
<td>Price</td>
<td>Low price.</td>
</tr>
<tr>
<td>Type of customers</td>
<td>The vast majority are youth and kids.</td>
</tr>
<tr>
<td>Ordering and delivery</td>
<td>Telephone orders and home delivery possible</td>
</tr>
</tbody>
</table>
The key to the success of the QSR business concept centres on reducing production costs through reducing labour and other costs whilst delivering consistent product quality quickly to customers. As Ottenbacher & Harrington (2009: 525) emphasised: “The food innovation process focuses on consistency of product quality with the key to success being able to deliver the order quickly to customers to eliminate labour and equipment costs in the individual stores”.

Throughout the thesis the term QSR will be used instead of fast food restaurant because, as Reid & Bojanic (2010: 289) stated: “the term fast food is not used in any promotional or corporate literature”. QSRs originated in the United States of America (USA) - Americans often live in a hurry and enjoy fast food, i.e. food on the run (Walker, 2008). History tells us that the first-known QSR dates back to the 1870s, when a New York City food service operation - The Plate House - served a quick lunch in about ten minutes. Today many QSRs precook or partially cook food so that it can be finished off quickly - ‘it is seconds that count in QSR operations’ (Walker, 2008: 27).

“QSRs operations are now more global than ever and international fast food eating continues to increase in popularity” (Kara et al., 1995: 318). The QSR industry is one of the most competitive and saturated business sectors in the USA (Apte & Reynolds, 1995) and “Some of the most successful and largest restaurant chains are part of the quick-service restaurants (QSRs) segment, such as McDonald’s, Pizza Hut, Subway and KFC” (Ottenbacher & Harrington, 2009: 524).
In recent years, the global development and growth of QSRs has become a significant phenomenon as exemplified by the world-wide explosion of McDonald's, KFC and Pizza Hut outlets (Ball & Roberts, 2003). Today's hectic lifestyles and the demand for convenience products have led to an increased demand for QSR products (Hahm and Khan, 2001). Although the meals offered by most QSRs are cheap and less-than-nutritious meals, they are quick and of consistent quality which attracts customers, particularly young customers and families (Klessig, 2009). The QSR industry survives on the rigid principle of delivering cheap food of consistent quality at high speed (Blacharski, 2006) - a principle first pioneered by McDonald's (Reiter, 1996). The style of service based on low cost and standardized products has contributed to the popularity of QSRs (Kovacik, 1998).

Globally, there is a growing demand for food away from home as a result of higher incomes, changes in consumption patterns, changes in household composition, and the time pressures created by dual-working families. The foodservice industry has become highly competitive as the number of foodservice outlets has increased to meet the demand. In order to succeed in such a competitive industry, restaurant operators need to understand the factors (and their relative importance) that influence restaurant patrons' decision when selecting a restaurant.

(Sriwongrat, 2008: 2)

QSRs may be part of a chain or independent operations. Ball & Roberts (2003) compared the competitive advantages and disadvantages of independent and chain QSRs (see Table 1.2).

Chain restaurants are restaurants that are a part of a multi-unit organisation. They often share the same menu, purchase supplies and equipment cooperatively, and they follow operating procedures that have been standardised for every restaurant in the chain.

(Gordon-Davis & Densburg, 2004: 269)
QSR chains have several advantages over independent QSRs, such as: their branding and associated reputation in the marketplace; greater advertising influence; sophisticated systems development; cheap purchasing, access to capital, buying power and the ability to benefit from economies of scale and offer lower prices (Hiller, 2003; Walker, 2008). However, one significant disadvantage is that there is often a lack of a friendly approach to customers.

Ball & Roberts (2003) explained that independent restaurants are owned and managed by individuals. In contrast to chain restaurants, independent restaurants have the significant advantage of having the freedom to ‘do their own thing’ in terms of concept development, menus, décor and to change or add items (Walker, 2008: 21). In case of smaller, independent restaurants much relies on the knowledge and the dedication of the hired managers (Alonzo, 2007). Small businesses often have a more friendly approach than chain operations (Hiller, 2003) and they also can occupy special niche markets catering for the needs of particular customers.
Table 1.2: Competitive advantages and disadvantages of independent and chain QSRs [Source: Ball & Roberts, 2003: 33].

<table>
<thead>
<tr>
<th>QSRs</th>
<th>Competitive advantages</th>
<th>Competitive disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent</td>
<td>Flexible Specialising offers Direct control strategy Image, consistency and independence Entrepreneurial drive Close to customers</td>
<td>Limited bargaining power Few economics of scale Reduce media access Over-dependence on owner Limited planning Inertia Often lack of specialist retail Expertise and capital to expand Offer greatest risk</td>
</tr>
<tr>
<td>Chain</td>
<td>Bargaining power Multiunit efficiencies Great use of sophisticated technologies Well-defined management Capital Often able to attract expansion Specialist expertise Long-range planning</td>
<td>Inflexibility High investment costs Reduced managerial control Limited independence</td>
</tr>
</tbody>
</table>

1.3 Globalisation, localization and glocalisation in the global marketplace

Scholars have defined globalisation in many different ways. Pizam (2010: 288), for example, defined globalisation as “a process in which a complex of forces shifts the world from a composition of countries, societies, and cultures toward a single world society or culture”. In similar vein, Rothenberg (2003:1) explained globalisation as: “the acceleration and intensification of interaction and integration among the people, companies, and the governments of different nations”. Ssenyonga (2006:1) defined globalisation as:

An umbrella term for a complex series of economic, social, technological and political changes seen as increasing interdependence and interaction between people and companies in disparate locations.

Globalisation, and huge technological advances in transportation and communications, have turned the world into one geographical entity (Pizam,
2010), a single market (Vignali, 2001), a global village. This has resulted in a series of unexpected changes, including the integration of national economies into a global economy through foreign direct investment, capital flows, migration and spread of technology (Bogicevic et al., 2008). Consequently, globalisation stretches the borders of the world’s market to include more places in the supply of new and different types of consumer goods and thus global brands have become more available to local customers (Sun & Chen, nd).

Globalisation is a contentious issue which has its supporters and its opponents. Whether for or against, no-one denies that in recent years globalisation has played a vital role in creating a world without borders (Knowles et al., 2004). It has affected many social and economic aspects of life in the 21st century (Greenwood & Holt, 2010). In the context of this thesis, globalization has promoted “the ability of firms from any country to exploit markets or productive resources in other countries” (Barnwell: 2008: 116):

Globalisation is a contested set of phenomena because the countries participating in the process benefit differently, when groups believe that they stand to gain rather than to lose then they endorse globalisation.

(Lane, 2006: 4)

Globalisation is a key theme in today’s financial environment. With the internationalisation of business and markets, better consideration of the applicability of management approaches and market strategies in other nations and cultures becomes increasingly relevant (Brettel et al., 2008). Additionally, globalisation relates not only to the global flow of capital, goods and information but also to the increasing global mobility of people (Bennet, 2005).
The process of globalisation suggests a coming together of provision in the market. However, rather than looking to a single global culture, it can be argued that the hospitality and tourism industry has created a distinctive culture of its own (Clarke & Chen, 2007).

One of the biggest disadvantages of globalisation is that nations risk losing their local identity and their local culture because they become victims of a new form of cultural colonialism (Lane, 2006) and a more controversial perspective on globalisation is that it: “is nothing more than the imposition of American culture on the entire world. In fact, the most visible sign of globalisation seems to be the spread of American hamburgers and Cola (Pepsi and Coca Cola products) to nearly every country on earth” (Ssenyonga, 2006:1) - globalisation as encroaching Americanization:

McDonald’s has become the triumphant symbol of American imperialism; but, in the new century, it surely faces decline. McDonald’s not only rides the globalisation wave, in a sense, it helped to create it.

(Lloyd, 2000:18)

It is well known that American culture is a dominant force at home and abroad; American exportation of everything from movies to junk food is a well-documented phenomenon.

(Watters, 2009: 1)

The McDonald’s brand is one of the strongest symbols of Americanisation globally. Brands have become an important part of modern-day life, especially in the global QSR market where a number of global brands dominate. (Keller, 2008; 2) identified the origin of the word brand as: “from the old Norse word brander which means ‘to burn’ as brands were and still are the means by which
owners of livestock mark their animals to identify them”. According to the American Marketing Association a brand is defined as: “a name, term, sign, symbol, or design or a combination of them intended to identify the goods and services of one seller or group of seller or differentiate them from those of competition” (cited in Keller, 2008; 2).

Developing a brand is a complex process. However, once a brand name is built it communicates a message to customers about consistent product quality and promotes customer loyalty (Keller, 2008). The delivery of consistent product quality is critically important to maintaining a brand name. Branding helps a company to target customers with their different needs and therefore companies must have a clear understanding of their customers and their diversity to be able to manage the company brand globally (Van Gelder, 2003; Czinkota & Ronkainen, 2007). Branding has become a strategy for promoting customer loyalty and distinguishing a company from its competition:

The phenomenal growth of McDonald’s is largely attributed to the creation of its strong brand identity. McDonald’s trademark, the Golden Arches, along with its brand name, has become amongst the most instantly recognised symbols in the world.

(McDonald’s website, 2012: online)

However, branding is much more than just the logo or its advertisements and includes the experiences and impressions of the brand that are held in the minds of consumers (WD Partners, 2005). As pointed out by Daly & Daly (2011) a brand name is as important to a company as reputation is for a person.

A brand is the product or service of a particular supplier, which is differentiated by its name and presentation, such as Marriott or Hilton for a hotel company. Many hotel and restaurant chains seek
to create and fulfill the expectations of specific groups of customers.

(Tepeci, 1999: 223)

Branding is particularly important in the hospitality industry and helps potential customers to know what to expect when they purchase a product or service:

A brand is a pledge or a promise that a product will perform in certain ways and provide customers which consistent performance across all touch points or “moment of truth” with the company (distribution channels, customer services, pricing, warranties, etc.).

(Mohr et al., 2010: 12)

Brands can be adapted to meet the needs of specific markets:

Global branding does not mean having the same brand everywhere but means having an overarching strategy that optimises brand effectiveness in local, regional and international marketing

(Keller et al., 2008: 602).

Globally branding has a number of advantages including: cost efficiencies; the sharing of resources; the ability to attract partners, employees and customers to enter new markets (Teece, 2009). However, there are also a number of disadvantages, such as not meeting the needs of specific markets and local taste preferences (Gagliardi, 2001; Czinkota & Ronkainen, 2007).

Global brands are a key part of the globalisation process. Thinking globally whilst acting locally is a critical issue for global brands to ensure that they can respond to the specific needs of local markets. Local cultures, language differences, government regulations and political issues pose significant challenges for global brands (Gregory & Wiechmann, 2002).
Localisation involves the development of marketing strategies for a specific region according to its cultural, regional and national uniqueness. "Localized strategies or localization ... involves marketing strategies for a specific region according to its cultural, regional and national uniqueness" Prakash & Singh (2011:2). There are a number of push factors for localisation including cultural factors, commercial factors, legal factors and technical factors (Lasserre, 2007). However, some multinational enterprises apply hybrid strategies (for example, McDonald’s launched McFalafel and McArabia sandwiches), commonly referred to as “glocalisation”, which combines globalisation and localisation to emphasize that a global product will succeed when it is adapted specifically to meet the needs of that region (Kumar & Goel, 2007; Kabbassi, 2008).

There is no doubt that taking account of local taste preferences is the key to success for global QSRs which aim to operate across international borders. These companies should consider the importance of taste preferences before they produce menu items outside their home country.

Taste preferences are influenced by the geographical, historical and economic aspects of a culture (Wright et al., 2001) and:

... different cultures have certain dietary preferences so some foods are preferred in one culture may be avoided in another, such as the Hindus in India regard the cow as a sacred animal therefore, Hindus don't eat beef, which is the main type of meat for hamburger in the United States and many other countries.

(Norlander, 1999: 51)
To fully understand the culture of a society from a food perspective it is important to understand the taste preferences of consumers from that culture (Wright et al., 2001). "One of the most important individual influences on food choice is taste, which also is influenced by the aroma and texture of food" (McGinnis et al., 2006: 95). As a result of cultural diversification, McDonalds has developed products in different countries to reflect national traditional dishes and so suit local tastes (Molz, 2006; Kabbassi, 2008).

The term "glocalisation" is born from interaction between globalisation and localisation and has been defined in many different ways. "This group of strategies combines the globalization and localization strategies by emphasizing on the fact that globalization of a product will succeed when the product or service is adapted specifically to that region" (Prakash & Singh, 2011:2). In a business sense, the term glocalisation is: "the tailoring and advertising for goods and services on a global or near-global basis to increasingly differentiated local and particular markets" (Robertson, 2010: 335). The term "glocalisation" was:

... modelled on the Japanese word dochakuka, which originally meant adapting farming technique to one's own local condition. In the business world the idea was adopted to refer to global localization. The word as well as the idea came from Japan.

(Robertson, 1995 cited in Prakash & Singh, 2011:2)

"Glocalization is a concept that explains the interactions between global and local dimensions in any strategy, i.e. political governance strategies, business marketing strategies, media and communication strategies ..." (Prakash & Singh, 2011: 3). Roberts (2004: 225) defined glocalisation as "succumbing to
the twin forces of universalism (McDonald’s again) and particularism (the authentic exotic)."

Kumar & Goel (2007) points out that a glocalisation strategy needs to deal with adaptation to specific taste needs of various regions. They also need to accommodate international communication processes (Kraidly, 2001), i.e. the strategic manipulation of messaging to appeal to consumers on both a global and local level by finding ways to be locally relevant even when the brand or concept extends globally (Salzman et al., 2003).

Glocalisation required “thinking globally and acting locally”. Many global companies aim to develop global products beyond their home borders by reflecting local and global approaches in one product – a glocal product - with flexibility between both standardisation and localisation through product adaptation (Czinkota et al., 2008). Thinking globally requires the adjustment of methods and procedures to promote the sale of products and services in an international environment (Teece, 2009). “One of our ongoing marketing challenges … (and likely for many other companies who are global in scope) in how to best balance global and local needs in messaging, content and demand generation campaigns” (Liebowitz, 2009: online).
1.4 The quick service restaurant industry in Egypt

Before the 1970s it would have been surprising to find global QSRs in Middle-Eastern countries like Egypt. In the 1970s, Egyptians were introduced to the global QSR concept as a result of Egypt’s open-door policy. Among the first to arrive were the British chain - Wimpy in 1973 – soon followed by the American chains - Kentucky Fried Chicken (KFC) and Pizza Hut. Since 1973, when Wimpy arrived in Cairo, there has been a rapid expansion in the number and distribution of Western QSRs across Egypt. The Egyptian QSR market is expected to continue to expand at an annual rate of 10-20% (Maher, 2007). In 1993, there were seven global QSR chains operating in Egypt, by 2007 there were more than 50 American franchises operational or with imminent plans to open (Maher, 2007). The majority of foreign and local franchises are launched in Cairo and if successful they expand to Alexandria, Egypt’s second city (Besada, 2010). The QSR industry in Egypt comprises 24% international franchises and 76% local franchisees, 40% of international franchisees are American chains. US franchisees account for about 35% of total franchise revenues in Egypt (Maher, 2007).

Today in Egypt global QSRs – e.g. McDonald’s, Hardee’s, Kentucky Fried Chicken (KFC), Burger King and Pizza Hut – compete with local Egyptian QSRs - Mo’men and Cook Door. The global QSRs have to adapt their business models to reflect the local contexts in which they operate and to maintain their competitiveness.
The arrival of the global QSR chains, particularly KFC and Wimpy, prompted the establishment of local QSR chains, e.g. Mo’men and Cook Door, from the late 1980s. By the end of the 1990s local QSR chains were growing quickly and there are now many local Egyptian QSR chains offering fast meals and sandwiches - kebab, kofta, chicken, fried spicy liver sandwiches, shish tawook, shawarma, ful, falafel and koshary - to suit Egyptian taste preferences. Local QSRs do not have restricted standardised menus like global QSRs but have more flexible menus to which they can add or remove menu items quickly. This has enabled local Egyptian QSR chains to provide strong competition to the global QSR chains in the Egyptian QSR market in terms of variety of menu items and value for money.

There are many global QSRs in Egypt which operate under American franchising systems, particularly McDonald’s, KFC, Hardee’s and Pizza Hut, the latter three being franchised by the Americana Group, a Kuwaiti company established in 1964 and now one of the largest and most successful corporations in the Middle East and North Africa. It franchises eight of the world’s most recognized restaurant brands of which three QSR brands - KFC, Pizza Hut and Hardee’s - are represented in the Egyptian market. The formats of these restaurants are driven by the mother company through their franchising agreements which define all aspects of the brands. Small adaptations to the menu, e.g. use of halal meat, are made to suit local taste preferences and cultural practices.
1.5 The research problem and the title of the thesis

I am particularly interested in QSRs and their impact on the process of globalisation which, in relation to its impact on Egypt (my home country) in general and the Egyptian hospitality industry in particular, has been relatively underexplored. McDonalds (and its golden arches – see Figure 1.1) is a global QSR which has become emblematic of the United States of America (USA) and a trailblazer for the globalisation process through its global franchising operations.

Figure 1.1: McDonald’s golden arches [source: http://www.mcallinois.com/mcsstateimages/operators/1000021249/arches.jpg]

Franchising has been a major route for business expansion around the world and has enabled the development of brands which are carefully protected by their brand owners. McDonalds has been one of the most successful franchises and has been in the top ten global franchises for several years (Franchise Direct, 2012). Its methods have been adopted by other global and local QSR franchise operations, e.g. Mo’men (a local QSR franchise in Egypt) as well as
by other industries. The term McDonaldisation, which denotes “the process by which the principles of the fast-food restaurant are coming to dominate more and more sectors of American society as well as of the rest of the world” (Ritzer, 2004: 1), is now widely understood beyond the QSR industry, e.g. in higher education and the church.

Globalisation has eroded borders between countries all over the world turning the world into a global village (Knowles, Diamantis & El-Mourhabi, 2004) with global QSRs, e.g. McDonald’s, becoming archetypal symbols of the globalisation phenomenon. McDonald’s has a major global presence in the QSR industry (Kumar & Goel, 2007) and is a classic example of a global company. McDonald’s is one of the most globalised food service companies in the world (Rugman, 2005) and is seen as defining American food in overseas markets (Lee & Ulgado, 1997). In many countries around the world McDonald’s has become a part of local culture and may, in some cultures, no longer be looked upon as “American” (Watson, 2006). However, the process has not been without its concerns, particularly in relation to the erosion of culture. As pointed out by Peters (2004: 228): “Globalization threatens traditional ways of life to the extent that it is able to commodify, trivialize, or supplant local culture”:

Fears that globalization is imposing a deadening cultural uniformity are as ubiquitous as Coca-Cola, McDonald’s, and Mickey Mouse. Many people dread that local cultures and national identities are dissolving into a crass all-American consumerism. (Legrain, 2003: 62)

However, despite these concerns, globalisation has not managed to erode cultural diversity or to merge different cultures into one global culture (Kellner,
2003). Indeed, global companies in their attempts to “think globally and act locally” have had to become more sensitive to local traditions and customs when it comes to adapting their operations to meet local needs, e.g. through a range of community involvement activities (Schmidt, 2007). Multi-national companies are able to adapt their standardized operating policies and procedures to suit the needs of local communities - for example, a global QSR, like McDonald’s, adapting its menus to meet the needs of a local culture (Sharpley & Telfer, 2008). Thus, the first challenge which faces any company wanting to operate outside its national boundary is cultural sensitivity. In the case of global QSRs this relates particularly to the taste preferences of its potential customers in local communities (Doole & Lowe, 2012).

However, whilst global businesses operate globally they also have to compete in each of the local marketplaces they enter and develop local knowledge so they can adapt to the local environment and ensure that they satisfy customers’ needs when trading in different countries. The concept of “think globally, act locally” has been clearly adopted in McDonald’s strategy (Vignali, 2001) (see Figure 1.2). In this thesis the interaction between globalisation and localisation in non-Western countries will be referred to as ‘glocalisation’ – defined as thinking globally and acting locally – a term popularised by Robertson (1994).
Chapter One: Introduction

Figure 1.2: McDonald’s strategy round the world [adapted from: Vignali, 2001]

It was during my time working in the QSR industry that I made the observations that led me to developing the focus for this thesis. McDonald’s Egypt underwent a serious challenge to its sustainability when, as a tangible manifestation of America in Egypt, it became subject to a series of boycotts initially following the American invasion of Iraq in 2001. McDonald’s Egypt sought to manage this process by emphasising its local credentials and, as part of that process, developed two products – first the McFalafel and second the McArabia - based on Egyptian local traditional foods. I will refer to these each of these products as a glocal product which I define as a product which maps the characteristics of a
global product (fit with brand identity, standard portion size, consistent quality and packaging) onto a local traditional product (using traditional ingredients and having an authentic taste and texture) to meet local customers’ taste preferences. In the case of McDonald’s, for example, the new glocal product would be an adaptation of a local traditional product so that the resultant glocal product is recognisably McDonald’s - a burger in a bun.

In terms of traditional Egyptian foods probably the most famous are the breakfast dishes *ful medames* and *ta’amia* (alternatively known as falafel). Both *ful medames* and falafel are made from broad (fava) beans (*Vicia faba*). *Ful medammes* is extremely popular, especially amongst poor people, and is widely considered to be the Egyptian national dish. Falafel is made from dried ground beans mixed with onion and garlic and seasoned with parsley, coriander, dill, salt and pepper before being formed into small balls or patties and deep fried. It is either served in pitta bread in the form of a sandwich or as separate pieces. Falafel is one of the most popular sandwiches in Egypt (Kittler & Sucher, 1998) and was the inspiration for the McFalafel sandwich. In addition to *ful medammes* and falafel another very popular Egyptian dish is kofta which is made from ground beef or ground lamb flavoured with garlic and onion, parsley, salt and black pepper. Kofta is rolled into fingers and grilled or barbecued. It is served with tehina sauce, mixed salad and Arabic flat bread. Kofta was the inspiration for the McArabia sandwich.
I observed the introduction and subsequent withdrawal of the McFalafel sandwich in 2001 and the introduction and subsequent success of the McArabia sandwich in 2003. I was interested to explore the reasons for the failure of the McFalafel and the reasons for the success of the McArabia and, particularly, the quality management processes that underpinned the new product development process. Quality management involves understanding exactly what customers want in terms of products and delivering consistent quality products at an appropriate price. Quality management is a holistic organization-wide process from market research to identifying customer needs, through the design of products to their delivery to customers. Quality management requires a commitment to continuously improving the product and the processes that underpin it.

Thus the title and focus of my thesis was identified as *Quality Management: Success and Failure Factors for New Glocal Product Development in Global Quick Service Restaurants: A case study of McDonald's Egypt*. The study will develop a case study of two global products (the McArabia and McFalafel sandwiches) developed by a global QSR (McDonald's) operating in a non-Western market (Egypt).

1.6 McDonald's in Egypt

In Egypt in 1994 McDonald's opened its first two restaurants simultaneously in the Cairo districts of Heliopolis and El Mohandseen (McDonald's website,
2010). Today in Egypt over 40,000 customers are served under the (in)famous golden arches at over 59 outlets across the country everyday (see Figure 1.3). Over 80% of McDonald’s products come directly from Egyptian suppliers made to specifications that must be strictly adhered to (McDonald’s Egypt website, 2010).

Despite its attempts to adapt its products to different country contexts, McDonald’s is still widely-recognised as being of American origin. This has been very evident across the Middle-East. Anti-American attitudes in Egypt led to the boycotting of some American products and McDonald’s was a major focus of such activities. This study focuses on the case studies of the McFalafel and the McArabia sandwiches. These two sandwiches will be discussed in turn below.

**Figure 1.3:** McDonald’s operating stores in Egypt [source: http://www.facebook.com/?ref=tn_tnmn#!/photo.php?fbid=10150389142690077&set=a.10150094564630077.393827.280155560076&type=3&theater]
1.6.1 The McFalafel sandwich

The McFalafel sandwich (see Figure 1.4 and 1.5) was developed and launched by McDonald's Egypt in June 2001 for several reasons including overcoming the impact of boycotting of McDonald's restaurants and attracting a wider range of customers to increase market penetration. The McFalafel sandwich was adapted from the Egyptian falafel sandwich - a popular traditional Egyptian sandwich for poor people, eaten particularly in the morning as a breakfast meal. Streets vendors sell falafel sandwiches in all Egyptian cities.

When McDonald's Egypt first launched the McFalafel sandwich it was very successful and as McDonald's general manager (GC-QSRM1) explained: "McDonald's sold around a million McFalafel sandwiches in just a matter of 10 to 14 days" since customers wanted to try a traditional Egyptian sandwich launched in American style. As the McDonald's general training manager (GC-QSRM4) explained: "It was very strange for McDonald's to adapt a local Egyptian product and launch it in American style. People came just to try the sandwich". However, the McFalafel sandwich did not survive long in the Egyptian market and was withdrawn. Its failure as a new McProduct was what led to its selection as one of the case studies in this study of success and failure factors for new glocal products.
1.6.2 The McArabia sandwich

The industry expert (IN.EX.1) explained that in March 2003, the Arab News reported that: "McDonald's launched the McArabia sandwich during the boycotting of McDonald's as a result of the Iraq war" to boost its flagging sales in the Middle East. The McArabia sandwich (see Figure 1.6) comprised Arab bread, grilled chicken, lettuce, tomatoes and Arab sauce although apparently the 'Arab bread' was imported from the United Kingdom and the chicken from Malaysia (Wattad, 2003). The McArabia sandwich reflects grilled meat dishes
popular across the Middle East and was well-received throughout the Middle East.

McDonald's Egypt introduced the McArabia sandwich in 2003 after it had achieved success in countries in the Arabian Gulf. Two versions of the McArabia sandwich are available: grilled chicken and grilled beef, both served in Arabic-style black-seeded pitta bread with lettuce, tomatoes, onions, and Tehina sauce.

**Figure 1.6:** McArabia sandwich in Egypt and the Gulf area [Source: http://images.google.com/images?q=mcdonald%27s+fast+delivery+egypt&hl=en&gl=us&biw=1280&bih=726&tbm=isch&tbnid=vKwWXKDRuW7kM:&imgrefurl=http://www.mcdonalds.com/eg/en.html]

The McArabia is McDonald's most popular menu item in Arab countries despite its relative expense. It has been selected as one of the case studies in this study as a result of its ongoing success.
Chapter One: Introduction

1.7 The research questions

The research questions that will be addressed through a case study of two glocal products – the failing McFalafel and the successful McArabia sandwiches - developed by McDonald’s Egypt are as follows:

1. What are the external factors which drive global QSRs to undertake new product development activities to meet the needs of local, non-Western, markets?

2. What constraints do internal factors impose on new glocal products in global QSRs?

3. What are the steps in the new product development process for glocal products?

4. What are the success and failure factors for new glocal products in non-Western markets?

1.8 Aim and objectives

The overall aim of this thesis is to develop a model of glocalisation through new glocal product development in global QSRs in non-Western countries showing the success and failure factors for new glocal products through a case study of two glocal products - the McFalafel and the McArabia sandwiches by McDonald’s Egypt. This aim will be achieved through the following objectives:

1. Critically review relevant literature on issues relating to quality management which impact on the strategies of global QSRs developing
new glocal products to address the needs of non-Western markets and to develop a conceptual framework of the key factors which affect the new product development process for glocal products.

2. Identify the external factors related to the quality management of new glocal products which act as triggers for the development process for new glocal products.

3. Identify the internal factors related to the quality management of new glocal products which constrain the development process for new glocal products.

4. Identify how the new product development process adopted by global QSRs is adapted for the development of the new glocal products by global QSRs.

5. Develop a model of the quality management processes underpinning the development of new glocal products by global QSRs to address the needs of non-Western countries showing the success and failure factors for new glocal products.

1.9 The significance of the research

This research is the first in-depth research study which deals specifically with issues related to new glocal products in global QSRs, and specifically the success or failure factors for new glocal products in non-Western countries, such as Egypt. The study focuses on the external factors driving new glocal
product development, the internal factors which impact on new glocal product development and the new glocal product development process itself.

1.10 Structure of the thesis

Figure 1.7 shows schematically the mapping of the thesis objectives onto the chapter structure of the thesis. This chapter, chapter one, has presented the rationale for the research project and identified the research questions which will be answered through the study which explores the factors which impact on the success or failure of new glocal products. Chapter one has also outlined the research problem, the aims and objectives of the research and the significance of study.

Chapter two presents a critical review of literature relating to the success or failure of new glocal products in non-Western countries. Following a discussion of globalisation, localisation and glocalisation the chapter moves on to discuss the importance of DEEPLIST factors (Demographic, Economic, Ecological, Political, Legal, Informational, Social and Technological) as external drivers for new glocal product development by global QSRs operating in non-Western countries. Internal factors – franchising, human resource management issues and marketing and the marketing mix – are then considered. The chapter then moves on to discuss the new product development process. The chapter culminates in the development of a conceptual framework to inform the
development of the methodology and provide a framework for the presentation of the results.

Chapter three rationalises the research approach adopted in this study. It discusses why a deductive, qualitative study and a phenomenological approach to the development of a single case study with embedded units of analysis was selected. It justifies why McDonald’s as the case study and the new glocal products, the McFalafel and the McArabia, as the embedded units of analysis were selected. The chapter moves on to discuss the methods of data collection and analysis. The sampling strategy and issues of accessibility are then discussed followed by triangulation, reliability and validity. The chapter culminates in a discussion of ethical considerations and the generalisability of the final model.

Chapter four considers the external factors which impact on the new product development process for glocal products using Finlay’s (2000) DEEPLIST framework. McDonald’s iconic golden arches are a global symbol of the US and make it an obvious target for anti-American feelings across the Middle East which results in it being victim to rumours and boycotts and red ocean tactics (aggressive and destructive techniques adopted by global and local competitors) which forced it to promote its local credentials through a range of strategies including new glocal product development.
Chapter five discusses internal factors impacting on new glocal product development and the marketing mix. First, it considers the benefits and constraints of business format franchising that is the cornerstone of the McDonald’s Egypt operation. Second, it discusses human resource management issues, particularly staff training, motivation, rewards and loyalty and teamwork.

Chapter six explores the new product development process for glocal products which comprises: category strategy; idea generation; screening one product optimisation and operational procedures; test concept; development and refinement of the product concept and particularly the development of the Blue book which is critical to the product standardisation process; seed stores and finally product launch.

Chapter seven develops a model for glocalisation through new glocal McProduct development in global QSRs in non-Western countries and identifies the success and failure factors for the two new glocal products – the McFalafel and the McArabia sandwiches.

Chapter eight concludes the thesis. It reviews the objectives and discusses recommendations for global QSRs operating in non-Western countries for their new product development process of glocal products. It presents the answers to the research questions and discusses the contributions of the research. It outlines the limitations of the study and makes suggestions for further research.
Figure 1.7: The thesis structure

**Objective One**
Critically review relevant literature on issues relating to quality management which impact on the strategies of global QSRs developing new glocal products to address the needs of non-Western markets and to develop a conceptual framework of the key factors which affect the new product development process for glocal products.

**Objective Two**
External Factors:
Identify the external factors which act as drivers for the process of new glocal product development by global QSRs in non-Western countries.

**Objective Three**
Internal Factors:
Identify the internal factors related to the quality management of new glocal products which constrain the new glocal development process for glocal products.

**Objective Four**
New Product Development Process:
Identify how the product development process is adapted for the development of new glocal products – the failed McFalafel and the successful McArabia sandwiches produced by McDonald's Egypt.

**Objective Five**
Quality management and new glocal products in global QSRs:
Develop a model of the quality management processes underpinning the development of new glocal products by global QSRs to address the needs of non-Western countries showing the success and failure factors for new glocal products.
CHAPTER TWO
LITERATURE REVIEW

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CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter presents a critical review of relevant literature to develop a conceptual framework comprising three key elements: external factors, internal factors and new product development strategies (see Figure 2.1) to inform the study.

Figure 2.1: Factors affecting the new product development process for glocal products.

Section 2.2 discusses the external factors triggering new glocal product development using DEEPLIST: Demographic, Economic, Ecological, Political, Legal, Informational, Social and Technological (Finlay, 2000) as a lens. Section
2.3 discusses the internal factors which act as constraints on the new glocal development process, including franchising, management, staff, staff training, staff satisfaction, motivation and rewards and the marketing mix (product, price, place and promotion). Finally, it will discuss the most important issues related to quality management in global QSRs to standardise the new glocal product. Section 2.4 explores the issues of new product development for glocal products and includes the functions of the new product, the hazards of the new product development process and the new product development process itself. The chapter culminates in section 2.5 with the synthesis of a conceptual framework of the critical factors which impact on product development process in global QSRs based on an evolution of Figure 2.1. Section 2.6 concludes the chapter and links to the next chapter.

2.2 External factors affecting the development of glocal products (DEEPLIST)

Although external factors are to great extent beyond the control of an organisation, it is critically important that an organisation monitors them as they represent opportunities and threats to the organisation. It is important that an organisation makes appropriate responses to external factors to enhance its sustainability and competitiveness. Monitoring is achieved through environmental scanning which enables an organization to collect information about a range of issues relating to its external environment, the knowledge and understanding of which assist it in planning its strategy for the future.
A range of factors are used by organisations in scanning the external environment in which they operate. The earliest framework for scanning the environmental factors was set out by Harvard Professor Francis J. Aguilar (1967) and identified 'ETPS', a mnemonic for the four sectors, i.e. economic, technical, political, and social, he included in his taxonomy of the external environment. Later, Arnold Brown for the Institute of Life Insurance (in the US) reorganized the mnemonic as 'STEP' standing for Strategic Trend Evaluation Process as a way to organise the results from scanning the business environment (Brown & Weiner, 1984). PEST analyses are widely used in business and management to undertake environmental scanning.

The list of factors considered in environmental scanning frameworks has been added to over time. Legal factors may be considered as part of the political environment or separately as reflected in the mnemonic SLEPT. Similarly, some authors use PESTE, some using the second E for education, others the second E for environment. Ethics and demographics are also often included. The mnemonics PESTEL, PESTLE, STEEPE, STEEPLED, PESTLIED are widely used. STEER analysis systematically considers Socio-cultural, Technological, Economic, Ecological, and Regulatory factors. Finlay (2000) uses the acronym DEEPLIST which covers the widest set of factors. Whatever is the order of the letters in the mnemonic there is no implied priority in the importance of the various external factors.
Demographic factors, particularly in relation to socio-economic class and disposable income, proved to be amongst the most important considerations influencing consumers’ buying decisions in relation to the case study of McDonald’s Egypt and the embedded units of analysis – the McFalafel and McArabia sandwiches. Thus, this study has adopted DEEPLIST (Demographic, Economic, Ecological, Political, Legal, Informational, Social and Technological) factors (Finlay, 2000) as the initial lens through which to explore the external business environment impacting on the global QSRs in Egypt. It is important that global QSRs understand the DEEPLIST factors and how they impact on QSRs and adapt their products to meet local conditions in the host country (Clarke & Chen, 2007) through the development of glocal products.

Lack of consideration of the DEEPLIST factors by global QSRs can result in business failure (Parsa et al., 2005). “Many restaurants fail each year from an inability to understand, adapt to, or anticipate market trends, especially given that some market trends are more difficult to foresee than others” (Parsa et al., 2005: 307). Before operating in non-Western countries, global companies should undertake an analysis of the external factors to know the opportunities and threats of the new market and to fully appreciate the scale of the competition:

*External analysis is important to be done in order to identify current and future threats and opportunities of a firm. Any firm should know its position and performance in the business, so that it can plan strategies that can help it to further compete and stay in the business. A firm should optimize all the opportunities to maximize its output and at the same try to avoid any possible threats that might affect the firm’s performance.*

(Ghani et al., 2010: 53)
2.2.1 Demographic factors

Demography is the study of human population in terms of size, density, location, age, gender, race, occupation and other statistics (Finlay, 2000; Kotler & Armstrong, 2010). It is extremely important since: "it involves people and people make up markets" (Kotler & Armstrong, 2010: 94). Global companies should consider the importance of a range of demographic factors - income levels, education levels, and other relevant characteristics of customers before moving into new markets and launching new products in non-Western countries. Not just their products but also their advertising and marketing should be customized to meet the needs of local customers (Gambone, nd).

Demographic factors are the easiest external factors to document and the hardest to control (Reviere & Carter, 1996); they are critical to the success of QSRs. Internationally, demographic changes in income levels, consumption patterns, household composition and work pressures for dual-working families has led to increasing demand for QSR products (Sriwongrat, 2008).

Economic factors have a significant role to play in the survival and success of restaurants. Restaurant expenditures are partly dependent on the availability of disposable income of families or individuals. However, this is more accurate in the case of families than single individuals. During recessionary times, consumers experience reductions in disposable income which leads to decreased spending at restaurants resulting in the loss of revenues and eventual failures for restaurants. The opposite becomes true during economically prosperous times where increased disposable incomes lead to greater spending at restaurants, and thus higher levels of success of restaurants as a whole.

(Parsa et al., 2011: 4)
Many customers of global QSRs in non-Western countries are seeking to identify themselves with Western lifestyles, especially American lifestyles: "American franchisors have attracted customers who wish to identify themselves with American consumerism and Western values and qualities" (Alon, 2004; 162). As will be seen as this thesis unfolds Egyptian consumers have a love-hate relationship with McDonald's which is an aspiration in the Egyptian market despite being seen as too American.

Customer incomes impact on the demand for new products so the correlation between income and demand is positive which means that as consumers’ incomes rise, demand for QSR products also rises; conversely, if incomes decrease, demand also decreases. Furthermore, customer's preferences and tastes may change over time with impacts on demand of new products (Saviotti, 2001).

2.2.2 Economic factors

Economic factors include a range of issues which impact on businesses in all sectors, including QSRs, e.g. tax regimes, inflation and exchange rates. Katsikeas et al. (2006: 867) describe the importance of economic factors for consumer products: "The economic environment of a host market affects market potential and demand for industrial and consumer products". Economic factors are important for QSRs both in terms of the operational costs of business and the levels of disposable income available to potential customers (Clarke & Chen, 2007). Issues, e.g. income levels and patterns of income
distribution, impact on the demand for particular products: "changes in customers' income level and credit availability can affect supply and demand of new products" (Morgan, 2011: online). As Kotler & Armstrong (2010: 103) assert:

The economic environment consists of factors that affect consumer purchasing power and spending patterns. Marketers must pay close attention to major trends and consumer spending patterns both across and within their world markets.

The price of a product and therefore its attractiveness to potential customers is affected by a number of factors not least the price of raw materials. Fluctuations in the price of raw materials are vital factors which affect the price of new products. Price depends on the quantity sold so there is an inverse relationship between the price of a new product and the quantity that consumers are willing to buy. High prices lead to customer dissatisfaction, so that demand for a product will decline, and in turn production will be decreased. In contrast, the lower the price of a new product the more it will be in demand since customers will feel they are getting good value for money (Morgan, 2011). Alongside this the price of substitute products also affects the demand for products (Bitran et al., 2006) so that if a customer can purchase an equivalent product from a competitor at a lower price then s/he is likely to do so.

Supply and demand of raw materials is the key to new product value. So the less availability of a new product's raw materials leads to increased new product price.

(Morgan, 2011: 1)

Supply chain management plays an important part in supplying global companies with raw materials and manufactured products at stable prices.
Significant supply chain disruptions can reduce a company's revenues, cut into its market share, inflate its costs, send it over budget, and threaten production and distribution (Bosman, 2006). Neglecting issues relating to supply chain management, especially quality and cost, are particularly damaging to businesses operating in competitive environments, such as QSRs (Dyckhoff et al., 2004).

Competition is a significant issue in the QSR market and affects both global QSRs and local QSRs. There is often competition between local brands and global brands (Reid & Bojanic, 2010), so in the Egyptian QSR market, national QSR brands (like Mo'men, Wessaya and Cook Door) are small but significant competitors to global QSR brands (e.g. McDonald's, Burger King, and Wendy's). Moreover, it is not just competition from other QSRs, there is also indirect competition:

Today's QSRs are not only competing with other QSRs but also with many quick casual and casual dining restaurants such as Baja fresh, Chili's and outback, furthermore QSR competing with the increasingly present "Ready-to-eat" meals available in most grocery stores.  

(Ottenbacher & Harrington, 2009: 525)

The appropriateness of the product to the market is a critical success factor for QSRs:

The success of new products depends on the product's fit with the firm's strength and a defined market opportunity. Market characteristics and competitive situation will also affect the sales potential of new products.  

(Ferrell & Hartline, 2011: 198)
The foodservice industry has become highly competitive as the number of foodservice outlets has increased to meet the demand. In order to succeed in such a competitive industry, restaurant operators need to understand the factors (and their relative importance) that influence restaurant patrons' decision when selecting a restaurant.

(Sriwongrat, 2008: 2)

This strong competition has happened because: "The ongoing globalization of markets and increased competition worldwide has made international marketing decisions ever more important to survival, growth and profitability of international corporations (MNCs)" (Katsikeas et al., 2006: 867).

Quick-service restaurant (QSR) chains are among the many types of restaurants that are interested in building strong brands, but achieving that goal is not always easy. Given that many QSR chains' products and services are not inherently differentiated and the channels of distribution are not distinctive, customers often have only price and brand equity to differentiate one brand from its competitors. In the absence of strong brands, the only remaining ongoing marketing mechanism is price manipulation, usually in the form of discounting. Indeed, the QSR industry has heavily relied on price promotions as an important marketing activity. That emphasis has resulted in continual price wars that have damaged customer loyalty and reduced revenue.

(Kim & Kim, 2004: 116)

Operators should take competition into consideration at all times (Cebrzynski, 2008). In the face of strong competition, global and local QSRs try to launch new products to maintain their image and to attract customers:

Global competition, rapidly changing technologies, reduced product life cycles; cost reduction, high quality products and more demanding end customers are some of the factors that have made companies to look for new strategies for developing new products. New product development process includes all the activities from the development of an idea or a concept for a product, to the realization of the product during the production stage and its introduction into the market place.

(Verdecho et al., 2009)
It is vital for global QSRs to consider the political and legal environment by understanding the extant rules and regulations in the host country at all levels of government (local, state, national and international) to gain a competitive edge (Reid & Bojanic, 2010). “Competition is defined as direct and indirect ways customers can satisfy needs a part from making an exchange for a particular offering” (Sandhusen, 2008: 6).

Companies have to be ever-vigilant because they do not know where the competition will come from next.

\[\text{McDonald's spokesman Ashlee Yingling said that "the attention from our competitor is flattering. Our attention continues to be providing customers food they have come to love, value and convenience only McDonald's can provide.} \]

(Hulghlett, 2009: online)

“The fast-paced, highly-competitive nature of quick service restaurants (QSRs) has motivated members of the industry to develop creative ways to optimize customer satisfaction” (Gregory et al., 1998: 21). “Use the ocean as a metaphor to describe the competitive space in which an organization chooses to swim” (Kim & Mauborgan, 2005 cited Hollensen, 2007: 115). Competition in the QSR marketplace is very strong and the term “red ocean competition” refers to the real and, at times, highly-aggressive competition in the Egyptian QSR market:

\[\text{Red oceans refer to the frequently accessed market spaces where the products are well-defined, competitors are known and competition is based on price, product quality and service. In other words, red oceans are an old paradigm that represents all the industries in existence today.} \]

(Hollensen, 2007: 115)
There is also blue ocean competition which is very different to the competition in the Egyptian QSR market:

*Blue oceans denote an environment where products are not yet well-defined, competitors are not structured and the market is relatively unknown. Companies that sail on the blue oceans are those beating the competition by focusing on developing compelling value innovations that create uncontested marketplace. Adaptors of blue ocean strategy believe that it is no longer valid of companies to engage in head-to-head competition in search of sustained, profitable growth.*  

(Hollensen, 2007: 115)

Reid & Bojanic (2010) identify an adapted version of the imitative strategy where firms respond to a competitor's new product in which the firm's primary goal is to improve on the initial product. This strategy is heavily relied on in the QSR industry. Every time McDonald's launches a successful new product:

*... the proximity of one fast food restaurant to others may have an effect on its success. If another establishment that serves identical meals is within close range, the result will be increased competition and potentially lower gross sales. A restaurant that is near a similar one must attempt to draw customers from the competition with promises of additional benefits, features and lower prices. Obviously the highest chances of success exist when there are no other fast food restaurants close by.*

(Gambone, nd)

Global QSR companies must consider the alternative products which are available to customers in the marketplace. This is a very important issue in relation to the success and failure factors which impact on new products. For example, the failure of McDonald's McFalafel sandwich resulted from the very many substitute products available in the Egyptian market – and perhaps more importantly - that these substitute products were lower in price. In contrast, there were no substitute products for the McArabia sandwich in the Egyptian
market. Furthermore, the original dish for McArabia – kofta - is an expensive product:

When an alternative product hits the market, the competition between the existing product and the new one can cause the demand to drop. Just as many people may be buying the product, a large portion of them may elect to buy the alternative brand. This leads to price wars that ultimately lower the price of the product and may require a cut in supply to fall in line with the decrease in demand.

(Morgan, 2011: online)

The competitive environment can affect a restaurant's success or failure through the location, its speed of growth strategies, its differentiation from its competitors and lack of experience in relation to adaptation to foreign environmental conditions in the QSR market (Parsa et al., 2005). According to Porter (1979: 131) "Awareness of these forces can help a company stake out a position in its industry that is less vulnerable to attack". Five basic forces impact on product competitiveness: the jockeying for position amongst the current products in the marketplace; the threat of new entrants into the marketplace; the threat of substitute products and services; the bargaining power of customers; the bargaining power of suppliers (see Figure 2.2). These competitive forces interact to impact on the success or failure of new glocal products. So the McFalafel was launched into a intensely –competitive marketplace in which the major issue was the threat of substitute products – the original McFalafel – which was offered at a much more competitive price and more to the taste preferences of Egyptian consumers. In contrast, there were no substitute products in the Egyptian marketplace apart from the original kofta on which it was based and so the McArabia was seen as good value for money.
2.2.3 Ecological factors

The restaurant sector, like other business sectors, faces a number of ecological issues, such as bad weather, natural disasters (earthquakes, volcanoes, etc.). The weather in Egypt in the summer is unbearably hot, especially in the early afternoon, and so customers avoid going out in this period which opens up a market opportunity to QSR restaurants in terms of offering a home delivery service. Construction projects, e.g. highways, bridges and other infrastructure
and superstructure projects, in the proximity of a QSR can have a major impact on its chances of success (Alonzo, 2007), and impact badly on the global and local QSRs sales. Climate-related factors can impact QSR businesses in a number of ways, e.g. in relation to raw material sourcing:

Climatic changes also have significant impacts on the restaurant industry. For example, many seafood restaurants are facing the challenge of finding economically viable sources of quality seafood for their restaurants because of loss of seafood breeding grounds. Weather factors are known to influence the prices of commodities thus resulting in significant economic losses to the restaurant industry.

(Parsa et al., 2005: 6)

One ecological factor with significant impact on the QSR industry was the series of global food crises – mad cow disease, bird flu and swine flu. Mad cow disease, in particular, with its implications for the eating and sourcing of beef products had particular impact on the beef-oriented QSR industry.

2.2.4 Political factors

Political factors include a range of national and international political issues which affect decision-making in relation to moving global QSR operations into a new country.

The international marketer’s political environment is complex because of interaction between domestic, foreign and international politics. When investing in a foreign country firms have to be sensitive to the country’s political concerns. The firm should prepare a mentoring system that allows it systematically to evaluate the political risks such as expropriation, nationalization and restrictions against exports and/or imports.

(Hollensen, 2007: 210)
"The political environment consists of laws, government agencies, and pressure groups that influence or limit various organizations and individuals in a given society" (Kotler & Armstrong, 2010: 108). Political factors may enable or constrain QSR operations. The attitude of a government toward business operations affects the freedom it gives firms to operate (Doole & Lowe, 2012). International incidents far beyond the boundary of a host country may impact on global QSR operations within the host country. So, for example, the US invasion of Iraq in 2003 had significant impact for the operation of McDonald's Egypt.

*Political decision can have major consequences for business, this sharply illustrated by the US decision to invade Iraq which resulted in some leading American companies becoming the targets for attack and some American products being boycotted, usually political forces have more gradual and subtle effect.*

(Jobber & Fahy, 2009: 33)

The Arab Spring is the term which was coined for the series of revolutions across the Middle East to overturn despotic regimes. The Arab Spring started at the end of 2010 in Tunisia in a series of demonstrations against the Tunisian government in reaction to the lack of employment opportunities, the high cost of commodities and the lack of democratic process in Tunisia. The Tunisian situation catalysed events in Egypt, Yemen, Bahrain, Libya and Syria. Demonstrations demanding change, if not the toppling of the ruler, also happened in Jordan, Algeria, Morocco, even in peaceful Oman in the Gulf (Bowen, 2011). Demonstrations in the streets, for example of Cairo, forced QSR sales to slump and branches to close temporarily.
Boycotts are a form of protest that are defined as the refusal of a group to have commercial dealings with an organization. Product boycotts are one way that customers can show their displeasure with a company’s policies or with situations that the company is perceived to be associated with. So, for example, global companies of US origin are particularly vulnerable when the US intervenes in political issues in other countries. This may be as a result of a specific action, e.g. the invasion of Afghanistan or Iraq, or perceptions of inappropriate action, e.g. the US’ perceived support of Israel. “Boycotts can have a crippling effect on corporate finance and profitability” (Knudsen et al., 2008: 21). Food sales by US QSRs, e.g. McDonald’s in the Middle East, especially in Saudi Arabia, dropped 25 percent and resulted in the laying off of many McDonald’s employees as a result of the Palestinian/Israeli conflict in 2002 (Frumkin, 2002; Wattad, 2003).

The call for boycotting American flagship brands was at its maximum level during the Palestinian/Israeli conflict in 2002 and extended until mid-2003. There’s still a percentage of Middle Eastern people who have continued their boycott, but it is minor.

(Laster, 2007: 2)

Where a small group boycotts a product or a company there may be little impact. However, some Middle Eastern countries find ways to spread the boycott, e.g. in Syria billboards carrying anti-American slogans encouraged widespread boycott of American products (Macfarquhar, 2002).

As a result of the boycotts to Americana, Kuwait-based franchisee of Pizza Hut and Baskin-Robbins reported that sales has fallen by 45% in Jordan, 40% in Egypt and 20% in the Gulf region.

(Frumkin, 2002: 1)
Knudsen et al. (2008) (see Figure 2.3) identify boycott triggers (government actions, corporate actions and individual actions) and boycott strategies (raising wider public awareness through the use of diverse media (the Internet, mobile phones, television) and the targeting of specific companies (such as McDonald's)). McDonald's are particularly vulnerable in this respect as they are probably the most iconic symbol of the USA globally. The issue is how the targeted company responds to the boycott, i.e. the corporate response. "Every boycott has to have justification to generate public support" (Knudsen et al., 2008: 18). In relation to the boycotting of McDonald's Egypt, Coca Cola, Pepsi, Kentucky Fried Chicken and Pizza Hut in the Middle East, the boycott trigger was the American invasion of Iraq and perceptions of its ongoing support for Israel in relation to the Palestine issue. The boycott strategies implemented were to raise awareness of the issue through a range of media strategies and the targeting of companies of American origin. McDonald's Egypt as the archetypal symbol of the USA suffered particularly badly in this respect. Knudsen et al. identify various corporate responses to boycotts: responding to the rumour; distancing itself from controversial issues; making charitable contributions; emphasizing local connections and the impact on the local economy; localising the marketing mix; working with a country's government. McDonald's Egypt adopted a range of responses to the boycotting of its products. The development of its new glocal products – the McFalafel and the McArabia – were its attempts (one successful and one not) to localise the marketing mix.
2.2.5 Legal factors

Product-related legal requirements vary widely from country to country (Clarke & Chen, 2007). Legal factors include regulations and national security issues which government impose regulatory constraints that often work in opposition to globalisation and in the same time in the favour of localization (Lasserre, 2007). Local domestic laws are specific for particular markets and an organisation needs to take them into account when acting outside its home borders (Piiraine, et al., 2008). “Taxation and regulation are issues of major concern to the food service industry” (Enz, 2004: 321). In Cairo there are local laws to ensure that a business cannot exacerbate Cairo’s traffic nightmares and so a new QSR
business would need to make arrangements for customer car parking to overcome potential problems.

### 2.2.6 Informational factors

Informational factors are critical in the QSR industry to maintaining competitiveness - a QSR must understand not only its market but also its customers' requirements and be aware of the new trends in its competitors' restaurants to ensure that at the minimum it keeps abreast of new developments in the industry and ideally is seen as a trendsetter and ahead of the competition:

> Information is a key ingredient in the development of successful international marketing strategies, lack of familiarity with customers, competitors and the market environment in other countries, coupled with the growing complexity and diversity of international markets makes it increasingly critical to collect information in relation to these markets.

(Hollensen, 2007: 153)

As well as gathering information about potential customers and the external environment, QSRs need to provide information to their employees and their customers. The depth and style of information provision varies between QSR chains and between countries. For McDonald's UK the information provided includes: the product range (see Figure 2.4), the nutritional value of food items (see Figure 2.5); the location of restaurants providing information in formats for satnavs and mobile phones (see Figure 2.6); employment opportunities for potential employees (see Figure 2.7); community activities, e.g. sports coaching opportunities that attract children (see Figure 2.8); wider corporate social responsibilities, e.g. to the environment and the QSR's charity work (see Figure
2.9); general company information, e.g. on franchising opportunities and development plans (see Figure 2.10). Equivalent information is not included on the McDonald’s Egypt website.

**Figure 2.4:** Product range and nutritional value of McDonald’s food items [source: http://www.mcdonalds.co.uk].

Figure 2.5: Information on nutrition and ingredients on the McDonald’s website [source: http://www.mcdonalds.co.uk].
Figure 2.6: The ‘restaurant’ section of the McDonald’s website [source: http://www.mcdonalds.co.uk/].

Figure 2.7: The ‘people’ section of the McDonald’s website [source: http://www.mcdonalds.co.uk/].

Figure 2.8: The ‘our world’ section of the McDonald’s website [source: http://www.mcdonalds.co.uk/].

Figure 2.9: The ‘sport’ section of the McDonald’s website [source: http://www.mcdonalds.co.uk/].
For global QSRs working across borders, the language of communication is a critical issue as is the format in which the information is provided. “Globalization affects the nature of that information (including the languages and format in which it is provided)” (Hollensen, 2007: 425). The tone of voice and the colour of the McDonald’s UK website are, for example, very different to that of the McDonald’s Egypt website.

Information exchange with suppliers is also important both in relation to information to a supplier in relation to raw material specifications and in relation from the supplier in relation to the cost of raw materials. The cost of raw materials has a significant effect on the cost of manufacturing a product and in turn on its price and ultimately on customers’ perceptions of its value for money. QSRs restaurants have to negotiate carefully on the costs of raw materials to be able to know if they can deliver a proposed new product at a price which will make it attractive to potential customers.

As well as the issue of information there are also considerable issues for QSRs relating to misinformation. Misinformation spread through rumours has had
significant impacts on McDonald's operations in the Middle East. Rumours spread because often people want to believe the bad news about an organisation because they distrust the organisation (Fearn-Banks, 2007). Rumours target companies and their products as, for example, happened with McDonald's Egypt (Knudsen et al., 2008) with disastrous consequences for an organisation and its reputation as highlighted by Howell (2006: ii):

*Rumours can lead to unpredictable events: the manner in which an organisation respond to a commercial rumour can alter its reputation, and affect its profitability as well as, ultimately, its survival. Commercial rumours are now a prominent feature of the business environment They can emerge from organisational change, pending workforce layoffs, mergers, and changes to management, in addition, commercial rumours can lower morale and undermine productivity.*

The dissemination of rumours can result in the boycotting of products. The issues relating to boycotts of McDonald's Egypt emanating from anti-American reaction in the Middle East had significant impacts as discussed in the political factors section of this chapter.

### 2.2.7 Social factors

"*Culture is the shared values, attitudes and behaviours of a group - their customary ways of perceiving and doing things to satisfy needs*" (Dahl, 2003: 451). Culture drives a person's needs and behaviour (Sokolowski, 2011). Rudestam & Silverman (2004) explain that there are a number of differences between people from definable and unique cultural backgrounds.

*Culture is the relatively stable set of inner values and beliefs generally held by groups of people in countries or regions and the noticeable impact those values and beliefs have on the peoples' outward behaviours and environments.*
Cultural factors exert a broad and deep influence on consumer behaviour (Armstrong & Kotler, 2007). Religion, for example, can have a major impact on attitudes and behaviour. Some religions, e.g. Islam, are highly prescriptive and extend into every aspect of a person’s life determining his/her behaviour through the prohibition or mandating of particular actions and impacting on the values and attitudes of societies and individuals (Czinkota & Ronkainen, 2007). Norlander (1999) explained that people from different cultures have different dietary preferences - some foods favoured in one culture may be prohibited in another – for example the eating of pork is forbidden in Muslim and Jewish cultures.

Culture is one of the first and most challenging aspects of the international marketplace (Czinkota & Ronkainen, 2007) and a real understanding of a potential host culture is needed by global companies entering new markets (Van Heerden & Barter, 2008). McDonald’s, for example, has seen cultural adaptation as a critical success factor in entering new markets (Royle, 2000) and has modified its products, e.g. the Big Mac, in terms of the recipe, the appearance or the production methods to suit particular host markets (Laraia et al., 1999).

Socio-cultural factors and cultural diversity pose major challenges to the globalization process (Hollenson, 2007). In spite of the growing globalisation of
(branded) products and services, distinct cultural differences between countries mean that service-oriented businesses have to be cognisant of the particular issues relating to customer satisfaction in different country contexts (Gilbert et al., 2004). Such differences may stem from different social conditions, religion and material culture which affect consumers’ perceptions and patterns of buying behaviour (Doole & Lowe, 2012). Moreover, cultural factors which affect product demand may or may not be easily discerned (Clarke & Chen, 2007). Failure to understand the socio-cultural dimensions of a particular market is a major reason for product failure (Lyer et al., 2006) especially in international markets (Lewis & Housden, 1998). Cultural differences, especially in relation to the use of language, have a significant impact on the way a product may be used in a market, its brand name and the advertising campaign (Doole & Lowe, 2012).

The process of selecting markets requires a broad understanding of cultural difference and similarities and the construction of a framework for comparing different cultures (Lewis & Housden, 1998). Hollenson (2007: 19) explained that “Markets are people, not products” so companies should focus on satisfying their customers’ needs to succeed in particular markets – people should be the first consideration and the market the second in business. Understanding culture can provide tangible benefits when used as a tool to manage competition or to provide the basis for a competitive strategy (Albaum & Duerr, 2008).
One potential impact of globalisation is the erosion of traditional culture and the creation of a new culture from interaction between cultures and the mixing of ideas from different cultures (Rothenberg, 2003; Pieterse, 2009). Globalisation as a result of global information and communication systems, e.g. the Internet, has created increasingly-interconnected patterns of global exchange, and accelerated the hybridisation of cultures on a scale never before known (Storey, 2003; Turner, 2004). This has been a major concern in Islamic society and can result in negative reactions to tourism, e.g. in the Sultanate of Oman (where, as Al-Shaaibi (2011) reports, bringing scantily-clad tourists disrespectful of Muslim modest dress codes along with other socially-unacceptable problems - such as the drinking of alcohol - it is considered as a major threat to traditional cultural values) as well as to globalized (American) QSR brands. Although global phenomena (such as McDonald’s and Coca-Cola) have met with great success around the world, this does not mean that the world has become Westernized - modernization and Westernization are not the same, as can be seen in Saudi Arabia (Czinkota & Ronkainen, 2007), where modernization has taken place but the change has been consistent with traditional values rather than through the adoption of Western values.

All in all, cultural difference is a key issue that needs to be effectively managed by multi-national companies operating in different host cultures (Albaum et al., 2002). However, culture should not simply be considered as an obstacle to doing business across cultures (Albaum et al., 2002).
2.2.8 Technological factors

Globalisation results from the application of highly-developed technologies that enable the efficient exchange of information, products and services all over the world (Bogicevic et al., 2008). Technological change is the most visible and pervasive form of change in society (Finlay, 2000). "The technological environment is perhaps the most dramatic force now shaping our destiny" (Kotler & Armstrong, 2010: 106). Technological aspects relate to both equipment and the technical knowledge and expertise adopted by QSRs which increase the level of automation deployed and decrease the requirement for manual labour (Reviere & Carter, 1996).

Technology push is the term used to describe the way that technology can provide the impetus for innovation and new product development (Palmer & Hartley, 1996). It can also allow existing products to be manufactured more cheaply (so lowering prices for consumers or increasing profit margins), more efficiently or in a more environmentally-friendly manner (by reducing energy consumption or carbon emissions).

Technological factors are critically important to the operation of global QSRs. "Technology plays an important part in standardising the work of QSR crews and not coincidentally, minimizing the amount of skill and discretion required of workers" (Leidner, 2002: 15). Furthermore, computerised systems have standardised much of the managerial work associated with QSR operations, such scheduling work shifts, handling payroll, ordering supplies, determining
how much food to have ready to serve throughout the day and monitoring sales, inventory and waste (Leidner, 2002).

2.2.9 Summary

The external factors impacting on QSR operations can usefully be categorized using Finlay’s (2000) DEEPLIST framework. In responding to external factors QSR operations need to make a number of modifications to their products and their mode of operations. The next section of the chapter will consider the internal factors relating to QSR operations.

2.3 Internal factors affecting the development of glocal products

This section will explain the role of a range of internal factors, including franchising, management, staff, staff satisfaction, training, and marketing mix, and their impact on the new product development process for glocal products in global QSRs. According to Reviere & Carter (1996) internal factors have a more direct impact on a business than external factors and are generally more amenable to influence or change.

2.3.1 Franchising

Franchising is a phenomenon which commenced in the USA in the 1850s with the establishment of the franchise of Singer sewing machines (Felstead, 1993). Hollensen (2007: 335) explains that the term franchising: “is derived from the French meaning ‘to be free from servitude’”. It is defined as:
A business form essentially consisting of an organization (the franchisor) with a market-tested business package centered in a product or service, entering into a continuing contractual relationship with franchisees, typically self-financed and independently owner-managed small firms, operating under the franchisor’s trade name to produce and or market goods of services according to format specified by the franchisor.

(Stanworth & Curran, 1999: 11)

Pride et al. (2012) defined franchising as a license to run an individually-owned business as part of a chain operation. McDonald’s has become one of the most remarkable examples of franchising as a global phenomenon in terms of the number of franchises granted and its global reach. The McDonald’s website (http://www.mcdonalds.ca/ca/en/our_story/mcdonalds_worldwide.html) reported in July 2012 that McDonald’s has more than 33,000 local restaurants serving over 64 million people in 119 countries every day. Franchising is a business format which is a major economic engine and has become one of the most influential factors in the global economy (Vashisht, 2005).

Franchising has become one of the most dominant methods of doing business for prominent multinational corporations. The most famous franchising companies are: Coca Cola, Pepsi Cola, Seven-up, McDonald’s, Kentucky Fried Chicken, Burger King, Wimpy, Prontaprint, Tie Rack, Body Shop, Dyno-Rod and Service Master (Felstead, 1993). Global franchises tend to set the standards for particular product types, so that in the QSR industry, global QSR franchises have high standards of presentation, health standards, food handling, advertising and overall procedures that local competitors and other
competitors are forced to take as a benchmark and attempt to emulate to maintain competitiveness in the marketplace (Simmons, 2009).

Franchising is one means of providing capital, needed services and management training to businesses in communities that are experiencing rapid growth in their economy (Khan, nd: 3). It works particularly well and is commonly used “where establishing and promoting a brand name is centralised but production or distribution of the good or service associated with the brand name is decentralized” (Scott, 1995: 69). It has experienced phenomenal growth globally (Welsh & Alon, 2002). Franchising is considered one of the most successful tools for the distribution of products and services globally (Vashisht, 2005):

*Franchising is a powerful vehicle for the marketing and distribution of goods and services. In the past 50 years, "business format" franchising has come to be the predominant type of franchising in the U.S.A. and in more than 80 countries to which franchising has expanded.*

(Ayopo Olotu & Awoseila, 2011: 162)

According to Maher (2007: 1): “Franchising has been proven to be a good mechanism for entrepreneurs and small medium enterprises”. It is widely used as a way of supporting new entrepreneurs and can take much of the risk out of starting a new business and generally the franchisor would offer training, marketing and management expertise to its franchisees (El-Sayed, 2011).

Lee *et al.* (2008) identified a number of advantages of franchising for the franchisee. First, franchisees own their businesses and get support for their
business from the franchisor - "You are in business for yourself but not by yourself" (Conlon, 2006: 80). Second, franchisers can provide managerial expertise to franchisees and can leave the franchisee managers to dedicate themselves to monitoring their business. However, there are several disadvantages of franchising for franchisees - one major disadvantage is the requirement to follow the brand standards which can be a barrier to innovation by the franchisee. For the franchisor, the franchise offers a captive market for raw materials and other products, e.g. any specialist equipment required by the franchisee. However, the biggest advantage of franchising for the franchisor is that it gives them the opportunity to broaden their business base quickly without spending money in purchasing land, buildings and equipment and to achieve economies of scale in purchasing (Spinelli et al., 2004). Franchising removes resource constraints for the franchisor since the franchisee finances the necessary investments, freeing the franchisor from the capital expenses normally associated with business expansion.

Standardisation is the name of the franchise game and a: "... franchised system generally has standardised systems of operation, standardised menus and products and may even attempt to standardise its employees" (Ball, 2000; 163). Thus, the franchising contract is likely to constrain a franchisee from creating new products without seeking permission from the franchisor. Innovation by franchisees to extend the product range has been very positive for many franchisors and: "Many franchisors rely on franchisee experimentation to generate the innovations that keep their organisations healthy and competitive"
Often franchisees have better knowledge of local market conditions, allowing a franchisor to leverage local market knowledge as it expands to new areas. Franchisees are often closer to customers than franchisors and so are more aware of local taste preferences and thus are able to develop products to meet local needs. The decision to produce a product based on a local traditional food across a chain is a global decision made by the franchisor. “Franchising is an efficient technological and cultural innovation that can be used to target the common needs among consumers across national boundaries” (Alon, 2004: 162).

Global QSRs use appropriate product strategies to operate their operations globally. Three alternative product strategies can be identified: standardisation, adaptation and customisation. Standardisation results in a standard product produced by standard procedures so that the product can be delivered consistently across the global QSR chain. Adaptation and customisation can be considered together as product adjustments. Through adaptation a QSR can adapt its products to meet the needs of a specific market to suit a local culture and its taste preferences (Albaum et al., 2002; Elliot & Acharya, 2003). Customisation enables the QSR to meet the individual needs of customers. Each of these strategies will be discussed in turn in the next sections.

2.3.1.1 Standardisation

Standardisation is the guiding principle for global QSRs:

A fast-food restaurant’s operation system uses standardized, simple menu items and self-service. As a result, U.S. fast-food
franchisors have been able to transfer their operational and product systems to their international franchisees with relative ease.

(Lee, 2008: 454)

Standardisation enables a global QSR to deliver a consistent product, to achieve economies of scale and thus to control costs (Pehrsson, 1996; Ottenbacher & Harrington, 2007). It can result in a standardized product, price, distribution and promotional programme on a global basis (Jain, 1989). Such consistency is important in developing the global QSR brand identity:

There is a move to ensure consistency by branding and pre-planning product and service, an example of this phenomenon is McDonald's which reutilized work and tightened control by operating with a small a demonstrative core and large predominantly unskilled workforce.

(Ingram & Desomber, 1999: 142)

The advocates of standardisation claim that it offers various benefits for employers. It increases managerial control over the operation and cuts wage costs by eliminating the need to hire skilled workers (Royle & Towers, 2002). Standardisation lends itself to franchising offering the advantage of building the global brand through the franchising operations (Risner, 2001). Standardisation in human resources and service helps managers to avoid mistakes and deviation from the brand standard by members of staff (Sandoff, 2005). Levitt (1991) pointed out that a standardisation strategy not only responds to global homogenized markets, but also expands those markets with aggressive low pricing. The disadvantages of standardisation are: loss of local opportunities; problems of replication; difficult to manage; higher cost of ignoring diversity (Lewis & Housden, 1998).
International standardisation means that identical products would be offered to
distinct user segments across national borders (Pehrsson, 1996).

There is also evidence that international franchising seems to offer
consumers increasing value via stable prices due to the efficient
distribution of goods and services and the consistent quality due
to standardisation.

(Alon, 2004: 161-162)

Standardisation works particularly well for companies which start in one large
homogenous market and internationalize later, e.g. McDonald’s started in the
large and relatively homogenous US market and later went global. Where a
company internationalises early in its development, standardisation is not such
a useful strategy as it does not satisfy the specific needs of individual markets
(Yip, 2002). A major challenge for global franchises is price standardisation
(Kreutzer, 1988) and total standardisation can make an organisation vulnerable
to price competition (Pehrsson, 1996).

McDonald’s has become a symbol of standardised mass production techniques
in the service industry - its menus, recipes, uniforms, and buildings are
standardised and its production uses basic assembly line techniques. Its
standardised processes have made a major contribution to its success - a
customer can go to a McDonald’s anywhere in the world and be assured of a
consistently good burger and fries (Pine, 1993).

2.3.1.2 Adaptation

"Adaptation refers to the ability of the organization to respond to rapidly
changing conditions in its environment" (Axelrod, 2003: 62). Cultures and taste
preferences differ between countries and within the same country. Adapting products to meet the needs of different groups of consumers is the key to success for global businesses (Kurtz, 2011). “The big issue today is not whether to go global but how to tailor the global marketing concept to fit each business” (Quelch & Hoff, 1991: 25).

Global companies should take into consideration adaptation as a first step to meet the general taste preferences of different cultures. Although for global QSRs, “competition and changing consumer preferences have required adaptation and innovation from McDonald’s” (Grant, 2010; 169) - standardisation “is the rule, the trick is, increasingly, to deliver standardised quality, with national or regional brand recognition, and a local flavour” (Hsu & Powers, 2001: 326).

There are various reasons for adaptation, e.g. cultural differences, for example, Muslims do not eat pork products and Hindus do not eat beef products. Adaptation enables global QSRs to modify products to meet the needs of specific markets:

_The product should be adapted to take into account local cultural values for example; McDonald’s adapts the meat in its burger product to conform to the cultural expectations of customers in Indian countries, and provides Rice as alternative to fries for Asian Markets._

(Bowie & Buttle, 2004: 121)

Advocates of adaptation claim that it is an essential strategy for global business when working outside its home country and marketing to multiple
countries/cultures where there are likely to be significant differences in consumer wants and needs in relation to a particular product or service offering (Dacko, 2008). Most importantly is that launching an international hospitality product requires consideration of the local context in terms of cultural differences and to make suitable adaptations to gain local consumer acceptance (Bowie & Buttle, 2004). Sensitivity to local customs and culture is vital for success in international markets (Risner, 2001). Furthermore, adaptation is critical when considerable differences exist in economic development, government regulations, communications infrastructure, market competitiveness and technical requirements (Sousa & Bradley, 2009). However, if adaptation goes too far, it may be difficult to achieve economies of scale that contribute to the competitiveness of global QSR chains (Pehrsson, 1996).

Not just the product per se but also its promotion may change to meet the needs of different cultural contexts – so that a global QSR may use highly-localized marketing programmes in different markets. Adaptation would enable a global QSR chain to introduce a unique product in each country with the belief that tastes differ so much among countries that it is necessary to start anew by creating a distinct marketing strategy for every market (Van Heerden & Barter, 2008). Norlander (1999: 52) asserted that “the great success of McDonald’s overseas operations is also attributed to their ability to adjust to the local business environment”. “McDonald’s is known as an innovator for tailoring its menu to suit the unique characteristics of virtually every foreign market it
serves" (White, 2009: 3), e.g. in relation to meeting the needs of Middle Eastern markets as stated by Hafez (2007: 1):

*McDonald’s has customized its menu to suit Middle Eastern tastes with the McArabia sandwich. This synthesis, catering to cultural interests but holding oneself to an international standard makes the market ripe for franchise investment.*

Kotler (1986) emphasised that many of the most famous international product failures have come from a lack of product adaptation.

### 2.3.1.3 Customisation

Customisation is a second product adjustment strategy and enables a global QSR to satisfy the particular needs of individual customers (Albaum et al., 2002).

*Customisation is a condition where the service product is created in the concrete situation as an individual solution to the customer’s specific problem (“Tailor made”, as when a carpenter comes to your house to repair the windows).*

(Sundbo, 2002: 97)

Such product adjustment may involve customizing a sandwich, e.g. by including a burger with two patties rather than one, with double cheese or adding a different sauce. McDonald’s QSRs have introduced the concept of “Have It Your Way” (Pine, 1993; 40) which encourages individual customers to request food items to meet their personal taste. North (2012: online) explains that: “Customers want to be able to personalize their menu choices to their tastes. *Getting the exact flavor you want increases the regularity of a repeat visit*”. As North (2012: online) further explains: “Customisation in fast food began with the
burger wars. The early McDonald’s model launched a take-it-my-way attack, with a batch and bin management method of burger delivery”.

2.3.2 Human resource management issues

This section will focus on the importance of staff for QSRs in general and particularly their impact on the new product development process for glocal products in global QSRs. Staffing is widely recognised as a critical success factor for any business. All good business strategies, at least the ones which have a chance of success, are informed by “the people factor” (Paul, 2010). This is particularly the case for service sector businesses - no less so for the QSR industry where there is a major focus on customer interaction and the staff member is the point of contact with the customer.

Global QSR human resource managers face a wide range of issues which include: rapid changes in technology; globalisation and market integration; increased competition (which may not necessarily be local); a range of cross-cultural issues; economic gravity (in the shift from developed to developing countries (Paul, 2010).

There are a series of platitudes about the importance of staff, e.g.: “people are our most valuable asset”, “our employees come first” and “we are only as strong as our people” (Marketing Innovators, 2005: 1). However, “Staff satisfaction and morale are elements of a restaurant’s business that affect the bottom line every day” (Heatley, 2004: 24). It cannot be emphasised enough that employees are:
"arguably the most valuable resource a company possesses and it is widely accepted that employee satisfaction and motivation are strongly linked to business performance" (Huber, nd, 1).

However, staffing is a major challenge for the QSR industry because, as Ritzer (2004: 148) points out, the QSR industry provides its employees with what he calls “McJobs”. These “dehumanizing” jobs (Ritzer, 2004: 148) are simple and repetitive - they are designed to be very easy and not to require a high skills level so that training requirements are minimized whilst the potential for the production of a standard product is maximized. McJobs do not encourage creativity and promote “resentment, job dissatisfaction, alienation, absenteeism, and turnover” (Ritzer, 2004: 148). High staff turnover is a defining characteristic of the QSR industry but because the jobs are so simple it is easy to replace staff when they leave.

Employee retention has become a major issue for the multinationals in view of the worldwide shortage of labor. In Europe Tricon global has established a reward program, CHAMPS (Cleanliness, Hospitality, Accuracy, Maintenance, Product quality and speed), whereby employees win points for good performance that can be redeemed for catalogue merchandise.

(Parsa & Kwansa, 2002: 25)

QSRs have had to design their whole operation so they can deliver a product of consistent quality using unqualified staff and have developed standardised procedures - recipes, equipment, measuring tools and training programmes. They use a fraction of the workers that would be used by other restaurant formats of similar size since there is no requirement for specialist staff and a
limited service is offered which enables them to make better profits on fewer sales (Scherotter, 2009).

*Human resources are the most powerful resources. How to attract outstanding personnel, how to make full use of employees abilities and potentials in order to help achieve the organizational objectives are the questions that every leader should take into consideration.*

(Yang, 2010: 17)

In the hospitality industry, the power of any operation lies in the motivation of its staff and their enthusiasm for serving customers, this service approach needs to be grounded in work satisfaction for those employees who directly interface with customer (Chon & Maier, 2009). Furthermore, “*Employee satisfaction is linked to the internal quality of work life in a service organization*” (Olsen & Zhao, 2010: 602). Furthermore, successful companies should:

*Successful companies understand that employee satisfaction and employee behaviour play a pivotal role in determining the level of service quality that is experienced by customer. And, hence, their level of satisfaction and willingness to remain with the company or to defect.*

(Clark & Baker, 2004: 2)

Low staff morale is a major issue for businesses, particularly in the QSR industry and is an important issue for managers to address: “*There is one key to profitability and stability during either a boom or bust economy: employee morale.*” (Herb Kelleher cited Marketing Innovators, 2005: 1)

Ying-Chang et al. (2010) expressed that the main job of human resource management is to increase its efforts and incentive to avoid wastage and losses of staff abilities. He added that “*Job satisfaction may arise from many different*
sources, including levels of role ambiguity, autonomy, quality of supervision, quality of social relationships, and level of support in the workplace” (Ying-Chang et al., 2010; 42).

2.3.2.1 Staff Training

Training is an effective way of supporting organisations in the achievement of their goals.

Staff training is an essential part of Human Resource Management (HRM), it is a path for the management to know about their employees, it is a way to help employees to make best use of their own abilities, and it is a method to assist employees to become more professional at what they do. With the help of HRM, business success is partly guaranteed. (Yang, 2010: 1)

Training is a critical aspect of the delivery of glocal products and ensuring that they are prepared in a way which ensures consistent quality.

Employee training, development and growth are essential elements of human resource management programs at the property level. Creating a work environment that fosters employee satisfaction is key to providing market-leading customer service and sustaining profitability. (Chon & Maier, 2009: 166)

The key to effective staff training is to identify the principal duties of the staff members themselves, and to ensure that they are aware of their individual roles and responsibilities. Beyond that, a regular scheduled session should be put in place that not only addresses current responsibilities, but also acknowledges that all staff should be interested in developing their own skills and understanding the importance of their role in the business. (Wine Australia, 2009: 1)

A range of benefits accrue from training: increased job satisfaction and recognition; enhanced self-development and self-confidence; the shifting of an
employee closer to his/her personal goals; helping an employee become an effective problem solver; enabling an employee to become productive more quickly:

Staff training is a significant part as well as the key function of human resource management and development; it is the crucial path of motivating employees and increasing productivity in the business.

(McClelland, 2002 cited Yang, 2010: 7)

Successful companies acknowledge the importance of Human Resource Management (HRM) because they accept that to grow an excellent business, an organisation must have excellent staff. One of these strategies is the implementation of McDonald’s ‘people strategy’ which is delivered via Human Resource Management. Our aim is to be the best employer in each community around the world. This means: “Developing people at every level as the diversity and strength of our people provides us with the greatest opportunity for competitive advantage and we view them as our most important asset. Many people see us in the hamburger business, serving people but in fact we are in the People Business, serving hamburgers.”

(McDonald’s and the Irish Times, 2000: 1)

McDonald’s recognition of the importance of training and commitment to training resulted in the establishment in 1961 of Hamburger University – McDonald’s Centre of Training Excellence - which has “contributed to McDonald’s success by fostering career and education opportunities for employees” (Galagan, 2011: 48). As Galagan continues, citing McDonald’s general training manager Diana Thomas:

Our training mission is to be the best talent developer of people committed to those values ... It was always Ray Kroc’s vision and passion to invest in our talent ... We continue to uphold and honor his philosophy on training, development, and talent. A strong focus on people is part of our strategic plan. We clearly understand the importance of training in providing our customers with consistently great experiences. And it makes good business sense!
The importance of training for helping employees understand a QSR chain’s brand values and organisational mission cannot be underestimated and are a critical success factor:

Employees with more successful brands have a much clearer and consistent understanding of their brands. They commonly provided short, sharp statements characterising their brand which resonated across levels and functions (it is not possible to state examples of these, as the brands are then easily identifiable). Within the less successful brands, very elaborate and sometimes confusing brand explanations were often given, particularly by more senior managers. Employees working with more successful brands appeared to have a greater understanding of how their departments contributed to brand success, and how their behaviour impacted upon the brand in the eyes of consumers.

(Haven-Tang & Jones, 2006: 107) explained that: “Training demonstrates organisational commitment to employees. Thus, the benefits of training may extend beyond improved performance of a specific task due to enhanced motivation and commitment”. For QSR restaurants with notoriously-high levels of staff turnover training can enhance individual performance and reduce staff turnover.

2.3.2.2 Staff motivation, satisfaction and loyalty

The key to success in the QSR business is the management of globalisation which involves transfer management of culture, common standards and brand values (Yu, 1999). Globalisation affects hospitality and tourism enterprise managers as they have to be highly skilled to manage their multicultural
workforces and they must be respectful of the local cultural contexts in which they manage (Pizam, 2010) to achieve staff satisfaction.

Restaurant failures that are the result of managerial limitations and incompetence, examples of this group include loss of motivation by owners; management or owner burnout as a result of stress arising from operational problems; issues and concerns of human resources; changes in the personal life of the manager or owner: changes in the stages of the manager or owner's personal life cycle; and legal, technological, and environmental changes that demand operational modifications.

(Parsa et al., 2005: 25)

Staffing is a vital factor in hospitality services and impacts strongly on customer satisfaction. Managers have to understand what motivates their staff. As Dwight D Eisenhower (cited Mortensen, 2008: 169) explained: "Motivation is the art of getting people do what you want them to do because they want to do it". Furthermore, managers must recognise that to motivate staff they need to understand about rewards – extrinsic and intrinsic – and how they ensure that staff want to continue to contribute to a company's goals of excellent performance in a competitive marketplace (Jones & Haven-Tang, 2006).

The strongest relationship as indicated by the data collected in the early tests of the service profit chain model, were those between: (1) profit and customer loyalty, (2) employee loyalty and customer loyalty, and (3) employee satisfaction and customer satisfaction.

(Heskett et al., 1997: 148)

As Haven-Tang and Jones (2006: 106) explained: "Satisfied and motivated employees perform better and add value to the organisation by enhancing customer perceptions of quality".

Customer loyalty is linked to customer satisfaction, in turn, customer satisfaction is linked to service value while service value is linked to employee productivity, whereas employee productivity
is linked to employee loyalty, employee loyalty is in turn linked to employee satisfaction, and employee satisfaction is linked to internal quality of work life.  

(Heskett et al., 1997: 148)

An increase of employee satisfaction could actually result in increased in employee participation and has the potential of making both the employee and employer equally loyal to the company. Basically employee satisfaction is dependant on benefits package, training and development, relationship with supervisor, working conditions, teamwork and cooperation, recognition and rewards, empowerment and communication.  

(Abdullah et al., nd: 5)

Enz (2010) stated that losing staff motivation is a major contributory factor in restaurant failure.

2.3.2.3 Teamwork

Good management in QSRs involves high levels of quality control, teamwork and management strategies as well as sufficient flexibility to be relevant to partners and consumers - the most important thing is that companies have to find the right balance between global and local control (Reed & Elliott, 1999).

Teamworking is a multi-dimensional concept which has gained recent popularity and some success in manufacturing, but there is little evidence that large numbers of firms in the service sector have espoused teamwork methods.  

(Ingram & Desomber, 1999: 16)

Larson & LaFasto (1989: 7) highlighted on the importance of teamwork: “An understanding of teamwork is a fundamental step in assuring our future survival." “Teamwork provides specific and practical help for people who want to know how to get more team play into their organizations” (Parker, 2008: xiii).

Strategy - the organization’s approach to reaching its objectives - must include teamwork and team players as integral building
blocks. A teamwork strategy says that the organization believes that effective teams are important factors in our ability to develop new products, compete in the global marketplace, provide quality customer service, and, in the end, enhance sales and profitability. (Parker, 2008: 164)

Larson & LaFasto 1989 (cited Ingram & Desomber, 1999: 19) explain that: “A team has two or more people; it has a specific performance objective or recognisable goal to be attained and that co-ordination of activity among the members is required for the attainment of the team goal or objective.” Furthermore, “Effective communication and teamwork is essential for the delivery of high quality” (Leonard et al., 2004: 85).

The work of teams is termed “team work”, “team-work” or most recently as “teamwork”. The Oxford English Dictionary (1979) defines “team-work” as: (1) work done by a team of beasts; (2) the combined action of a team of players; (3) work done by a team of operatives.

(Ingram & Desombre,1999: 18)

2.3.3 Marketing Mix

Kotler & Armstrong (2010) explained that the marketing mix is the set of tools that management can use to influence sales and comprises 4Ps - product, price, place and promotion.

- **Product** - features, quality, quantity;
- **Place** - location, number of outlets;
- **Price** - strategy, determinants, levels;
- **Promotion** - advertising, sales promotion, public relations.
It is important that marketers “pay close attention to major trends and consumer spending patterns both across and within their world markets” (Kotler and Armstrong, 2010: 103). So market research is critical in enabling global QSRs to maintain detailed information about customers and their reaction to the product range on offer: What products are well received?; What prices are consumers willing to pay?; What TV programmes, newspapers and advertising are viewed? What restaurants are visited? (Ruby and Stake, 2007).

The marketing mix is critical to success for global QSR chains aiming to expand their branches globally. A global QSR chain may choose to either standardize its marketing strategy globally or across groups of countries which are similar in social, cultural, technological, political and economic terms or localize its marketing strategy to meet the needs of consumers in a specific country (Vignali, 2001; Albaum et al., 2002; Van Heerden & Barter, 2008). Standardizing the marketing mix increases the efficiency of marketing (Kreutzer, 1988).

Each of the four elements in the marketing mix will be considered in the next sections.

2.3.3.1 Product

From a marketing perspective a product is:
... anything that can be offered to a market to satisfy a need or want. The concept of product is not limited to physical objects - anything capable of satisfying a need can be called a product. In addition to tangible goods, products include services which are activities or benefits offered for sale that are essentially intangible and do not result in the ownership of anything.

(Armstrong & Kotler, 2005: 6)

Product quality can be defined as its fitness for purpose - what it takes to satisfy customers, repeatedly accommodating customer needs (Dransfield et al., 2005). Kusluvan (2003) pointed out that quality is difficult to define objectively so that a stay at the Hilton hotel, eating lunch in a works canteen, a McDonald’s meal or a fine-dining experience despite being very different experiences may all be perceived to be of excellent quality.

Reeves & Bednar (1995) identified two contrasting definitions of quality - the first is conformance to qualifications and the second is satisfying or exceeding customer expectations. “Quality is standardisation and predictability” (Reiter, 1996: 117). Customers need reassurance that a product meets a given quality standard (Vasconcellos, 2004). Forsythe & Hayes (1998) went further in their definition of product quality as its measurement against a standard regarded as excellent at a particular price which is satisfactory both to the producer and to the consumer. Positive quality affects customer satisfaction, promotes customer loyalty and word-of-mouth recommendations (Joseph et al., 2000; Benitez et al., 2007). Product quality is a key issue for the extremely competitive food industry and is the basis of product success (Lin & Chen, 2006).
Product quality is critical in hospitality operations since if quality meets or exceeds customer's expectation it has two benefits: first, customer satisfaction which leads to increased profitability; second, enhanced promotion through word of mouth recommendations by customers.

Product quality is a tool which can be used to manage product competitiveness. Food quality management comprises the actions that design, control, improve and guarantee the construction quality and can be challenging as it involves the complex characteristics of food and its raw resources (Van Kleef et al., 2005). Tum et al. (2006) and Schilling & Neubauer (2009) highlighted that quality inspection, quality control and quality assurance aim to achieve an agreed steady level of quality, first by testing and inspection, then by rigid conformance to standards and procedures and finally by efforts to eliminate the causes of errors so that the defined accepted level will be achieved.

Product quality not only concerns the product itself but also the way it is presented or packaged. "Package design plays an important role for branded goods, and in service brands this likewise represents an opportunity for more effective differentiation" (McDonald et al., 2001: 346). "Packaging and packaging design have become an important factor in marketing diverse "consumer goods" and have a key role in communicating product benefits to the customer" (Rundh, 2009: 988).
Product packaging is particularly challenging for global products and can affect the demand for products in particular markets (Rundh, 2009). Product packaging may need to be adapted to meet the needs of different markets so that the symbols and the language used suit the country/culture - some symbols may be acceptable in one culture but unacceptable in another. Symbols which are not commonly used in a culture may be misinterpreted (Supermaki, 2008).

2.3.3.2 Price

"Price-setting should begin with establishing how the customer values the product or service and what they are willing to pay" (Cram, 2008; 283). The price of a product will be somewhere between a price floor and a price ceiling. If the cost of a product is higher than its price the company will suffer financial loss (Cram, 2008). Thus the price floor is determined by the cost of production. The price ceiling is set by customer perceptions of a product’s value for money - if customers perceive that a product’s price is greater than its value, they will not buy the product (Armstrong & Kotler, 2007). The price ceiling “is the national maximum price a customer is able to pay and still obtain value” (Cram, 2008: 289).

Developing an international pricing strategy is a major challenge for global companies (Theodosiou & Katsikeas, 2001) and generally drive companies to develop creative pricing strategies for different markets at different times (Sousa & Bradley, 2009). In any particular market a company should ensure that the price meets the local conditions by considering some internal factors including
its overall marketing strategy and market mix, the nature of the market and customer demand for the product, competitors' strategies and prices (Armstrong & Kotler, 2007). “Pricing ... must reflect supply and demand relationship, pricing a product too high or too low could mean a loss of sales for the organization” (Bogicevic et al., 2008: 9). Thus global companies may abandon any attempt to coordinate prices from country to another.

Pricing could not possibly be standardized across the globe without alienating many countries with poorer economies. In each country, the prices must take into account the following factors: Fixed and variable costs, Competition, Company objectives, proposed positioning strategies, Target group and willingness to pay.

(Bogicevic et al., 2008: 9)

2.3.3.3 Place

Place is an important aspect of the marketing mix for global QSRs, especially in non-Western countries:

The choice of location is expected to have significant impact on the success or failure of a restaurant. Success of a location depends not only on its physical site, but also its surrounding demographics. In other words, location is a complex construct that encompasses geographic, as well as demographic and psychographic variables. Any changes in geographic or demographic/psychographic variables of a specific location could have significant impact on the attractiveness of a location.

(Parsa et al., 2011: 8)

A restaurant’s location in its market and its ability to differentiate itself from its competition also help determine whether it will survive. While a restaurant can benefit from close proximity to competition and restaurants are often located in clusters to attract more traffic, as in a “restaurant row,” an operation could find itself in a cluster of restaurants within which it cannot compete effectively. In that regard, a restaurant’s inability to differentiate itself from its competition can be fatal. The restaurant’s reaction to competitive pressures from excess density depends in part on the nature of its ownership.

(Parsa et al., 2005: 307)
A QSR restaurant needs to be located in an area in which it will be accessible to its customers. The (surprisingly) aspirational nature of McDonald’s in Egypt means that its restaurants need to be located in up-market areas of Cairo (e.g. Mohandeseen and Zemalek).

2.3.3.4 Promotion

Product promotion is similarly a critical aspect of the marketing mix. Global companies need to be cognisant of the cultural issues which determine the appropriateness of promotional materials in different cultural contexts.

An important assignment of a manager in a globally oriented company is to understand all limitations on national and foreign target markets (differences in culture, limitations of media, complex regulations etc.) and to develop advertising strategy which will enable the real message to be transferred at the right time and in the right manner to prospective customers.

(Milovanović; 1997: 74)

Getting the promotion of a product wrong in a market can have a disastrous impact for a product: “Product and promotion go hand in hand in foreign markets and together are able to create or destroy markets in very short order” (Hollesen, 2007: 434).

2.3.4 Quality management

According to Hoyle (2007) the word quality has many meanings: a level of excellence; assurance of satisfying customer requirements; the characteristics of an entity that affect its ability to satisfy stated or implied needs; fitness for purpose and use; free of drawbacks and contamination; exceeding customer
needs (and expectations). Quality management is the ongoing process of managing quality from the launch of new products through their ongoing delivery to ensure they continue to meet customers' needs and expectations (Zu, 2009).

Quality management is "... well established in the industrial manufacturing sector" (Lagrosen et al., 2007: 49):

\[\text{In today's global competitive marketplace the demands of customers are forever increasing as they require improved quality of products and services. Also, in some markets there is an increasing supply of competitively priced products and services from low labour cost countries such as those in the Far East.} \]

(Dale, 2003: 3)

Quality management is increasingly recognised as a major consideration in the hospitality industry (Barad & Raz, 2000), particularly by global QSRs which use quality management to sustain their global brands through standardised product and service (Hoyle, 2007).

\[\text{The significance stems from an ongoing ability of quality to create a sustainable competitive advantage on both cost and value fronts, thereby improving marketplace competitiveness.} \]

(Grant et al., 1994 cited Germain & Spears, 1999: 371)

Quality management processes are considered a key practice of organisations that puts an organisation's philosophy into practice, i.e. it is focused on customer satisfaction, the ongoing development process for new products, and teamwork to improve the quality of the end product served to its customers (Zu, 2009) and "have a significant and strong impact on quality and operational
Core quality management practices consist of:

... quality information, product/service design, and process management ... including top management support, customer relationship, supplier relationship, and workforce management.

(Zu, 2009: 131)

According to Oakland (2003) the ongoing quality management process results in the translation of a set of consistent inputs (materials; procedures; methods; information; people skills; knowledge; training; equipment) through a consistent process into a consistent set of outputs – product deliverables (see Figure 2.11).

Standardization is a major goal for global QSRs. Global QSR products are standardised so that customers experience consistent quality, portion size, packaging and time of service in whichever QSR branch they access their product. Such consistency of output is achieved through a system based on standardised inputs and processes using standardised recipes, equipment and time of cooking across the global QSR chain.
Supplier relationships are critically important to the procurement of consistent quality raw materials to maintain the global standard around the world. There are some basics - reasonable price, good quality and fast delivery to satisfy customers - in relation to the supply of raw materials for global QSRs (Hoyle, 2007). Jayaram et al. (2012) stressed the importance of a supplier's abilities to satisfy customer needs through a consistent quality for supplies:

Suppliers play a critical role in these efforts in many ways. For example, the quality of incoming parts from suppliers determines
the level of inspection efforts for buyers and this can have an impact on the quality of the end product. Supplier's capability of reacting to a buyer firm's needs, can also determine the buyer firm's ability in responding to its customers' needs.

(Jayaram et al., 2012: 534)

The next section of the chapter will discuss the new product development process.

2.4 New Product Development Issues

This section of the chapter will initially consider why companies develop and launch new products; the risks associated with new product development and finally discuss the new product development process from concept to product launch and evaluation. The new product development process begins with exploring new product ideas. To be successful it is important that the search for new ideas should be a formal rather than an informal process with top management spelling out the corporate task and objectives for new products and their role in the firms' growth strategy (Saxena, 2009). "Management plays a central role in coordinating organisational tasks, structure, people and technology" (Ingram & Desomber, 1999: 142).

2.4.1 New product

In the context of QSRs a new product is defined as: "as any item not currently on an operation's menu, even if the product is available elsewhere" (Hsu & Powers, 2001: 195).
A new product is any product which is perceived by the customer as being new. This could involve repositioning of existing products or offering the existing products at low prices, or making improvement in the existing product, or adding new product items to the existing product line.

(Saxena, 2009: 263)

New products may be imitative – the company ‘follows the leader’ – or pioneering (see Figure 2.12). An imitative strategy in which a company copies products developed by other companies is far less risky than a pioneering strategy – it reduces the requirement for research and development.

Figure 2.12: Two types of innovation [Adapted from Reid and Bojanic, 2010].

Most food service operations have introduced new products in one of the three categories: Imitation: when several operators added chicken nuggets, they were imitating. McDonald’s successful offering of the product. Adaptation: a modification of an existing product by adding one or more new ingredients. Innovation: Wendy’s baked potatoes should be classified as innovation because this offering was unique in its execution.

(Hsu & Powers, 2001: 196)

Many new products, particularly in the food industry, are evolutionary and based on the modification and enhancement of existing products rather than being revolutionary (Portsmouth, 2008).
Every product seems to go through a life cycle: it is born, goes through several phases, and eventually dies as newer and better products come along. Because all products eventually decline; restaurants must develop new food items to replace aging ones. Innovation helps restaurants keep their product portfolio competitive and thereby achieve competitive advantage. Innovation is a critical issue for prosperity and growth; it has moved from a strategic option to a mandatory management task. (Ottenbacher & Harrington, 2008: 524)

Innovative companies are pioneers – risk takers – and need a strong research and development capability to bring new products to the market. Innovators derive profit from being first to bring a particular product to market. Customers may link innovation with the market leader and as a result become loyal to that brand. Follow the leader companies duplicate products and services to provide competition for the market leader (Reid & Bojanic, 2010).
2.4.2 Reasons for new product development

New product development is a corporate strategy for maintaining growth and profitability and to enhance competitiveness (Ferrell & Hartline, 2011; Lamb et al., 2010). The Ansoff matrix identifies four diversification strategies for global companies (see Figure 2.13), two of which relate to new product development – product development relating to the development of new products for existing markets to enhancing performance in existing markets and diversification relating to the development of new products to enable a company to enter new markets (Ansoff, 1957).

**Figure 2.13: Ansoff Growth Matrix** (Source from: Ansoff, 1957: 114).

![Ansoff Growth Matrix](source)

New product development enables companies to meet the needs of specific markets and is crucial for global companies’ success in non-Western countries. Furthermore, one advantage of launching new products is to expand the market share for a QSR chain, but the new product must fit into the QSR’s product portfolio and complement the general goals of company (Feltenstein, 1986).
Innovative products can expand a company’s market while “me-too” products are intended to preserve a company’s market share by providing a product similar to that of competitors.

(Feltenstein, 1986: 63)

As consumer needs and taste preferences change so global companies continue to offer successful products and present new combinations of existing products (Hsu & Powers, 2001). Global companies launch new products to revitalize their brand, to build their customer base and maintain the loyalty of existing customers; to build sales and enhance profits. Global companies launch new products as a defence strategy to avoid losing market share, e.g. KFC adding chicken sandwiches to its menu to defend its market share against the burger giants and similarly McDonald’s adding chicken sandwiches to its menu to maintain its customer base against reactions to concerns about mad cow disease and swine flu (Hooley et al., 2007).

A defensive strategy is used to counter the effects on an existing product from a competitor’s new product. Initially, this strategy involves minor changes in a firm’s marketing such as advertising, packaging, and/or pricing.

(Reid & Bojanic, 2010: 258).

New product strategies provide corporate strategic guidelines for new product development process through assessment of internal experiences and external opportunities (Panneerselvam, 2006).

### 2.4.3 New product development hazards

A product that gets sales from another offering in same product line is said to cannibalise that product (Hsu & Powers, 2001; Kurtz, 2011). In selecting a potential new product, marketers must consider whether a new product will
adversely affect the sales of its existing products. There is little point investing resources in a new product that will negatively impact on the sales of an existing product (Kurtz, 2011). In addition, QSR chains monitor the sales of their products to check whether their new products are cannibalizing other products on their menus (Ottenbacher & Harrington, 2009).

2.4.4 The new product development process

The new product development process adopted by global QSR chains is highly structured. Ottenbacher & Harrington (2009) identify thirteen distinct steps in the development of a new QSR product (see Table 2.1).

Table 2.1: The new product development process in global QSR chains
[adapted from Ottenbacher & Harrington, 2009].

<table>
<thead>
<tr>
<th>Category or new product strategy</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification of potential gaps through analysis of a menu’s strengths, weaknesses, opportunities and threats.</td>
<td></td>
</tr>
<tr>
<td>Idea generation</td>
<td>Ideas generation for products to fill the gaps identified in the category strategy.</td>
</tr>
<tr>
<td>First screening</td>
<td>To check the new product can be produced by a global QSR to meet its operational and market needs. Can it be produced at an appropriate cost to ensure an appropriate price to the consumer? Can it be prepared and served within timescales which fit the QSR operation? Will new equipment be needed? Do unit staff have the skills to be able to prepare the new product or will additional training be necessary? Are all the new ingredients necessary?</td>
</tr>
<tr>
<td>Concept testing</td>
<td>Market testing of the concept to evaluate potential market acceptance through market research. Consumers matching the proposed target market are shown pictures of samples to give feedback on the potential of the new product ideas.</td>
</tr>
<tr>
<td>Second screening</td>
<td>Explores consumer reaction to the concept and revisits financial and operational issues to determine which concepts should be developed further.</td>
</tr>
<tr>
<td>Prototyping</td>
<td>Prototype production and evaluation using taste panels and focus groups whose members match the target market and are diverse enough to reflect taste preferences in different regions of a country.</td>
</tr>
<tr>
<td>Third screening</td>
<td>Revisits financial and operational issues but particularly focuses on supply issues - can the product be manufactured for the QSR chain by an external supplier and can it supply all the units in the QSR chain. Food safety and other risk evaluations are also undertaken.</td>
</tr>
<tr>
<td>Concept refinement or development</td>
<td>The concept refinement stage brings together the marketing, operation, R&amp;D, supply chain, and packaging departments to work together and involves four main activities:</td>
</tr>
</tbody>
</table>

Page 2-62
Product optimisation
Coniders cooking issues and fine-tunes raw materials, recipe, packaging; safety and pricing. Careful negotiation with raw material suppliers to get the finest ingredients at the best price.

Operational procedures
The QSR has to determine what it will cost to get the product served to the customer and to assess equipment needs and costs, presentation, plating, production flow, inventory needs, labour needs and supplier needs to fix a menu price and profits, choose a product name, and prepare in-store promotional materials.

Training
Training is essential to ensure that a standardized product is served to customers across the QSR chain. Standardised training materials showing pictures of the product.

Marketing
The marketing department determines the right time to launch the new product and develops a suitable communication strategy (radio/television/promotional materials at the point-of-sale, etc.).

<table>
<thead>
<tr>
<th>Fourth screening</th>
<th>Compares the product, especially its price, with potential substitutable products offered by competitors and ensures the product fits the brand image. This stage involves very experienced staff.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test market</td>
<td>Soft launch in a few stores to check the suitability of the product, its price and promotional materials to evaluate product attractiveness through customer feedback on guest comment cards. It also checks any operational issues.</td>
</tr>
<tr>
<td>Final pre-launch</td>
<td>Evaluation of the performance of the new product in the previous two steps and considers any operational and financial issues using staff and managers’ feedback. It also monitors any cannibalisation of old product(s) by the new product.</td>
</tr>
<tr>
<td>screening</td>
<td></td>
</tr>
<tr>
<td>Product launch</td>
<td>Launch of the new product across the QSR chain in a particular country before going global.</td>
</tr>
<tr>
<td>Product evaluation</td>
<td>Evaluation of financial performance (sales and profitability), customer satisfaction (guest feedback) and operational feedback (staff, operational managers and area managers).</td>
</tr>
</tbody>
</table>

The category strategy ensures that the product fit into the existing menu and links the new product development process and the objectives of the marketing department, the business unit, and the corporation (Lamb et al., 2010).

*We identify from a menu standpoint where there might be gaps in our existing product offering, where there might be an opportunity to replace a product that has been there for a long time with something that is much more current and relevant. This provides general direction for our R&D department to develop concept ideas.*

(Ottenbacher & Harrington, 2009: 528)
The concept of a platform from which several menu items can be generated is very important since this can minimise the number of new ingredients and hence suppliers that are needed. More new ingredients increase costs and the requirement for storage space which is often at a premium in individual units (Ottenbacher & Harrington, 2009).

Ideas for new menu items come from various sources: employees and management; brainstorming; consumer needs; guest comment cards; monitoring geographic, demographic, and psychographic characteristics of the market and competitor QSR chains; the Internet; food magazines; cookbooks; food seminars; travel experiences (Panneerselvam, 2006; Saxena, 2009; Ottenbacher & Harrington, 2009; Lamb et al., 2010). Many new product ideas are based on existing products and may be developed from within the production or service operation and it is necessary, therefore, to examine the role of operations and its management when studying innovation. These innovative ideas are likely to be ideas for improvement in the process of manufacture or delivery of the product or service (Portsmouth, 2008). Ottenbacher & Harrington (2009: 530) emphasise the importance of partnerships with suppliers:

*Suppliers have culinary people on staff. For example, when we want to develop a new salad we ask our suppliers for support depending on the relationship with the supplier, sometimes we hand over the idea or part of the concept to suppliers and then they come up with items that are appropriate for us and then combine them with our (existing) ingredients.*
Products which are not likely to satisfy the exacting criteria set by the QSR chain are screened out through the various stages. McDonald’s screened out one new product idea for a salad with shrimp because, if had been successfully introduced, McDonald’s would have had serious impacts on shrimp supplies in the US (Christensen, 2003).

It is quite a long way into the process (step six - prototyping) before actual prototypes of the concept are produced. This work is often undertaken for the QSR chain by culinary institutions or research chef consultants. A range of prototypes using different recipes and ingredients based on the food concept will be developed. The number of prototypes varies according to the complexity of the product and the QSR policy.

Operational considerations relating to the product preparation in the various units of the QSR chain are critical and include decisions relating to equipment and staff training to ensure that the product can be standardized across the QSR chain – “it is very important that every employee understands what we want them to do, we do not want employees’ interpretations” (Ottenbacher & Harrington, 2009: 534).

Once the test marketing is completed and the global chain QSRs has had positive results then the QSR chain is ready to commercialize the new product (Saxena, 2002). This needs to be done in the right way and at the right time and place:
The launch plan must consider the following: timing; place and strategy. "Lead time" or "time to market" has been generally known to be one of the most important a successful key of success in companies (Lamb et al., 2010: 75).

There are a number of critical issues that the potential new product has to address, which are checked carefully throughout the new product development process, notably the attractiveness to the customer, the cost of production and the price to the customer and operational considerations relating to product preparation in the various QSR units including decisions relating to equipment and staff training to ensure that a standardised product is delivered to customers.

2.5 Developing a conceptual framework

The conceptual framework which will be used in this study to underpin the primary data collection brings together the three areas discussed in the previous sections: first, the external factors which drive the new glocal development process; second, the internal factors which constrain the new product development process; third, the new product development process itself. These are shown in Figure 2.14.
Chapter Two: Literature Review

Figure 2.14: Conceptual framework of factors affecting the new product development process for glocal products.
2.6 Summary

This chapter has presented a critical review of relevant literature in three major sections – external factors, internal factors and the new product development process. Relevant external factors for global QSR restaurants were explored through the lens of Finlay's (2000) DEEPLIST. Internal factors include franchising, human resource management issues (staffing and management), the marketing mix and quality management. Ottenbacher and Harrington (2009) identify thirteen stages in the new product development process. These three areas will be used as a framework for developing the methodology (see chapter 3) and for structuring the results of the case study (see chapter four on external factors, chapter five on internal factors and chapter six on the new product development process).

The next chapter considers the research approach adopted in this study. It involves a case study methodology involving the single case study of McDonald’s Egypt with two glocal products - the McFalafel and the McArabia - as the embedded units of analysis as an example of a global QSR (McDonald’s) operating in a non-Western country (Egypt). Data will be collected primarily using semi-structured interviews and document analysis.
CHAPTER THREE
RESEARCH APPROACH

3.1 Introduction
3.2 Research Design
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3.9 Summary
3.1 Introduction

This research study is focused on identifying success and failure factors in relation to the phenomenon of new glocal products in global QSRs in non-Western countries and will explore the case of McDonald’s Egypt and specifically the embedded units of analysis of the McFalafel and McArabia sandwiches: the McFalafel as an example of a failing glocal product; the McArabia as an example of a successful glocal product. The previous chapter presented a critical review of literature and culminated in conceptual framework comprising three key elements: external factors; internal factors; the new glocal product development process in global QSRs. This chapter discusses the research approach used to achieve the research objectives outlined in chapter one. It identifies the research design in section 3.2. The theoretical approach for the study which comprises the epistemological stance and the theoretical perspective is considered in section 3.3. The practical approach which includes an explanation of the selection of case study as the research methodology is discussed in section 3.4 together with the specific data collection and analysis methods which were adopted in the study. Sampling and accessibility is considered in section 3.5. Validity, reliability and triangulation are discussed in section 3.6. In section 3.7 the issue of generalisability is considered. In section 8 ethical issues considered in this research are discussed. Generalisability is discussed in section 3.9. A summary of the chapter is provided in section 3.9.
3.2 Research Design

A research design is the logical plan comprising sequential steps for getting from the research question to answers to the research question:

A research design is a logical plan for getting from here to there, where here may be defined as the initial set of questions to be answered and there is some set of conclusions (answers) about these questions. Between “here” and “there” may be found a number of major steps, including the collection and analysis of relevant data.

(Yin, 2009: 26)

Creswell (2009: 233) similarly elaborated that:

Research designs are the plans and procedures for research that span the decisions from broad assumptions to detailed methods of data collection and analysis. It involves the intersection of philosophical assumptions, strategies of inquiry, and specific methods.

Yin (2009) identifies five key components of a research design: the research questions, the propositions, the unit(s) of analysis; the logic linking the data to the propositions and the criteria for interpreting the findings. According to Lockström (2007) there are six steps which comprise a research strategy: first, observation and the identification of a problem; second, exploring previous research which has focused on the problem; third, establishing a theoretical framework based on previous studies; fourth, operationalising the constructs of the research; fifth, collecting data from fieldwork and analysing it; sixth, interpreting the data and comparing it with the theoretical model (see Figure 3.1).
Figure 3.1: The research design (Adapted Lockström 2007)

These six steps were followed in this research. Observation of issues associated with the failure of the McFalafel and the success of the McArabia, as noted in chapter one, were the triggers for this research study. It was from these observations when working in QSRs in Cairo that the problem area/research questions started to crystallise and were pursued through the literature review and the development of a conceptual framework.
3.2.1 Deductive versus inductive research

According to Engel & Schutt (2005) there are two types of research: inductive and deductive. Deductive research starts with a theory and tests it; inductive research starts by collecting data and then developing theory from the data (see Figure 3.2).

Miller & Brewer (2003: 67) defined deduction as: “the process of reasoning by which logical conclusions are drawn from a set of general premises”. Deductive research is research which is based on a hypothesis or proposition derived from social theory. Miller & Brewer (2003: 15) argue that: “empirical generalizations and theoretical statements should be derived from the data” (Miller & Brewer, 2003: 154). In the same vein, Saunders et al. (2003) explained an inductive approach as one in which researchers start from theory and designing the research study to collect data to test the theory.

In contrast, inductive research is “an approach in social research which argues that empirical generalisations and theoretical statements should be derived from the data” (Miller & Brewer, 2003: 154,) Saunders et al. (2003) identified an inductive approach as one in which a researcher starts with data collection and develops a new theory based on the patterns that emerge from the data.
This study adopted a deductive approach because it started with a conceptual framework developed from the literature and collected data collected through semi-structured interviews and document analysis to see if the data fitted the theory.

3.2.2 Qualitative versus quantitative research

Quantitative research involves numbers to describe the prevalence of particular views and opinions in a particular sample and can be statistically analysed to generalise results from a sample to the population of interest. Qualitative research uses words and images rather than numbers to develop a rich understanding of the reasons and motivations that underpin a phenomenon.

Qualitative research is a type of scientific research. In general terms, scientific research consists of an investigation that: seeks answers to a question; systematically uses a predefined set of procedures to answer the question; collects evidence; produces
findings that were not determined in advance; produces findings that are applicable beyond the immediate boundaries of the study. (International et al., 2005: 1)

Creswell (2003) pointed to three elements that affect the choice of research approach: the research problem; the personnel experience of the researcher; the audience for whom the report will be written. Creswell (2003) suggested that when there is limited information about a phenomenon at the start of a research study (as there was with this study), the research merits a qualitative approach. It was the personal experience of the researcher which led to the identification of the problem relating to the success and failure of new glocal products and triggered this research study. The research problem was selected as a result of the researcher's experiences of working in QSRs where he observed the failure of the McFalafel sandwich and the success of the McArabia sandwich and discussed with colleagues some of the issues relating to this and how a global QSR might avoid failure in developing new glocal products. Although the primary audience for whom this thesis is written is the supervisors and examiners of this thesis, hopefully the thesis will be of value to the wider academy in terms of its contribution to theory and to practitioners in the QSR industry in terms of its contribution to practice. As Maxwell (2005: 16) explained:

Choosing a research problem through the professional or personal experience route may seem more hazardous than through the suggested by faculty or literature route. This is not necessary true. The touchstone of your own experience may be more valuable an indicator for you of a potentially successful research endeavour.

Thus, a qualitative approach was adopted in this study to develop a rich picture of the key factors affecting the success or failure of new glocal products in
global QSRs in non-Western countries through the experiences of experts and managers involved in the development and delivery of new glocal QSR products. Semi-structured interviews and document analysis were used to develop a rich description of the issues related to the development of new glocal McProducts (the McFalafel and the McArabia) in Egypt.

Qualitative research has a vital role to play in accessing and generating discussions with key decision makers in organisations and with industry experts. Within highly-competitive markets, companies selected for research can often be reluctant to disclose information which is regarded as sensitive. Once interviews have been granted, there is value in using the in-depth interview technique accompanied by a semi-structured questionnaire, for the research.

(Theodorakioglou & Wright: 2000:773)

Creswell (2009: 18) defined a quantitative approach as follows:

A quantitative approach is one in which the investigator primarily uses post positivist claims for developing knowledge (i.e. cause and effect thinking), reduction of specific variables and hypotheses and questions, use of measurement and observation and the testing of theories.

Qualitative and quantitative research approaches vary essentially in some major points as shown in Table 3.1).
Table 3.1: Comparison of quantitative and qualitative research approaches
[source: International et al. 2005: 3]

<table>
<thead>
<tr>
<th>Comparison</th>
<th>Quantitative</th>
<th>Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General framework</strong></td>
<td>Seek to confirm hypotheses about phenomena</td>
<td>Seek to explore phenomena</td>
</tr>
<tr>
<td>Instruments use more rigid style of eliciting and categorizing responses to questions</td>
<td>Instruments use more flexible, iterative style of eliciting and categorizing responses to questions</td>
<td></td>
</tr>
<tr>
<td>Use highly structured methods such as questionnaires, surveys, and structured observation</td>
<td>Use semi-structured methods such as in-depth interviews, focus groups, and participant observation</td>
<td></td>
</tr>
<tr>
<td><strong>Analytical objectives</strong></td>
<td>To quantify variation</td>
<td>To describe variation</td>
</tr>
<tr>
<td>To predict causal relationships</td>
<td>To describe and explain relationships</td>
<td></td>
</tr>
<tr>
<td>To describe characteristics of a population</td>
<td>To describe individual experiences</td>
<td></td>
</tr>
<tr>
<td>To describe group norms</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Question format</strong></td>
<td>Closed-ended</td>
<td>Open-ended</td>
</tr>
<tr>
<td><strong>Data format</strong></td>
<td>Numerical (obtained by assigning numerical values to responses)</td>
<td>Textual (obtained from audiotapes, videotapes, and field notes)</td>
</tr>
<tr>
<td><strong>Flexibility in study design</strong></td>
<td>Study design is stable from beginning to end</td>
<td>Some aspects of the study are flexible (for example, the addition, exclusion, or wording of particular interview questions)</td>
</tr>
<tr>
<td>Participant responses do not influence or determine how and which questions researchers ask next</td>
<td>Participant responses affect how and which questions researchers ask next</td>
<td></td>
</tr>
<tr>
<td>Study design is subject to statistical assumptions and conditions</td>
<td>Study design is iterative, that is, data collection and research questions are adjusted according to what is learned</td>
<td></td>
</tr>
</tbody>
</table>

This research adopted a qualitative approach to achieve its overall aim to provide a rich understanding of the phenomenon of new glocal products developed by global QSRs and their success and failure factors. This in contrast to the vast majority of business theory which has been based on quantitative research and has lacked a deeper theoretical analysis (Stokes, 2000).
3.3 Theoretical Approach (Epistemology and Theoretical Perspectives)

Crotty (1998) explained that there are four major components in social research: epistemology, theoretical perspective, methodology and methods. Epistemology and theoretical perspective together comprise the theoretical approach; methodology and the methods make up the practical approach (see Figure 3.3). Each of these will be considered in turn in the following sections.

Figure 3.3: Research overview [Adopted from Crotty, 1998:4].
3.3.1 Epistemology (Constructionism)

The term epistemology comes from the Greek word ‘episteme’ which means knowledge and ‘logos’ meaning science or rationale so epistemology roughly translates as ‘theory of knowledge’ (Grix, 2002; Miller & Brewer, 2003; Bernecker: 2006). Crotty (1998: 3) defined epistemology as “the theory of knowledge embedded in the theoretical perspective and thereby in the methodology”. He explained: “It is the way of understanding and explaining how we know and what we know” (Crotty, 1998: 3). “Epistemology is concerned with providing a philosophical grounding for deciding what kinds of knowledge are possible and how we can ensure that they are both adequate and legitimate” (Maynard, 1994:10). “Epistemology refers to philosophical questions relating to the nature of knowledge and truth” (Somekh & Lewin, 2005: 345).

According to Crotty (1998) there are several different epistemologies, e.g. constructionism (in many social research texts, the term ‘constructivism’ is used interchangeably with ‘constructionism’) and objectivism. Objectivism holds that “things have meaningful entities independent of consciousness and experience, that have truth and meaning residing in them as objects ... and that careful (scientific?) research can attain that truth and meaning” (Crotty, 1998: 5-6). Objectivism is the epistemology underpinning positivism. In contrast, constructionism:

rejects this view of human knowledge. There is no objective truth waiting for us to discover it. Truth, or meaning, comes into existence in and out of our engagement with the realities of our world. There is no meaning without a mind. Meaning is not discovered but constructed. In this understanding of knowledge, it
is clear that different people may construct knowledge in different ways, even in relation to the same phenomenon.

(Crotty, 1998: 8-9)

The epistemology used in this research was constructionism since the research involved collecting data to explore the different interpretations of the reasons underpinning the success and failure of the two new glocal QSR products in non-Western countries by people who had had direct involvement with the phenomenon under consideration – the experts, senior managers and branch managers of global and local QSRs in Egypt.

3.3.2 Theoretical Perspective (Interpretivism)

A theoretical perspective is a method of looking at the world and making logic of it (Crotty, 1998). Crotty added that the theoretical perspective is an approach to understanding and explaining how humans perceive and interact with the world around them. Crotty identifies three forms of interpretivism: symbolic interactionism, hermeneutics and phenomenology. Phenomenology was the selected as the theoretical approach for this study.

3.3.3 Phenomenology

A phenomenon is “anything which can be observed or experienced by human beings” (Somekh & Lewin, 2005: 347). Phenomenology is “a theoretical perspective aimed at generating knowledge about how people experience things” (Hesse-Biber & Leavy, 2006; 24). A phenomenological approach concentrates on investigating how individual experiences of a phenomenon, i.e. how individuals see it; explain it; make sense of it. To arrive at such an
understanding, the investigator should collect data from people who have experienced the phenomenon (Patton, 2002) – in this case the experts, senior managers and branch managers of global and local QSRs in Egypt. Case studies are widely used to study phenomena and, as Veal (2006: 108) explained: “A case study involves the study of an example - a case of the phenomenon being researched. The aim is to seek to understand the phenomenon by studying single examples”.

3.4 Practical Approach

3.4.1 Case study methodology

Crotty (1998: 3) defines methodology as “the strategy, plan of action, process or design lying behind the choice and use of particular methods and linking the choice and use of methods to the desired outcomes”. The research methodology adopted in this study is case study. A case study is an effective tool for an exploratory research and is often used to explore ‘how’ and ‘why’ questions (Yin, 2009).

Yin (2009) used a 2 x 2 matrix to identify four types of case study design: single case (holistic) design; single-case (embedded) design; multiple-case (holistic) design; multiple-case (embedded) design (see Figure 3.4).
This study will use an embedded single case study design. The context for this study is global QSRs operating in non-Western countries. The specific case is McDonald’s Egypt and the embedded units of analysis are the McFalafel and the McArabia sandwiches (see Figure 3.5). McDonald’s Egypt was selected as the focus of this research study because it is the archetypal global QSR. Its “golden arches are one of the most recognized brand markets in the world. McDonald’s corporation holds a unique and enviable-place in the quick-service food retailing industry” (Kurtz: 2011: 484).

Since 1994, when McDonald’s QSRs opened its first two restaurants simultaneously in the Cairo districts of Heliopolis and El Mohandeseen, its Egyptian operations have grown so that today over 40,000 customers per day are served under the Golden Arches at over 54 outlets.

McDonald’s Web Site (2009: online)
McDonald's adoption of the concept of “think globally, act locally” (Vigina, 2001; Hocking et al., 2007) has resulted in their pursuit of a strategy of glocalisation through which they have sought to develop glocal products reflecting the host culture in each of the different countries in which they operate. The McFalafel and the McArabia were selected as the embedded units of analysis to represent failing and successful new glocal McProducts, respectively.

**Figure 3.5:** Case study design adopted in this study.

A major advantage of using a case study methodology is that it integrates multiple sources of evidence collected using a variety of methods to answer the research questions and thus enables the validation of data through triangulation.
(Denscombe, 2010; Onwuegbuzie et al., 2004). Decrop (1999) indicated that triangulation reduces personal and methodological bias and boosts the probability of generalising the results of a research study as data is gathered from different sides and by different methods.

Triangulation is a method developed within mainstream qualitative sociological research for dealing with problems of validity and refers to the injunction to check pieces of information against at least one other independent source before regarding them as credible.

(May, 2001:189)

3.4.2 Research Methods

"Research methods are the techniques or procedures used to gather and analyse data related to some research question or hypothesis" (Crotty, 2003: 3).

As explained by Yin (2003), case studies can draw on six sources of evidence (see Figure 3.6). This study will use two of these six sources of evidence - semi-structured interviews with an industry expert, senior managers and branch managers of McDonald's and other global and local QSRs and document analysis of printed documents and audio document relating to the development of new glocal products in global QSRs operating in non-Western countries. Each of these methods will be detailed in the next sections.
3.4.2.1 Semi-structured interviews

In this study semi-structured interviews were conducted with industrial experts, senior managers and branch managers of McDonald’s and other global and local QSRs to investigate the key factors which impacted on the development of new glocal products in global QSRs operating in non-Western countries. The first stage in the design of the interview was to develop an outline of the topics to be covered during the interview which emerged from the conceptual framework at the end of the literature review. They should be written in a way that gives the interviewer an aide memoire during the interview but allows both the interviewer and the respondent plenty of freedom in the order that the topics are covered (Corbetta, 2003). Conducting good qualitative interviews is not easy - the problem is not merely one of getting the subject to agree to be
interviewed and to answer questions sincerely – by far the most difficult part is to get an interviewee to talk (Corbetta, 2003). A good interviewer will get the interviewee to open up and to elicit the requisite information in as relaxed and informal a manner as possible.

The method of maintaining and generating conversations with people on a specific topic or range of topics and the interpretations which social researchers make of the resultant data, constitute the fundamentals of interviews and interviewing.

(May, 2001:109)

Interviews are a time-consuming and costly process, particularly where it is necessary to travel for long distances to conduct interviews with participants (Saunders et al., 2009). A UK-based interviewer undertaking a research study in Egypt would be extremely costly. This study was made possible by the research being able to align fieldwork with visits home to Egypt to see family.

As explained above the topics discussed in the interviews emerged from the conceptual framework and focused on the different elements of each of the three main sections of the conceptual framework. A list of the semi-structured interview questions is shown in Appendix 1.

3.4.2.2 Document Analysis

Document analysis mainly refers to the study of previous documents to expose in-depth meanings chiefly in cases where investigation of actions may not be potential throughout observations or interviews (Ritchie & Lewis, 2003). According to Gray (2009) document analysis can be used to extract data from a range of documents: managerial and organisational documents, state financial,
political and legal records, according to the needs of the research and the availability of suitable documents. As pointed out by Denscombe (1998, 161):

*The bureaucratization of industrial society has created a wealth of documentation in relation to administration, policy, management, finance and commerce. These provide an abundant source of data for social researchers in whatever field they operate*.

The documents which were consulted in relation to this research included a range of newspaper articles, advertisements and websites.

### 3.5 Sampling and accessibility

Purposive sampling is used regularly as part of case study methodology (Saunders *et al.*, 2009; Creswell, 2007) and was used in this study. Purposive sampling has the advantage of enabling researchers to select specific information-rich respondents with specialist experience of the specific topic from whom the researcher can learn a great deal about the central purpose of the study being explored (Patton, 2002; Creswell & Clark, 2007).

*Purposive sample enables you to use your judgment to select cases that will best enable you to answer your research question(s) and to meet your objectives. This form is often used when working with very small sample such as in case study research and when you wish to select cases that are particularly informative.*

(Saunders *et al.*, 2009: 237)

In 2008 a telephone interview was conducted with an experienced manager in McDonald’s who had been involved in the launch of the McFalafel sandwich and with a QSR industry expert to get an overview of the research area and to
discuss the plans for the fieldwork. The QSR industry expert suggested the names of potential interviewees in local and global QSR in the Cairo-Giza area, e.g. in El Mohandesseen, and advised which global QSRs (e.g. KFC, Hardee’s and Burger King) and local QSRs (e.g. Mo’men) to include in the study. It was very difficult to make contact with senior McDonald’s management in Egypt. The researcher was fortunate to be assisted in this endeavour by the general operations manager in Compass who had been the researcher’s lecturer during his undergraduate studies and was then the general manager for TGI Friday’s in Heliopolis Egypt.

Accessibility was a critical issue in this study because some of the key stakeholders would not allow me to conduct interviews with them despite repeated contact and an initial appointment with top managers in the local QSR chain, Mo’men (a major competitor to McDonald’s in the Egyptian marketplace), which was cancelled without providing any reason for the cancellation. This was particularly disappointing. However, fortunately one of the researcher’s contacts was able to help reestablish contacts with local QSRs and arranged a meeting with the area manager and some branch managers. In contacting KFC and Hardee’s, a fellow student facilitated contact with appropriate managers. He also provided a map identifying the locations of McDonald’s restaurants in Giza-Cairo (see Figure 3.7).
Figure 3.7: A map showing the distribution of McDonald's restaurants in Giza-Cairo [source: http://www.fair.com/images/Cairocenter-Giza.jpg].

The number of interviews was not set at the outset of the fieldwork but it was decided that interviewing would continue until data saturation was reached, i.e. that new interviews did not yield significant amounts of new information. Following a preliminary phase of data collection in 2008, the fieldwork fell into three main phases of data collection (see Figure 3.8). Each phase of fieldwork had a clear focus but was of limited duration for logistical reasons to align with the researcher's visits to his family.
Figure 3.8: The time line for the field work in Egypt

- **2008 – preliminary discussions**

- **2009 – phase 1 of fieldwork**
  Explore the external factors which impact on the development of new glocal products in McDonald’s Egypt.

- **2010 – phase 2 of fieldwork**
  Explore the internal factors which impact on the development of new glocal products in McDonald’s Egypt.

- **2011 – phase 3 of fieldwork**
  Explore the steps involved in the development process for new glocal products in McDonald’s Egypt.

An official letter was sent to McDonald’s QSRs top management in Egypt to request permission to undertake interviews with managers in their chain. Before the interviews were conducted the McDonald’s management required an official letter from UWIC to confirm that the researcher was a PhD student at UWIC. All the McDonald’s interviews were conducted in their official offices. Verbal consent was taken with each interviewee to conduct the interview after the nature of the interview and their right to withdraw at any point without explanation had been explained. Interviews were similarly conducted with senior managers in Americana Group (KFC and Hardee’s) and branch
managers of Burger King QSRs. The competitor QSRs were identified by McDonald’s managers and included Burger King despite the limited number of Burger King outlets in Cairo at the time of the fieldwork. KFC and Hardee’s, particularly, had branches located near the McDonald’s QSRs and had direct impacts on McDonald’s operations. Each phase of the fieldwork involved a series of interviews with global and local QSR managers in Egypt (see Table 3.2).

Table 3.2: Schedule of dates for interviews with global and local QSR respondents during each phase of the fieldwork

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Pilot study</th>
<th>Phase one 2009</th>
<th>Phase two 2010</th>
<th>Phase three 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>IN.EX.1</td>
<td></td>
<td>30.05.2009</td>
<td>03.09.2010</td>
<td>-</td>
</tr>
<tr>
<td>GC-QSRM1</td>
<td></td>
<td>04.06.2009</td>
<td>03.09.2010</td>
<td>06.03.2011</td>
</tr>
<tr>
<td>GC-QSRM2</td>
<td></td>
<td>06.06.2009</td>
<td>04.09.2010</td>
<td>08.03.2011</td>
</tr>
<tr>
<td>GC-QSRM3</td>
<td></td>
<td>09.06.2009</td>
<td>01.09.2010</td>
<td>05.03.2011</td>
</tr>
<tr>
<td>GC-QSRM4</td>
<td></td>
<td>08.06.2009</td>
<td>05.09.2010</td>
<td>09.03.2011</td>
</tr>
<tr>
<td>GC-QSRM5</td>
<td></td>
<td>10.06.2009</td>
<td>06.09.2010</td>
<td>10.03.2011</td>
</tr>
<tr>
<td>GC-QSRM6</td>
<td></td>
<td>07.06.2009</td>
<td>05.09.2010</td>
<td>07.03.2011</td>
</tr>
<tr>
<td>GC-QSRM7</td>
<td></td>
<td>01.06.2009</td>
<td>09.09.2010</td>
<td>11.03.2011</td>
</tr>
<tr>
<td></td>
<td>13.07.2008</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>03.06.2009</td>
<td>09.09.2010</td>
<td>12.03.2011</td>
</tr>
<tr>
<td></td>
<td></td>
<td>05.06.2009</td>
<td>10.09.2010</td>
<td>09.03.2011</td>
</tr>
<tr>
<td></td>
<td></td>
<td>06.06.2009</td>
<td>11.09.2010</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>08.06.2009</td>
<td>12.09.2010</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10.06.2009</td>
<td>13.09.2010</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12.06.2009</td>
<td>14.09.2010</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14.06.2009</td>
<td>15.09.2010</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15.06.2009</td>
<td>16.09.2010</td>
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<td></td>
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<td>16.06.2009</td>
<td>17.09.2010</td>
<td>-</td>
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<td></td>
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<td>18.06.2009</td>
<td>18.09.2010</td>
<td>-</td>
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<td></td>
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<td>19.06.2009</td>
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<td></td>
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<td>20.09.2010</td>
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<td></td>
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<td>21.06.2009</td>
<td>21.09.2010</td>
<td>-</td>
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<td></td>
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<td>-</td>
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<td></td>
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<td>23.09.2010</td>
<td>-</td>
</tr>
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<td></td>
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<td>24.06.2009</td>
<td>24.09.2010</td>
<td>-</td>
</tr>
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<td>25.09.2010</td>
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<td>20.06.2009</td>
<td>11.09.2010</td>
<td>-</td>
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<td>LEC-QSRM2</td>
<td>-</td>
<td>12.09.2010</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>LEC-QSRM3</td>
<td>22.06.2009</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>LEC-QSRM5</td>
<td>17.05.2009</td>
<td>06.09.2010</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>GC-QSRB5</td>
<td>12.06.2009</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>GC-QSRK6</td>
<td>-</td>
<td>05.09.2010</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>GC-QSRK7</td>
<td>-</td>
<td>01.09.2010</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>GC-QSRK9</td>
<td>07.06.2009</td>
<td>06.09.2010</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>
Chapter Three: Research Approach

The interviews were mainly conducted in Arabic because most of the interviewees did not have a good command of English. The interviews were transcribed in Arabic and relevant quotes from the interviews were translated into English. Independent verification of the accuracy of the transcription was sought from the relevant managers to ensure that the translation accurately represented their views. The transcripts were annotated with informal notes alongside the interviewee's words drawing on contemporaneous field notes made during the interviews. The transcripts were then translated into English. Colloquial Arabic was used during the interviews and literal translation would have been meaningless. Figure 3.9 below illustrates the process that was followed in transcribing the interviews.

Figure 3.9: Transcription and translation of the interviews

- Interviews in Arabic Language
- Transcription of interview in Arabic
- Translation of interview into English

Content analysis was used for the analysis of the interview data. (Salkind, 2010: 233) defined content analysis as “a research technique for making replicable and valid inferences from texts (or other meaningful matter) to the context of their use”. The importance of interpreter bias in the data analysis process was
emphasized by Neuendorf (2002: 13) who explained that: “A major goal of any scientific investigation is to provide a description or explanation of a phenomenon in a way that avoids the biases of the investigator”.

3.6 Validity, reliability and triangulation

3.6.1 Validity

Validity is the extent to which the information collected by the researcher truly reflects the phenomenon being studied. In contrast, reliability is the extent to which research findings would be the same if the research were to be repeated at a later date or with a different sample of subjects.

(Veal, 2006: 41)

Validity is an indication of how sound a piece of research is and whether the results obtained truly represent the phenomenon that is being measured. There are two critical aspects relating to validity – internal validity and external validity. Internal validity relates to problems relating to research design or to data collection. Selecting a large enough sample is an important aspect of internal validity and taking time and care in the data collection. Recording the interviews and taking contemporaneous notes and checking back the accuracy of the transcripts with interviewees all contributed to the internal validity of the study. External validity is the extent to which the results can be generalised. This study explored the case of McDonald’s Egypt and their two glocal McProducts in Egypt – the McFalafel and the McArabia. The researcher has confidence that the involvement of so many interviewees from McDonald’s, KFC, Hardee’s and Burger King enables the results to be generalised confidently to the wider
Egyptian context and, since Americana operates KFC, Hardee's and Burger King across the Middle East and Gulf areas, and to the wider region.

3.6.2 Reliability

According to Cooper & Schindler (2008: 289) reliability “has to do with the accuracy and precision of a measurement procedure” and whether the same result would be obtained if the study were to be repeated. “The reliability of the findings depends on the likely recurrence of the original data and the way they are interpreted” (Ritchie & Lewis, 2003: 271). Interviews are highly subjective and rely on interaction of an interviewer and an interviewee. The specific context of this study (Egypt) and the language in which the interviews were conducted (Arabic) mean that it would be very difficult to replicate the study. However the scale of the study and the number of interviews involved provide an appropriate level of confidence in the reliability of the data.

3.6.3 Triangulation

“Triangulation as a strategy provides a rich and complex picture of some social phenomenon being studied, but rarely does it provide a clear path to a singular view of what is the case” (Blaikie, 2009: 267). Decrop (1999) explained that triangulation can decrease individual and practical biases and increase the chance of generalising the research findings as gathering data from different resources and by diverse methods. “Triangulation with respect to research is the process of combining several different methodologies, measurement techniques, and data analysis procedures to confirm and enhance confidence in
the results obtained from individual studies” (O’Hair & Kreps, 1990: 50). Decrop (1999:159) asserted that “using multiple methods paves the way for more credible and dependable information”.

Triangulation is a method developed within mainstream qualitative sociological research for dealing with problems of validity and refers to the injunction to check pieces of information against at least one other independent source before regarding them as credible. (May, 2002:189)

Data triangulation was achieved in this study through conducting a number of interviewees with different stakeholder groups – the industry expert (IN.EX1), the global QSR managers and the local QSR managers and analysis of their different perspectives and experiences of the glocal product phenomenon. Methods triangulation (Gray, 2004) was achieved through collecting data using multiple methods, including: semi-structured interviews and document analysis (websites, You tube videos, printed documents, newspaper articles).

3.7 Generalisability

Generalisation is “the assertions of enduring value that are context-free” (Lincoln & Guba, 1985:110). Qualitative researchers look for the “fit” between the cases studied and other situations to generalise the research findings (Schofield, 1993). Although, according to Williams (2002: 131), “total generalizations are impossible in social research” because every phenomenon is different in various ways, particularly in terms of the cultural context, the inclusion of managers from other QSR chains and the industry expert enhanced
the generalisability of the findings beyond the case of McDonald's Egypt case study and the McArabia and McFalafel units of analysis to the wider context of new glocal products in global QSRs in Egypt. The extent to which the results can be generalised beyond the specific context of Egypt to other Middle Eastern and non-Western countries is a mute point and would need to be research further. The extent of anti-American feeling in other countries would probably be a key determinant of the generalisability.

3.8 Ethical considerations

One of the critical elements in this study was to maintain the anonymity of the stakeholders. The interviewees were told that their personal data, e.g. names and addresses, would be treated confidentially and any quotes would be anonymised. This would ensure that the interviewees could not be identified by anyone reading the thesis or papers emanating from it.

*The ethics of social research is about creating a mutually respectful, win-win relationship, in which participants are pleased to respond candidly, valid results are obtained, and the community considers the conclusions constructive.*

Miller & Brewer (2003: 95)

One of the important issues in being able to conduct this research was to be able to gain the trust of the interviewees so that they would share their experiences about the development of glocal products and particularly their experiences of the McFalafel and the McArabia sandwiches. Eventually, following an initial refusal to participate, the QSR managers gained confidence in the research and were prepared to share their experiences. However, there
were a range of issues that they would not share stating that these issues were commercially sensitive. Quantitative data on sales and profits fell into the category of commercially sensitive and were not released.

3.9 Summary

This chapter has discussed and rationalised the research approach which was designed to develop a rich picture of the success and failure factors for the new glocal products developed by glocal QSRs operating in non-Western countries. An overview of the research study is shown in Figure 3.10.

The research adopted a constructionist approach to build a rich picture of the phenomenon of new glocal product development through the interpretation of the experiences of key information-rich stakeholders. A single case study of McDonald’s Egypt involving two embedded units of analysis – one of success (the McArabia) and one of failure (the McFalafel) was developed. The methods utilised for data collected involved semi-structured interviews and document analysis (website, newspaper articles, Youtube videos and newspaper articles) and focused on the development of new glocal McProducts. The resultant data was analysed using content analysis.
Figure 3.10: Overview of the research study

The next chapter, chapter four, will present the results of the semi-structured interviews and document analysis focusing on the external factors which were the drivers for new glocal product development by McDonald’s Egypt.
CHAPTER FOUR
EXTERNAL FACTORS AND NEW GLOCAL PRODUCT DEVELOPMENT IN GLOBAL QSRs

4.1 Introduction
4.2 Demographic factors
4.3 Economic factors
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4.10 Summary
4.1 Introduction

All the data presented in this chapter was collected in semi-structured interviews with operational, marketing and branch managers of global and local QSRs and industry experts in Egypt in June 2009 as explained in chapter three. The McDonald’s assistant general manager (GC-QSRM2) had been interviewed shortly before he was interviewed in this study and provided a transcript of that interview (Dziadosz, 2009 – see Appendix 6) only agreeing to answer questions that were not already answered in the earlier interview. The interviews were designed to draw on the managers’ perceptions and experiences of the external factors which impacted on the operation of global and local chain QSRs and acted as drivers for the development of new glocal products. The global chain QSRs participating in the study were McDonald’s, Hardee’s, Kentucky Fried Chicken (KFC) and Burger King. The local Egyptian chain QSR competing with the global chain QSRs in the Egyptian market that participated in the study was Mo’men. The industry expert (IN.EX.1) highlighted the significance of external factors: “External factors are the most important factors which affect the success or failure, not only of new products but also the whole QSR business”. Furthermore, McDonald’s assistant general manager (GC-QSRM2) highlighted that: “external factors affect internal factors and the new product development process for glocal products”. The chapter uses Finlay’s (2000) DEEPLIST
factors as an organising framework to explore in turn demographic, economic, ecological, political, legal, informational, social and technological factors. The chapter concludes with a model of the external factors impacting on QSRs.

4.2 Demographic Factors

Finlay (2000) highlighted the importance of demographic studies of the target market in advance of establishing a business. Demographic factors are particularly important for global QSRs which aim to launch new products in non-Western countries (Gambone, nd). Understanding which customer demographic factors are the most important for market segmentation in a proposed location is critical to success.

Modern lifestyles in Egypt have quickly changed eating habits and traditions and supported the growth of both local and global QSRs. QSRs have flourished all over the world and no less so in Egypt as this comment from the McDonald’s general marketing manager (GC-QSRM3), which was typical of the comments of other managers, suggested:

*The way of life has changed in the 21st century. People in the past tended to eat in their own homes but now eating out has become very popular. This has led to an increase in the sales from quick service restaurants. People need to go to quick service restaurants.*

A range of segmentation criteria were identified by managers, industry experts and practitioners, although the most important demographic criterion was socio-economic status as defined by income measured in Egyptian pounds (LE).
We segment customers' incomes depending on jobs, assets, salaries, travelling abroad for tourism, education, treatments and their memberships in clubs. The customer segments of McDonald's QSRs are: A socio-economic class 80,000 LE per month, B class 30,000 LE per month, C1 from 10,000 LE per month, C2 socio-economic class are not less than 5000 LE per month.

(GC-QSRM1)

McDonald's general manager (GC-QSRM1) segmented customers on monthly income into four classes: A, B, C1 and C2 (see Table 5.1).

<table>
<thead>
<tr>
<th>Class</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Class</td>
<td>Monthly income threshold of 80,000 LE</td>
</tr>
<tr>
<td>B Class</td>
<td>Monthly income threshold of 30,000 LE</td>
</tr>
<tr>
<td>C1 Class</td>
<td>Monthly income threshold of 10,000 LE</td>
</tr>
<tr>
<td>C2 Class</td>
<td>Monthly income threshold of 5,000 LE</td>
</tr>
<tr>
<td>D</td>
<td>Infrequent visitors on less than 5000 LE per month who use QSRs for festivals and celebrations</td>
</tr>
<tr>
<td>E</td>
<td>Infrequent visitors on less than 5,000 LE per month who buy only low-priced items</td>
</tr>
</tbody>
</table>

The industry expert (IN.EX.1), whose consultancy portfolio included a number of global QSR brands, echoed these categories (albeit with slightly different boundaries) and added a fifth category - D - which represented infrequent visitors using the restaurant only for special occasions:

Socio-economic class A has an income of more than 50,000 LE (15-20% of all Egyptians). Socio-economic class B earns not less £20,000 LE. Socio-economic class C1 earns more than 7000 LE and socio-economic class C2 more than 5000 LE. Socio-economic class D earns less than 5000 LE but they come to my restaurants for festivals and special occasions.

(IN.EX.1)
A sixth category of customers – socio-economic class E – were also identified as people visiting very infrequently and purchasing low-priced items.

*When you go down to E socio-economic class, you see them occasionally - say during feast periods or summer periods. But they order the very low-priced products like ice cream cones and cheeseburgers.*

(GC-QSR2 cited Dziadosz, 2009: online)

There is a paucity of publicly-available data on socio-economic class in Egypt which can be used to compare the data provided by the managers in this study which was expressed in Egyptian pounds (LE) per month. There is a small data set exploring the issue of poverty in rural contexts but no data on the urban middle class (Croppenstedt, 2006). There is also some UNICEF (nd) data related to income share (i.e. the percentage of income received by the 20 per cent of households with the highest income and by the 40 per cent of households with the lowest income) but again this is not comparable with the LE per month data provided by the managers.

Several of the managers explained that some areas of Cairo-Giza, e.g. the Heliopolis, El Mohandesseen, Garden City and Zamalek areas (see Figure 4.1), had a particularly high proportion of socio-economic class A and B customers which was a major reason for locating most of the McDonald’s restaurants in Cairo-Giza in these areas.

It is also worth noting that a number of socio-economic class A and B customers in high-class areas like to live Western lifestyles, an observation supported by Alon (2004) who stated that American QSR franchises attract non-
Western customers who have aspirations to identify themselves with American consumerism and Western values. However, despite their love of things American, enough people boycotted McDonald’s to cause the global QSR serious concern and to trigger the production of new glocal products – first the McFalafel and then the McArabia. Outside Giza several other Egyptian cities also experienced high-spending customers, e.g. Sharm El-Sheikh and Hurghada, although this was on a seasonal basis and the high-spenders were predominantly domestic and international tourists.

Whenever you see socioeconomic class A and B — these are your high-volume areas, like the Heliopolis area, like the El Mohandesseen area, like Garden City, like Zamalek. These areas are the high-volume areas. Some others are seasonal, like Sharm El-Sheikh and Hurghada. But definitely now with the negative impact on tourism, we are expecting to see a slight drop on volume in outlets in the touristic areas.

(GC-QSRM2 cited Dziadosz, 2009: online)

These comments agree with Gambone (nd) who stressed the importance of demographics in the success of global QSRs operating in foreign countries in selecting locations for establishing their operations.

In terms of purchasing behaviours, the McDonald’s general marketing manager (GC-QSRM3) noted that customers from socio-economic classes A and B were not driven by price or value for money, but were interested in menu choice, quality of products, food safety and food nutrition. This was in stark contrast with customers from socio-economic classes C and D who were interested in value for money and were price-driven.
A class and B class customers are not price driven; but they want a variety of menu choices; food quality; food safety; nutritional aspects. C and D class customers more interested in value for money and are more price-driven.

(GC-QSRM3)

The vast majority of Egyptians have a low standard of living because of their low household incomes. In spite of low food costs in Egypt, the cost of preparing products in global QSRs in Egypt is much higher than preparing the products in the US and poses enormous challenges for global QSRs as explained by McDonald’s general manager (GC-QSRM2 cited Dziadosz, 2009:online):

A main challenge in Egypt is the low average income and, over there, the cost of the food is low. Over here, the cost to produce the food is around 80 percent higher than the US. It’s very
challenging, due to the high food costs or product costing, with the low average income. This is where the difficulty is. The main customers we are attracting — and I'm not talking about McDonald's only, I'm talking about McDonald's and the majority of the QSR players — are mainly the socio-economic classes A, B, C1 and C2.

The industry expert (IN.EX.1) emphasised that global QSR chains in non-Western countries must develop a detailed understanding of household incomes in a host country, like Egypt, when considering the locations for restaurants and also explained that as household incomes increased so too did customers' disposable incomes. The McDonald's general manager (GC-QSRM1) and the McDonald's general marketing manager (GC-QSRM3) both pointed out that high household income increased the chances of success for new glocal products whereas low household income increased the likelihood of failure. This is in agreement with the observations of Saviotti (2001) who commented on a relationship between consumer incomes and their purchasing power which impacted on the success of glocal products in global QSRs in non-Western countries.

The McDonald's general marketing manager (GC-QSRM3) highlighted the difference between McDonald's in Egypt and in Western countries. In Egypt, where food in global QSRs is relatively expensive, only those with higher incomes can afford to eat in global QSRs; in Western countries, where the food in global QSRs is relatively inexpensive, most socio-economic classes can afford to eat (although some may not choose to do so):

*There is a big difference between McDonald’s QSRs in Egypt and McDonald’s in Western countries because of the socio-economic*
situation (low income) in Egypt. For example, customers who are able to eat from McDonald’s QSRs are socio-economic classes A and B. Coca Cola targets all Egyptian consumer segments, so McDonald’s made a 5 LE menu to lure the low socio-economic class as D and E class like Coca Cola.

The KFC chain manager (GC-QSRK9) explained: “KFC launched a cheap chicken sandwich for 5 LE targeted at socio-economic class D and E customers to enhance their market penetration”. In similar vein, the McDonald’s general training manager (GC-QSRM4) explained:

McDonald’s QSRs launched a 5 LE menu to attract socio-economic class D customers. In feasts children go to McDonald’s to buy the 5 LE menu which includes French fries, Coca Cola, a hamburger sandwich, ice cream sundae, coffee and apple pie.

**Figure 4.2:** Five LE menu in McDonald’s Egypt [Source: http://www.McDonald'segypt.com/loader.html]

Segmentation on the basis of income supports the observations of Finlay (2000) and Kotler et al. (2003) which stressed the importance of demographics – population size and density, location, age, gender, race and occupation – in helping global companies to launch products successfully to their target
customers. Sriwongrat (2008) explained that as customers' income levels rise, so also do their work pressures and their demands for QSR products. This is consistent with the observations of Hahm & Khan (2001) and Morgan (2011) who confirmed that changes in customers' incomes affected the supply and demand for QSR products and influenced the success of new products.

4.3 Economic Factors

The QSR managers identified a range of economic factors, including currency exchange rates, inflation and competition, many of which were vital for businesses in any business context. They also mentioned the global economic crisis of 2009 which had a major impact on customers' income and was reflected in their purchasing power. One of the McDonald's branch managers (GC-QSRM7) commented that "a strong economy in the host country encourages global businesses and their new products to flourish" which echoed the comments of Clarke & Chen (2007: 167) who stated: "Economic factors, such as level of income, difference in income distribution and the extent and conditions of infrastructure, price reducing variation, are affected by fluctuations in the economy". Similarly, the industry expert (IN.EX.1) emphasised: "Economic factors play a vital role to attract investors so if the country has a positive economic situation it will attract foreign investors like global QSRs".

Various authors have commented on the importance of economic factors. Parsa et al., (2005), for example, stressed the importance of economic factors in the
survival and success of restaurants. Katsikeas et al. (2006) highlighted the importance of the economic situation in host countries on supply and demand in the QSR market. In the same vein, Kotler & Armstrong (2010) commented that the economic situation affected the purchasing power of customers. Furthermore, Clarke & Chen (2007), Morgan (2011) and Saviotti (2001) pointed out the importance of economic factors in relation to operating costs for a QSR business and disposable income for customers.

4.3.1 Raw material sourcing

There are several economic problems in Egypt which have a major impact on raw material costs, notably currency exchange rates and customs duties. Currency exchange rates play an important role in the importing of raw materials to non-Western countries, as the McDonald’s assistant general manager (GC-QSRM2 cited Dziadosz, 2009: online) explained: “There are the main two factors: currency exchange rates and import duties. In Egypt import duties are high compared to the US and Europe”.

To overcome issues associated with currency exchange rates and import duties McDonald’s Egypt had implemented a localisation programme. Localisation programmes help reduce the volume of imported raw materials. On discussing the sourcing of raw materials with the McDonald’s general manager (GC-QSRM1) he explained:

There are two approaches to sourcing raw materials, the first one is a localisation strategy which we follow in Egypt and the second is an importation strategy. When we launched McDonald’s Egypt in 1994 we imported raw materials from original sources while we
worked on a localisation strategy to manufacture and supply McDonald’s restaurants across Egypt.

The McDonald’s supply chain manager (GC-QSRM8) explained that localisation programmes “aim to source more than 85% of raw materials” to McDonald’s exacting quality standards. Similarly, one of the McDonald’s branch managers (GC-QSRM7) added: “We import meat from the US, Australia and Mexico which is then processed by the Faragilo Company. McDonald’s considers its raw material costs very carefully to ensure it makes a good profit”.

Managing the supply chain includes planning for the sourcing of raw materials and coordinating with suppliers domestically and internationally. McDonald’s Egypt faced considerable challenges in finding local suppliers who can deliver raw materials to meet their exacting specifications and quality measures. According to the general manager of McDonald’s Egypt (GC-QSRM1), the McDonald’s localisation programme had achieved 85% of raw materials being locally manufactured, with just 15% (mainly meat and fish) being imported. McDonald’s Egypt sources its burger patties from domestic suppliers, such as the Faragilo Company (a successful Egyptian food company processing frozen and canned vegetables, tomato paste, cheese and soups). It is also supplied by Farm Frits (a company which produces a range of potato products for the food service market). Cheese and vegetables are supplied by local Egyptian farms. McDonald’s Egypt provided local suppliers with specifications for the food ingredients it required. Quality is critical and is continually monitored as the McDonald’s general manager (GC-QSRM1) explained: “there is a third partner
between the sourcing company and the global QSRs - the auditing company - which is responsible for judging raw material quality before shipment”.

The Mo’men branch manager (LEC-QSRM5) emphasised: “food costs must not exceed 28-30% but sometimes food costs reach to 55-60% for specific products which impacts on profit margins”. Specifically in relation to the McFalafel the McDonald’s supply chain manager (GC-QSRM8) explained: “the food costs for the McFalafel sandwich were high so we could not introduce it at a competitive price”. To increase profits McDonald’s Egypt tried to increase sales, as the McDonald’s assistant general manager (GC-QSRM2) explained: “We try to increase sales by encouraging customers to purchase side items like desserts”.

These results are consistent with those of Bosman (2006) who highlighted the importance of supply chain management in providing consistent raw material quality at a fixed price. High raw material costs negatively impact on global and local QSR products, as emphasised by one of the McDonald’s branch managers (GC-QSRM7): “High raw material costs decrease global and local QSR profits”. Slone (2007) stressed the importance of food cost for competitive advantage in the QSR market.

4.3.2 Currency exchange rates

Even importing 15% of its raw materials results in significant issues relating to currency exchange rates which McDonald’s Egypt has had to address through currency hedging, i.e. it buys one million dollars of foreign exchange at a stable
price to avoid the risk associated with the weakening of the Egyptian pound against the US dollar. The KFC chain manager (GC-QSRK9) explained: "McDonald’s QSRs implemented hedging programmes for six months through a non-profit company to get a stable price for commodities like meat and oil over a period of time to enable it to continue to offer its £5 LE menu". Most global chain QSRs operating in non-Western countries have had to adopt similar strategies to stabilise currency exchange rates in relation to raw material imports (Allayannis et al., 2003).

4.3.3 Inflation

Inflation in raw material prices had impacted negatively on both global and local chain QSR menu prices. According to Mo’men area manager (LEC-QSRM1) "increases in raw material prices led to increases in food costs and sandwich packaging which impacted on sales". Bosman (2006) similarly noted the impact of inflation on sales in global chain QSRs. The McDonald’s general manager (GC-QSRM1) explained: "the main problem is that the stock market traders in the Egyptian market are not sufficiently aware of the cash cycle".

Throughout 2008 and 2007, mainly 2008, we witnessed tremendous inflation in raw product prices. This was a worldwide thing, due to the inflation that occurred for all commodities. In some products it went up to 40-45 percent. The majority of the locally-produced products depend on imported raw materials. So if you have any change in the worldwide low product pricing, definitely it will impact you. After all the inflation we have seen in 2008, this might be a challenge we are faced with again in 2009. If the dollar gets stronger against the Egyptian pound and the Egyptian pound is devalued, what worries me is seeing inflation again in the Egyptian market. So the majority of the inflation affected us internally on our profitability, and we just passed a minor part onto the consumer. One of the main products was beef. To give you an example, beef prices — this is an estimated
number — went from around, let’s say, $2,800 per ton to $4,500 per ton. So imagine what happened to the raw material costs. We didn’t transfer all of this, definitely, but it did affect our profitability. (GC-QSRM2 cited Dziadosz, 2009: online)

There are two kinds of inflation: first, local inflation in the price of local raw materials; second, global inflation which increases and decreases according to supply and demand globally. McDonald’s strategy to overcome high inflation was to change raw material sources, as the McDonald’s supply chain manager (GC-QSRM8) explained: “We switched to purchasing meat from Australia, UK, Europe, Brazil, and South Africa, instead of the US. Sourcing raw materials from these countries depends on the currency of sourcing country”.

According to McDonald’s assistant general manager (GC-QSRM2 cited Dziadosz, 2009: online) there are particular strategies to overcome the hurdle of high inflation in raw material prices in order to maintain a competitive position:

One of our strategies is that we don’t dump all of the inflation on the consumer, because we have to maintain our competitiveness, especially in regards to pricing. We share inflation with customers. To avoid products’ prices to go out of range, the inflation will be shared with the customer i.e. one half of the inflation will be put on the product and the other half will be covered by the company. All to maintain company position in the Egyptian market.

Similarly, the McDonald’s supply chain manager (GC-QSRM8) elaborated:

We are doing business with suppliers on the basis of the following principles: no bargaining; technical support; we develop suppliers through a long-term vision; we do not sign contracts, we have very strong relationship and partnerships with suppliers which consider consistent quality to achieve the standardised product.
McDonald’s Egypt negotiated agreements with suppliers to supply large quantities of consistent quality products at relatively small profit margins. As the McDonald’s supply chain manager (GC-QSRM8) explained: “It was all to avoid harming our brand name as well as losing the trust of our suppliers ... in hard times - for example when there is high inflation - suppliers will support you by supplying large quantities of raw materials at agreed quality standards with small profit margins”. Such partnership arrangements help to maintain competitiveness. The McDonald’s general manager (GC-QSRM1) explained: “We revised our pricing protocols with suppliers” to put pressure on suppliers to get raw materials at lower prices. Moreover, the McDonald’s supply chain manager (GC-QSRM8) emphasised: “We cannot put pressure on suppliers to get a lower price which would negatively impact on quality standards as this would jeopardise our brand name and image”. However, the industry expert (IN.EX.1) elaborated that in the recession: “McDonald’s did not make any workers’ redundant but put pressure on suppliers to get lower prices”.

4.3.4 The global recession
The global economic crisis of 2009 had a major negative impact on the purchasing power of Egyptian customers and resulted in a significant drop in the spend on QSR products. As many McDonald’s Egypt customers worked in the field of banking and tourism, they experienced reduced disposable income which resulted in a slump in QSR sales. As the KFC chain manager (GC-QSRK9) explained: “The global economic crisis affected our customers’ incomes and was reflected in their disposal incomes for eating out”. Parsa et al.,
(2005) also commented on the importance of families' disposable income in relation to restaurant expenditure.

Three of the interviewees (GC-QSRM2, GC-QSRM4 and GC-QSRM7) pointed out that the global economic crisis had affected all economic sectors, but had particularly affected employees in the banking and tourism sectors who were their major customers. One of the McDonald’s branch managers (GC-QSRM7) explained: “Inflation caused the global economic downturn which has led to a rise in raw material costs, increased prices and a decrease in restaurant profits”.

Most Egyptian customers like to feel they are getting value for money, particularly in challenging economic circumstances, as the KFC chain manager (GC-QSRK9) explained: “Recession in the market has required a difficult homework exercise in designing new products at suitable prices by getting supplies at low prices but with good quality”. Global QSRs have tried to recover their losses by launching special meals at suitable prices to attract customers and to overcome the recession by putting pressure on suppliers to get raw material at lower prices.

Some global QSR managers suggested conducting a market survey to study the current customers’ purchasing power and other obstacles. For them, this step would help them understand sales patterns and to find new ways to enhance sales at reasonable prices. McDonald’s assistant general manager
(GC-QSRM2) considered market research an important tool in relation to the economic recession: "Market research gives information about your target customer and how much customer able to pay money in meal. Your strategy must be to go with the new trends in your market". Targeting specific customers, such as school and university students and factory workers through special offers, is one way that QSRs had addressed issues relating to purchasing ability, as one of the McDonald's branch managers (GC-QSRM7) explained: "McDonald's made offers for schools, universities and also for customers' birthdays to increase sales during the recession" One of Hardee's branch managers (GC-QSRH7) emphasised that in difficult economic situations: "Customers' incomes must be considered so that we can make a price adaptation". Kotler and Armstrong (2010) emphasised the importance of marketers paying close attention to major trends and consumer spending patterns.

The Mo'men area manager (LEC-QSRM1) elaborated: "the Egyptian market is changeable so it is difficult to fix prices but there are local QSRs like Mo'men which focus on value for money and sandwich size". The McDonald's general manager (GC-QSRM1) explained: "decreasing product prices gives branded affordability, the 5 LE menus which we offered suited D and E class customers' incomes". The McDonald's general marketing manager (GC-QSRM3) added: "In spite of inflation McDonald's Egypt likes using the 5 LE menus, so we did not change our policies. The 5 LE menu means brand affordability. McDonald's global QSRs decreased its core menu prices for the Big Mac and McChicken
sandwiches from 18.18 LE to 15.91 LE”. Morgan (2011) identified the relationship between size of the product and the price which customers are willing to pay for it.

The KFC chain manager (GC-QSRK9) explained: “KFC launched new meals called economic meals to send a message to our customers that we aim to save them money”. In similar vein, McDonald’s training manager (GC-QSRM4) explained: “McDonald’s launched 5 LE menu to attract socio-economic class D customers”. McDonald’s general marketing manager (GC-QSRM3) explained: “The flourishing of the Egyptian economy will lead to increased customer incomes and increased budgets for eating out and will increase sales in QSRs”.

4.3.5 Competitors and competitiveness

According to the industry expert (IN.EX.1) globalisation plays an important part in increased competition in the QSR market: “Because of globalisation the world is now like small village so any market in any country is open to any business. Day after day competition increases”. The McDonald’s general marketing manager (GC-QSRM3) explained that: “there is a stiff competition in the Egyptian QSR market between global and local chain QSRs”. Moreover, McDonald’s assistant manager (GC-QSRM2) said that “The chains - KFC, Pizza Hut, Hardee’s, Burger King - I believe you can consider these our main competitors. But we keep an eye on everyone, even the local chains like Mo’men, Cook Door and whatever - we keep an eye on them too”. Sriwongrat (2008) and Reid and Bojanic (2010) also highlighted competition between the
global chain QSRs like KFC, Pizza Hut, Hardee’s and local chain QSRs as an issue in relation to the attraction and satisfaction of customers.

The McDonald’s general marketing manager (GC-QSRM3) explained: “... McDonald’s competes not only with the other global and local QSRs but also with other restaurants like casual restaurants”. Sandhusen (2000), Gregory et al. (1998) and Ottenbacher and Harrington (2009) similarly commented on the direct and indirect competition experienced by QSRs which not only compete with each other but also with casual dining restaurants and grocery stores which offer a range of ready-to-eat meals.

The industry expert (IN.EX.1) explained a critical issue in competition between QSRs which is that they must: “... deliver what they have promised to customers” and that global QSRs should: “Go Big or Stay at Home (G.B.O.S.H)”. In similar vein the KFC chain manager (GC-QSRK9) explained: “Think Big, Act Big, Be Big”.

The McDonald’s general marketing manager (GC-QSRM3) explained: “Each QSR has different competitive advantages and must keep its identity through its standardised products for customers”. The importance of identity was emphasised by one of the McDonald’s branch managers (GC-QSRM7): “... for example, Hardee’s serve grilled hamburger sandwiches which are a unique product for Egyptians”. 
The industry expert (IN.EX.1) emphasised: “You must always keep your eye on your competitors. Competition is the subject of market research. Global QSRs should update themselves to compete and stay strong in the market. As one of Burger King branch managers (GC-QSRB5) explained: “I visit my competitors to observe the positive and negative points in their restaurants”. The McDonald’s general training manager (GC-QSRM4) explained the importance of pioneering: “It is not necessary to imitate your competitors after they have produced new products but you should be the first to market”.

Stiff competition encourages each QSR chain to try to steal customers from their competitors. The Mo’men area manager (LEC-QSRM1) and the Mo’men operation manager (LEC-QSRM3) both explained that the location and décor of the restaurant, the service and the variety of the products were all tools that could be used to lure customers from the competition.

One of the Burger King branch managers (GC-QSRB5) identified two types of competition: “... red ocean ... and blue ocean. Red ocean refers to all competitors fighting with each other on the basis of price, quality, quantity, service, value for money to attract customers. Blue Ocean is about my restaurant being unique so there is no need to compete with others”. The terms red ocean and blue ocean reflect those used by Kim and Mauborgan (2005) and Hollensen (2007). Figure 4.3 shows an example of red ocean competition between local and global QSRs in Egypt in which the Mo’men chain produced a leaflet sending a clear message to global QSR customers, especially
McDonald's customers, about their unhealthy, 'plastic' sandwiches. The Arabic on the photograph translates as: "We do not eat plastic sandwiches. Mo'men QSR serves real food".

**Figure 4.3:** Red ocean competition from Mo'men [Source: Mo'men branch manager].

One of the McDonald's branch managers (GC-QSRM7) explained that QSRs compete on six key aspects: "All global and local QSRs compete with each other on CHAMPS which are: **Cleanliness, Hospitality, Accuracy, Maintenance, Product and Speed of service**". Gregory et al. (1998) emphasised that speed of service was a major aspect of competitive advantage in QSRs. As McDonald's branch manager (GC-QSRM7) added: "We provide an exceptional service for our regular customers and greet them on first name terms. We also take special care of children because children encourage their families to eat in our restaurants". The industry expert (IN.EX.1) emphasised the importance of building the loyalty of children for McDonald's since the children of today are the parents of tomorrow: "McDonald's is a clever educator for its children". Hostling
birthday parties (see Figure 4.4) is one tool for promoting loyalty amongst children.

Figure 4.4: McDonald’s makes birthday parties for children [source: http://www.McDonald’segypt.com/loader.html]

4.4 Ecological factors

4.4.1 Environmental considerations

For McDonald’s environmental considerations are high priorities (see Figure 4.5). According to its website, McDonald’s provided eco-friendly workplaces and had opened a green restaurant (in the US) which was an example of best practice in the QSR industry:

*McDonald’s strives to provide eco-friendly workplaces and restaurants that reflect our sustainability goals and demonstrate environmental stewardship in the workplace. In August 2008, McDonald’s US opened its first corporate-owned pilot green restaurant and received Leadership in Energy and Environmental*
Design (LEED) Gold certification in April 2009. Some of the green attributes of the Chicago restaurant include energy-efficiency equipment and lighting, high efficiency plumbing fixtures, and permeable pavement and rainwater collection for irrigation. We're using this "green building lab" to help refine our green building strategy. Our second green restaurant was completed in North Carolina in early 2010.

(McDonald's Website, 2010: online)

Figure 4.5: McDonald's QSRs focus on energy savings and waste reduction

[Source: http://nestleblog.com/category/restaurants/]

In Egypt there are various laws to protect the environment, although they are ignored by the vast majority of people. McDonald's was conscious of its environmental priorities and had committed to its environmental obligations in relation to splitting solid waste into recycleable and non-recycleable streams, as the McDonald's general marketing manager (GC-QSRM3) explained: "We have two types of garbage: the first you can recycle; the second you cannot". Splitting the waste stream into recycleable and non-recycleable reduced the volume of solid waste going to landfill.
4.4.2 Global Food Crises

A range of challenges associated with global food crises have been faced by QSRs in Egypt, including mad cow disease (Bovine Spongiform Encephalopathy (BSE) - a deadly brain disease affecting a cow's nervous system causing aberrant behaviour), avian (bird) flu (a highly-infectious disease which can be passed from birds to humans) and swine flu (H1N1) (an infectious disease originating from pigs which also can be passed to humans) (World Health Organisation, 2012). The managers explained that these endemics had negative impacts on QSR sales. As a result of mad cow disease in the early part of the new millennium, McDonald's lost sales in its overseas markets:

*McDonald's is often a scapegoat for the problems of fast feeders. It is true that the mad cow disease scare in Europe and falling foreign currencies have cut into McDonald's overseas sales which account for over half of total volume. Its stock dipped from $40 per share in April 2000 to $25 in April 2001.*

(Bernstein, 2001: 8)

*McDonald's, Wendy's, CKE, and other large quick-serves issued press releases saying none of their beef came from supplies involving the BSE case. Even with a short trading day on the 24th, McDonald's stock fell more than 5 percent.*

(Mad Cow Found in Washington State, 2003:1)

The vast majority of QSR products are made from beef and chicken and many customers were afraid to eat beef and chicken products because of mad cow disease and avian flu as one of McDonald's branch managers (GC-QSRM7) explained: "Mad cow disease caused sales recessions in QSRs. Our core business concept is burger (beef) so customers were concerned that we made burgers from cows which had caught mad cow disease."
The McDonald’s assistant general manager (GC-QSRM2) and McDonald’s branch manager (GC-QSRM7) agreed that avian and swine flu affected customer purchasing intentions and caused a recession for McDonald’s and other global QSRs. Avian flu impacted badly on the sale of chicken products in global QSRs as a result of customers’ concerns that they would catch the virus if they ate chicken sandwiches.

During the swine flu epidemic McDonald’s Egypt lost approximately 30-40% from total sales as explained by McDonald’s general marketing manager (GC-QSRM3): “McDonald’s QSRs lost 30%-40% of total sales because of swine flu”. To respond to the swine flu problem McDonald’s worked at raising customer awareness about the H1N1 virus through support of governmental television advertising campaigns:

*McDonald’s Egypt played a major role in raising awareness of how to avoid the spread of swine flu (H1N1) virus, There is no doubt that lack of sufficient awareness had led to panic and fear, and as an Egyptian organization we contributed to alleviating this issue by cooperating with government efforts in providing awareness on the reality of the virus. We have started by educating employees, who in turn educated their families.*

(GC-QSRM2 cited Dziadosz, 2009: online)

One of the McDonald’s branch managers (GC-QSRM7) commented:

*McDonald’s television advertisements were designed to send a clear message to customers that our sandwiches are made from 100% pure beef meat so they know that we produce high-quality products. From when we opened in 1994, we advertised our burgers as 100% pure meat. We take our meat from local farms in Egypt.*
Several global QSRs chain branch managers felt that the Egyptian Ministry of Health should announce in its advertisements that the H1N1 virus was not associated with global and local QSRs, as suggested for example by the McDonald's general marketing manager (GC-QSRM3) who explained that:

"Ministry of Health should mention that there is no swine flu in these McDonald's products." On the other side, Mo'men area manager (LC-QSRM1) criticised McDonald’s product variety QSRs said that: “McDonald's focuses on meat products. If there are any problems relating to eating meat products - like mad cow and swine flu diseases – McDonald’s is very vulnerable”. The McDonald’s supply chain manager (GC-QSRM8) explained:

The swine flu crisis was not well-organised because the Egyptian government slaughtered all the pigs in Cairo at the same time. Egyptians had concerns that all meat products in the market or in the global QSRs at that time might contain pork and so meat product sales decreased by 40%.

These global food crises impacted badly on global QSRs in Egypt. The crises were managed in different ways, for example the source country for raw materials was changed, new products (e.g. the McFalafel) were launched, television advertisements and other promotional materials were developed that drew on brand trust, and training programmes related to personal hygiene, specifically the use of hand sanitisers were delivered. The McDonald’s training manager (GC-QSRM4) explained that during the swine flu crisis: “McDonald’s provided sanitised liquid in bathrooms and encouraged customers to wash their hands before eating”. The McDonald’s supply chain manager (GC-QSRM8) elaborated: “Imported burger patties come from America which is not a host country for mad-cow disease”.

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Chapter Four: External factors and new glocal product development in global QSRs

The introduction of a wide ingredient base (beef, poultry and fish) to a QSR menu helps overcome global food crises as observed by the Mo'men area manager (LEC-QSRM1): "A QSR can face big problems in relation to loss of sales if it just serves one item which can be overcome by serving a variety of products - meat, chicken and seafood".

Figure 4.6: The variety of local QSRs' menu [Source: Mo'men branch manager (Cairo, Egypt)]

Variety is very important for QSRs so that customers have a wide choice of products. As suggested by the Mo'men assistant general manager (LEC-QSRM1): "QSRs should serve a wide variety of products because if there is a problem in one particular type of meat (e.g. mad cow disease, avian flu or swine flu) customers have a wide choice of alternatives, like chicken, seafood, and vegetarian sandwiches, so these will decrease potential loss of sales". One of McDonald's branch managers (GC-QSRM7) emphasised: "We introduced the
McFalafel to increase our sales in those days of recession because of the mad cow disease scare and the boycott.”

The McDonald’s general manager (GC-QSRM1) explained that McDonald’s Egypt overcame these challenges through “customer brand trust” which had been built up over the years.

4.4.3 Weather

The McDonald’s assistant general manager (GC-QSRM2) highlighted the impact of the weather on the QSR industry in Egypt: “The weather, especially rain, has a major impact on my business – it can increase or decrease sales by 10%. Home delivery increases in bad weather”. On the issue of rain, the McDonald’s general training manager (GC-QSRM4) continued: “Customers could not go to restaurants during rains to have meals, so the home delivery service has to work harder to deliver meals to customers’ houses”. The industry expert (IN.EX.1) added that major sports events, such as big football matches, had a major impact on the demand for home delivery. He also explained that: “High temperatures affect the cost and quality of raw materials”. Parsa et al., (2005) similarly highlighted the impact of climate change on raw material quality.
4.4.4 Project Construction

Construction projects, such as the building of a bridge near to a restaurant, reduced the number of customers visiting a QSR branch and led to decreased sales. As McDonald’s assistant general manager (GC-QSRM5) explained: “There some factors which negatively impact on sales, such as construction projects near to restaurants”. In similar vein, McDonald’s assistant general manager (GC-QSRM2) commented on the short-term negative impacts of roadworks and “maintaining the infrastructure of the streets”. Alonzo (2007) also highlighted the negative impacts of project construction near restaurants.

4.5 Political Factors

4.5.1 Boycotts

The first Intifada (uprising) in 1987 was “a watershed in the Palestinian historical quest for independence” (Abu-Lughod, 1990: 347). It was followed by the second, Al-Aqsa, Intifada of 2000. The McDonald’s general manager (GC-QSRM1) explained: “McDonald’s was impacted badly during the second [Palestinian] Intifada and this is where we see the start of the boycott”. One of the McDonald’s branch managers (GC-QSRM7) commented: “the Intifadas and the Gaza war of 2008 caused a major recession for McDonald’s because Arabic customers saw these restaurants as American symbols and they boycotted them”.

Public demonstrations in the streets to express anger about political 'hot' topics led to a drop in QSR sales. The McDonald’s assistant general training manager (GC-QSRM5) explained: “Demonstrations in the streets led to crises, especially for the global QSR chains”. Such problems are ongoing, as the McDonald’s general marketing manager (GC-QSRM3), commenting on the effects of the revolution of January 2011, explained: “During the Arab spring our global QSRs were closed for a long time”. As Khan (nd: 16) explained:

*McDonald’s is often the preferred site for anti-American demonstrations even in places where the local embassies are easy to get at. McDonald’s is more than a purveyor of food; it is a saturated symbol for everything that environmentalists, protectionists, and anti-capitalist activists find objectionable about American culture.*

The McDonald’s general training manager (GC-QSRM4) elaborated: “The stability of the political climate is very important for any business because it affects the economy and the running of any business”. Kotler et al. (2005) and Hollensen (2007) stressed the sensitivity of global businesses to interactions between host country politics and international political issues with potentially devastating results. The industry expert (IN.EX.1) explained that: “Good relationships with the US led to growth in the number of American QSRs in Egypt”. The McDonald’s general marketing manager (GC-QSRM3) added:

*The political climate affects the economic situation indirectly. In 1994, the political climate in Egypt encouraged global QSRs to enter Egypt because Egypt had good relationships with the world. The first McDonald’s restaurant in Egypt opened in 1994.*

Doole and Lowe (2012) and Jobber and Fahy (2006) similarly emphasised the negative impacts of a poor political climate on businesses. The industry expert
(IN.EX.1) explained that: "The Iraq War (2003) and the Gaza War (2008) caused major problems for global brands, especially well-known American brands, such as McDonald’s, KFC and Hardee’s QSRs”.

There are other considerations regarding political factors which can temporarily impact on global and local QSRs, such as political speeches and the visits of major political figures, e.g. US President Barack Obama. For example, when Obama visited Egypt in June 2009 the Egyptian government undertook a major security operation and evacuated people from the streets with negative impacts on QSRs. As one of the McDonald’s branch managers (GC-QSRM7) explained: “President Obama’s visit and his speech in 2009 led to a recession in QSR restaurants”.

In parallel with the US invasion of Iraq and Afghanistan, ongoing military confrontations between the Palestinians and the Israelis, particularly because the Israelis were perceived to be supported by the US, resulted in the boycotting of companies of US-origin in the Middle East. The McDonald’s assistant general manager (GC-QSRM2) commented that after Israeli military action: “Muslims voted to boycott American brands because they believed that America supported Israel”. Laster (2007) similarly noted a Middle Eastern boycott of American brands because of the Palestinian-Israeli confrontations and Frumkin (2002: 1) commented that: “The U.S government’s support for Israel in its conflict with the Palestinians has sparked boycotts across the Arab world that have led to sales depressions at some restaurants - the brunt of
which are being felt by the local franchisees”. The industry expert (IN.EX.1) added: “The boycott of American products was because America is biased towards Israel and because they invaded Iraq”. The potential for boycotts did not end after resolution of the Iraqi issue, as one of the McDonald’s branch managers (GC-QSRM7) explained: “The Gaza confrontation in 2008 pushed people to boycott all American products included the big brand names like McDonald’s”.

The boycotts were extremely effective and impacted on both global and local QSRs. As the Mo’men operation manager (LEC-QSRM3) explained, the impacts were negative for global QSRs, decreasing their sales, and positive for local QSRs, increasing their sales during the boycott period. The impact on global QSRs was significant as confirmed by two of interviewees - the industry expert (IN.EX.1) and the McDonald’s general training manager (GC-QSRM4) who explained that: “The boycott caused a recession in global QSRs in Egypt and the Middle East. In 2002, the boycott led to a loss of approximately 60% of sales in global chain QSRs, especially McDonald’s”. Both the Mo’men operations manager (LEC-QSRM3) and the industry expert (IN.EX.1) explained the positive impact of the boycott on the growth of local QSRs. As the industry expert (IN.EX.1) commented: “The boycott of the global QSRs was very useful for the local Egyptian chain QSRs and they grew by 30-35%”. These findings support previous research, e.g. by Frumkin (2002) and Wattad (2003), who reported sales decreases of the order of 25% for the sales of QSRs of US-origin in some Middle Eastern countries.
Selecting the right name for a local QSR is a very important tool for local chain QSRs, e.g. the word Mo’men has strong religious connotations - it means believer in Arabic. This encouraged customers to buy from them during the boycott, as commented by the McDonald’s general marketing manager (GC-QSRM3): “The name of local QSRs can be useful during boycott periods. The name Mo’men is adapted from Arabian and Islamic culture”.

**Figure 4.7**: The impact of boycott on McDonald’s QSRs [Source: http://mpr.org.my/wp-content/uploads/2010/02/McDonald’s_boycott.jpg]

McDonald’s Egypt used two main strategies to manage the boycott. First, it emphasised its local links – that McDonald’s Egypt is Egyptian; second, it increased its corporate social responsibility activities by contributing to wider Egyptian society through donations to local charities. The McDonald’s assistant general manager (GC-QSRM2) explained these two strategies:

*The first is to emphasize the local aspects of your business and how locally your strategy is to communicate with your customers that you are a local company (to emphasize that you are an Egyptian company through advertising, the development of new sandwiches and so on). The second strategy used is to show the corporate social responsibility like donations to a cancer hospital and Elashoyaaal – undeveloped areas. Tactics like if you do*
advertising on TV or launch new products. But the tactics change depending on the actual situation.

**Emphasising local links**

The first action was to undertake an advertising campaign with a double message – first, stressing that McDonald’s Egypt was a local Egyptian company, rather than an American company; second, refuting any relationship between McDonald’s and Israel.

McDonald’s Egypt used a television advertising campaign to stress that it was a 100% Egyptian company in which all its workers and suppliers were Egyptian (see Figure 4.8). As the McDonald’s general training manager (GC-QSRM4) explained: “McDonald’s QSRs advertised on all the major television channels that McDonald’s was a 100% Egyptian company with a 100% Egyptian workforce, owned and managed by an Egyptian”. The McDonald’s general manager (GC-QSRM1) added: “McDonald’s Egypt has provided more than 3000 direct jobs and is responsible for about 10,000 indirect job opportunities that contribute to driving the national economy”. McDonald’s general marketing manager (GC-QSRM3) elaborated: “McDonald’s Egypt is owned by an Egyptian family and more than 90% of our products are from Egyptian suppliers”.

However, the KFC chain manager (GC-QSRK9) disagreed with the appropriateness of this strategy commenting that:

*It is wrong to send a message to your customers that your restaurants are not American restaurants. If you do the customer will be sure that you are an American restaurant! It is best to use indirect tools to convince your customer not to boycott, for example, using famous writers to write about your company.*
When the boycott crisis increased we advertised on television that our company was 100% Arabic.

One of the Hardee’s branch managers (GC-QSRH7) explained:

Skilful managers must have good interactional skills. Managers must be skilled conversationalists to resolve problems with customers. So, for example, if a customer comes in and says that the meat is not halal he might say “yes if is, if you invite me for a sandwich I will eat it in front of you”.

Figure 4.8: McDonald’s – 100% Egyptian [Source: http://www.youtube.com/watch?v=ksGFVBCVqQ]

The second part of the double message in the television advertisements and on the Internet was to refute that McDonald’s had ever been involved in making donations to Israel (see Figure 4.9).
The text in Figure 4.9 translates as:

The McDonald’s Egypt trading company does not support any political or religious activities in any country or region in the world.

The company - Manfoods Egypt - is the sole agent for McDonald’s Egypt as it is fully Egyptian-owned and operated with local capital investments 100%.

McDonald’s Egypt has provided more than 3000 direct jobs and caring for about 10000 indirect job opportunities to contribute to driving the national Egyptian economy.

In March 2002, McDonald’s was reported as changing its name to Manfoods Company to minimise the impact of the boycott campaign (Knudsen et al. 2008). The McDonald’s general manager (GC-QSRM1) denied the name change explaining that: “Manfoods Egypt was established before 2002 so we just stressed our company name to avoid the severe boycott in those days”.

The industry expert (IN.EX.1) added:

McDonald’s called itself Manfoods to avoid problems with boycotts and the anti-American demonstrations. McDonald’s was very elegant in this action because during normal days he said “I am McDonald’s” but during the boycott period he said “I am Manfoods
The alternative name was very clever because it starts with an ‘M’ like the golden arches.

The Egyptian credentials of McDonald’s Egypt was reinforced through the launch of new glocal products – the McFalafel and the McArabia. The launch of new products based on local traditional foods was designed to reinforce the message to McDonald’s customers that McDonald’s Egypt was an Egyptian company.

The first new product launch was of the McFalafel sandwich in mid-June 2001 as a response to the boycott which started in 2000 and continued through 2001 and 2002 as a result of the confrontation between Israel and Palestinian in 2000 and 2001. The McFalafel sandwich was adapted from a traditional Egyptian dish. The promotional campaigns for the McFalafel used local celebrity – Shaaban Abdul-Rahim – and his controversial jingle based on the popular song ‘I hate Israel’ to emphasise their Egyptian credentials. The McDonald’s general marketing manager (GC-QSRM3) explained: “McDonald’s Egypt produced the McFalafel sandwich in 2001 to say that our company is an Egyptian company”. His comments were echoed by the McDonald’s assistant general manager (GC-QSRM2): “McDonald’s QSRs is Egyptian and local through and through”.

The second launch of a new product was the McArabia sandwich across the Middle East and the Gulf Peninsula. It was specifically in response to the Iraqi situation in 2003 that: “In March 2003, while the US-led Coalition forces were invaded Iraq, McDonald’s introduced a product in the Middle East called
McArabia sandwich (chicken or kofta sandwiches) on Arabic-style bread mixed with aromatic black seeds”. They were intended to: “re-launch McDonald’s in the Muslim World” (Knudsen et al. 2008: 23). The name of this sandwich - the first part of the sandwich name is Mc (which refers to McDonald’s) and the second part is Arabia - emphasises the provenance of the sandwich to Arab customers and emphasises that McDonald’s is an Arabic company.

**Increased corporate social responsibility actions**

The second strategy was to increase the company’s corporate social responsibility activities through its contribution to wider Egyptian society through donations to local charities - a cancer hospital, a kindergarten and a fund to develop an undeveloped area. The McDonald’s Egypt website explains to Egyptians about its corporate social responsibility actions:

> McDonald’s is proud to be a part of the communities we serve. Through involvement in youth sports, local charities, and events that inspire the world, giving back is an essential part of the way we operate every day.

(McDonald’s Website, 2010: online)

Various corporate social responsibility actions had been undertaken. McDonald’s Egypt donated to the Children’s Cancer Hospital (see Figure 4.10) and to the needy in undeveloped areas. The industry expert (IN.EX.1) explained: “We are going to the people in underdeveloped areas to introduce what they need in terms of food and shelter. To say to Egyptian society we are a part of this society”. The McDonald’s assistant general manager (GC-QSRM2 cited Dziadosz, 2009: online) explained:
We started helping the community. We started with the Children's Cancer Hospital, where we donated as McDonald's Egypt around LE 4 million, then worked with an orphanage. And one of our recent initiatives, we're developing a place here in Cairo, it's an underdeveloped area. We have an initiative in 2009 that will go in and develop 10 kindergartens to have them become suitable for children to go in, to stay in. This initiative will cost us around LE 1 million.

Figure 4.10: McDonald's contributing to society [Source: http://www.ameinfo.com/176105.html]

Figure 4.11 shows the in-store poster proclaiming support for needy children in Egypt with the message ‘from our children to our children’. 25 piaster from every happy meal was donated to kindergartens in Egypt (see Figure 4.11) as the McDonald's operation manager (GC-QSRM6) explained:

*McDonald's Egypt will help by allocating 25 piaster from every 'Happy Meal' to restore, renovate, and develop kindergartens in the area. The initiative will serve more than 250 children since each classroom carries 25 pupils.*
Figure 4.11: From our children to our children [Source: General marketing manager]

Figure 4.12: Collecting donations for Egyptian kindergartens [Source: http://www.ameinfo.com/176105.html]

4.6 Legal factors

Legal frameworks vary from country to country and so for global businesses operating in a number of different countries it is extremely important that they follow the host country’s regulations to avoid problems (Khan, nd). The McDonald’s assistant general manager (GC-QSRM2 cited Dziadosz, 2009: online) highlighted the importance of understanding the local legislative context: “sometimes the government puts specific legislation on say chicken products.”
But if you have a local chicken supplier, as we do, this is not a problem”. The McDonald’s assistant general manager (GC-QSRM2) explained that: “You have to complete all governmental rules in relation to licensing your business before you open your operation. One successful restaurant closed because it did not observe the governmental regulations”. The new restaurant had increased traffic problems in a congested area so the government closed the restaurant. Piirainen et al. (2008) also emphasised the importance of having a detailed understanding of local legislation in relation to the launching of a global business in a host country.

4.7 Informational Factors

Information plays an important part in the success and failure not only of new products but of the whole QSR chain business. Informational issues relating to QSR operations in the Middle East relate not only to information about competition and customers which would be collected through market research but also to dealing with information and misinformation spread through rumours.

The industry expert (IN.EX.1) explained that market research “... plays a vital role for getting information about competitors and whether there are substitute products which the company can launch. Also it is important for getting information about what customers want”. Hollenson (2007) highlighted the importance of informational factors in increasing the success of international marketing strategies.
The McDonald's general manager (GC-QSRM1) explained that there were two sorts of rumours - internal and external rumours - "external rumours, such as that McDonald's donates to Israel" and "internal rumours, specific to Egypt, such as that President Mubarak is sick" which had a major impact on the share prices of Egyptian companies, including McDonald's Egypt. Rumours are one of the most effective ways of impacting negatively on global QSRs. It takes a long time to build consumer trust in a global QSR and this can be destroyed very quickly by malicious rumours.

4.7.1 Commercial rumours

Rumours spread by competitors can undermine a global QSR operation, e.g. McDonald's. During the swine flu epidemic, competitors spread rumours about McDonald's Egypt, e.g. one rumour suggested that clear-cut evidence of swine flu has been found in the McDonald's branch in Elmaadi in June 2009; a second rumour related to McDonald's sandwiches being served warm (rather than hot) therefore making them unsafe to eat; a third that McDonald's burgers were made from pork so that customers eating them would contract swine flu. The McDonald's general marketing manager (GC-QSRM3) explained:

_Rumours saying that 'McDonald’s sandwiches are made from pork' were spread by SMS among customers to stop customers’ eating from these restaurants to avoid swine flu. It caused a major slump in sales at this time._

Such rumours were extremely damaging to McDonald's Egypt's reputation and McDonald's responded by refuting the rumours on its website (see Figure 4.13).
Table 4.13: McDonald’s response to the swine flu rumours [Source: http://McDonald’sEQYpt.com/images/mcd_statement.jp]

McDonald’s tried to build consumers’ trust by sending clear messages to customers through various channels of communication. The McDonald’s assistant general manager (GC-QSRM2 cited Dziadosz, 2009: online) explained that: “The Ministry of Health is addressing this issue with transparency to reassure citizens and to minimize the impact of rumours that can affect the national economy”. Furthermore, Mo’men area manager (LEC-QSRM1) emphasised that: “Restaurants should use advertising as a tool against rumours which can lead to loss of sales and closure of restaurants”.

The McDonald’s advertising campaign on the most watched Egyptian television channels and on its website explained that McDonald’s used pure vegetable oil
to fry potatoes in its branches in Egypt: “Potatoes are cooked in our restaurants using only 100% vegetable oil” (McDonald’s Egypt Website, 2010: online).

4.7.2 Religious rumours

Table 5.2 shows an example of the sort of rumours that are spread about McDonald’s in the Middle East. This particular email was spread by an email. It explains that McDonald’s had problems with its French fries which were fried in lard before being sent to branches around the world, including the Middle-East. This information was supported by an article on the BBC’s Arabic website (BBC, 2001).

Table 4.2: Message about McDonald’s French fries received by the author by email (2001).

<table>
<thead>
<tr>
<th>McDonald’s Scandal</th>
<th>McDonald’s Scandal with fried potatoes</th>
</tr>
</thead>
<tbody>
<tr>
<td>This is an article warning about McDonald’s French fries. The information comes from articles in the Times newspaper in London. The same news is on the BBC’s Arabic website.</td>
<td></td>
</tr>
<tr>
<td>The subject: The McDonald’s potatoes are first fried in US factories and then frozen and dispatched to McDonald’s branches around the world. <em><strong>The most important thing is that after cutting the potatoes into fries they are covered with lard which comes from pork to maintain their crunchiness after frying</strong></em>. Alternatively they use beef fat (which comes from cows slaughtered by illegal (not halal) means such as electric shock treatment or by shooting).</td>
<td></td>
</tr>
<tr>
<td>The McDonald’s company had apologised to India because Indians do not eat beef because they worship cows. However, they have not apologised to Muslims because they do not respect Islam.</td>
<td></td>
</tr>
<tr>
<td>Potatoes come from America covered with in pork or beef are cheaper. They are then fried in vegetable oil so many people believe that because they are fried in vegetable oil they are Halal. This is not correct as they contain lard.</td>
<td></td>
</tr>
<tr>
<td>Already there is evidence that McDonald’s potatoes contain lard and this was confirmed by some of the Muslim Brethren who eat from halal restaurants rather than McDonald’s. Russia also threatened to close McDonald’s branches so McDonald’s pledged to fry their potatoes only in vegetable oil in its factories.</td>
<td></td>
</tr>
<tr>
<td>In conclusion, I hope every reader of this letter will pass it on so it gets circulated.</td>
<td>eat halal</td>
</tr>
</tbody>
</table>
4.7.3 Political Rumours

The McDonald’s general manager (GC-QSRM1) explained that “one political rumour suggested that McDonald’s donated part of its profits to building settlements in Palestine”. Although McDonald’s totally denied this on its website (see Figure 4.14), the industry expert (IN.EX.1) explained that “political rumours impacted badly on global QSRs like McDonald’s”. Howell (2006) and Knudsen (2008) similarly emphasised the negative impacts and disastrous consequences of political rumours on McDonald’s reputation in Egypt. Fearn-Banks (2007) explained that these rumours are effective and people believe in the bad news because they have an inherent distrust in the organisation which the rumours fuel.

Figure 4.14: McDonald’s official statement refuting that it made donations to Israel [Source: http://somecontractar.com/2009/05/McDonald’s-doesnt-support-Israel/]
4.8 Social factors

According to Gilbert et al. (2004), with increasing globalisation of brands and services, global service-oriented businesses need to ensure that they satisfy their customers both domestically and internationally while transcending cultural differences from country to country. Differences in social conditions, religion and material culture between countries influence consumers' perceptions and patterns of buying behaviour (Doole & Lowe, 2012). As Clarke and Chen (2007) explained, the cultural factors affecting product demand may or may not be easily discerned. A product must suit the local culture to be successful, as Van Heerden & Barter (2008: 41) emphasised: "I do not think that people change their culture to suit a product".

McDonald's have made special efforts to take the local culture of the countries in which they operate into consideration. McDonald's Egypt, for example, had introduced the McFalafel and McArabia sandwiches, both products based on local Egyptian/Arabic traditional foods as the McDonald's assistant general manager (GC-QSRM2 cited Dziadosz, 2009: online) explained:

*McDonald's have a core menu, which contains the quarter-pounders, fillet of fish and so on. You have to go with the core menu first. And the more you develop in a country, the more you start becoming localized. We started developing and introducing new items that matched the local taste. Some time ago, we introduced the McFalafel which was very successful. If I recall, we sold around a million sandwiches in just a matter of 10 to 14 days. We also have two sandwiches you will not find in the US: McArabia Chicken and McArabia Kofta.*

Rugman (2005), and Van Heerden and Barter (2008) all stressed that culture is a major challenge in the international marketplace for the global companies and
emphasised the importance of global companies understanding the host culture before entering a new market. McDonald’s has seen cultural adaptation as a significant success factor in new markets (Royle, 2000) and modified its products to suit the host culture (Larai & Moody, 2008).

When McDonald’s Egypt opened in two governorates in Upper Egypt - Asyut and Elmenia – they did not attract as many customers as they expected and carried out a survey to find out why. The survey showed that the local traditions opposed the notion of eating away from home which is perceived as a source of shame and a sign of domestic problems as the McDonald’s general manager (GC-QSRM1) explained:

*We operated new restaurants in two governorates called Asyut and Elmenia in Egypt and we were surprised that these restaurants did not work as we expected. We undertook survey research which showed that if anyone eats out of his home it indicates that he has a problem in his home (with his wife).*

McDonald’s global strategy is to think global and act local by adapting meals from local cultures to satisfy the needs of its customers as the McDonald’s general training manager (GC-QSRM4) explained: “*McDonald’s understands customer needs and meets these needs by adapting dishes to suit Egyptian tastes. McDonald’s strategy is to adapt dishes from local cultures in its branches all over the world.*”

McDonald’s Egypt sought permission from the mother company to introduce recipes to suit local Egyptian tastes. Recognising that Egyptians like to eat spicy foods, two types of meal were introduced – one for normal taste (a global
recipe) and one with a spicy taste (a local recipe). As the McDonald’s assistant general manager explained:

_We found that the total sales of the local recipe were 50% more than for the global recipe. Our company tries to think globally and act locally so we studied the eating habits of Egyptian customers and found that Egyptians liked the spicy meal more than the normal meal. When we introduced spicy meals in Egyptian market, we found that they accounted for 60% of total sales compared with 40% of total sales in our restaurants in Egypt._

Egyptian culture comprises a variety of different taste traditions. As one of Mo’men branch managers (LEC-QSRM5) elaborated: _“Culture differs from one place to another in the same country like our country. People who are living in Attaba are different to people who are living in Ramses and those living in Shubra. So tastes differ from area to another.”_

Local Egyptian QSRs could copy everything from global QSRs, but instead they concentrate on meeting the needs of Egyptian tastes as the Mo’men area manager (LEC-QSRM1) explained:

_Local Egyptian restaurants could able to make their chains like the global chains taking the same characteristics from the global chains in terms of food quality, speed of service and cleanliness but the local chains focus on Egyptian culture and meeting the needs of Egyptian customers._

Middle Eastern customers like to be addressed by name in a respectful manner when s/he goes to a restaurant as reflected in a comment from the Mo’men area manager (LEC-QSRM1): _“Middle Eastern customers like to be addressed as your Majesty or by their names.”_
As cultures differ from area to another of Egypt, they also differ across the Middle East. However, many younger people across the Middle East now eat from QSRs which erode local cultures, as the industry expert (IN.EX.1) explained: "Middle Eastern culture differs from country to another. In Saudi Arabia they like to slaughter a sheep and eat it with Kapsa (Rice). Now young Saudi people go out with their friends to eat burger sandwiches".

The industry expert (IN.EX.1) emphasised that: "Religion is very important and you should put it separately from socio-cultural factors as a strong external factor. In the Middle East religion is a major factor influencing customers". This related to Muslim and Coptic Christian customers alike. As one of the McDonald’s branch managers (GC-QSRM7) explained: "Religion plays an important role for Muslim guests. 10-15% of Muslim customers ask specifically if our burgers are made from halal meat or not". The word ‘halal’ is an Arabic expression meaning "permissible" and is shown prominently on the packages of products in global QSRs across the Middle East. The Americana company had ensured that all its restaurant brands, e.g. Hardee’s and KFC, explicitly declare on their packaging that their meat products are 100% halal whether these are produced domestically or imported to Egypt (see Figures 4.15 and 4.16).
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Figure 4.15: Halal in English and Arabic on Hardees packaging for the Middle Eastern market [Source: http://www.google.co.uk/imgres?q=Halal+and+KFC]

Figure 4.16: Halal in English and Arabic on KFC packaging for the Middle Eastern market. [Source: http://images.google.com/imgres?q=KFC+Egypt&hl=en&biw=1280&bih=796&gbv=2&tbm=isch&tbm=id=P4NDnNXr_PBUBM:&imgrefurl=http://www.yadig.com/AE/Dubai/Restaurant/KFC]

Respect for local traditions extends beyond the product. Staff uniforms must demonstrate respect for the traditions of the host country, as McDonald’s branch manager (GC-QSRM7) emphasised: “Staff uniforms for girls must respect our conservative traditions which require that a woman’s clothes cover
all her body, apart from her face and her hands and feet, and that her hair is covered" (see Figure 4.17)

Figure 4.17: Female staff uniform respecting Muslim religion in McDonald's Egypt QSRs. Source: http://images.google.co.uk/imghres?imgurl=http://h3.agphi.com/0eoZfFgg20A/SaWFH9puEEd7

Religion has a major impact on QSR restaurants during fasting periods for both Muslims and Christians in Egypt in terms of what and when people eat. Norlander (1999) who explained that people from different cultures have different dietary preferences - some foods that are favourites in one culture may be prohibited in another i.e. the eating of pork is forbidden in Muslim and Jewish cultures and it is important that a global QSR understands these. Czinkota & Ronkainen (2008) similarly highlighted the major impact that religion has on attitudes and behaviours. Islam, for example, has a major impact on a person's whole life and prescribes his/her behaviour through the prohibition of particular actions including constraints on what the person eats.
The McDonald’s managers reported that total QSR sales dropped by 40-45% during Muslim fasts and by 5-20% during Christian fasts. One of the McDonald’s branch managers (GC-QSRM7) explained that: “some restaurants are affected by much more than this percentage”. Global QSR chains, e.g. Burger King and McDonald’s, acknowledge Ramadan (the month of fasting) and Eid (the three day feast that follows Ramadan) in their promotional materials (see Figure 4.18).

Figure 4.18: Global QSRs in Ramadan [Source: http://www.flickr.com/photos/jwandjh/259898736/]

This downturn in sales during fasting periods was also experienced by local QSR chains that make special offers to counter this:

Mo’men makes offers to Muslim customers in their fasting in Ramadan month. Christian fasting decreases the sales of restaurants by 15-20%. Furthermore in the Muslim fasting period sales from restaurants decrease by 30-35%.

(IN.EX.1)
The local QSR branch manager (LEC-QSRM5) suggested that the impact of Ramadan fasting on sales was more than 30-35% and approached 50-60%: "Ramadan fasting affects total sales which decrease by 50-60%". To counter this they produce special meals for dinner and sohour (a meal taken just before dawn during Ramadan) (see Figure 4.19) and vegetarian dishes for Christian customers to complement their fasting. As one of the McDonald’s branch managers (GC-QSRM7) explained: "All QSRs restaurants take into account religion amongst their priorities so they make fasting meals for both Muslims and Christians". This was echoed by the Mo’men quality assurance manager (LEC-QSRM6) who explained that: "Religion is very important for Egyptians - Muslims and Christians - in the days of fasting. Global and local QSRs served suitable dishes for Christians in their fasting days" (see Figure 4.18).

Figure 4.19: Special meals linked to local festivals.

Additionally, local restaurants introduce special sandwiches for Christians including a shrimp sandwich without tartar sauce (which contains egg and is a
problem during Coptic Christian fasts), as explained by Mo’men area manager (LEC-QSRM1):

Local QSRs serve shrimp sandwiches with tehina sauce instead tartar sauce and vegetarian sandwiches during Christian Coptic fasting. Furthermore, the restaurants take into consideration special meals for Muslims during the Ramadan month.

Mo’men restaurants write ‘Happy New Year’ on the doors of their restaurants each New Year to celebrate the Christmas Event as the industry expert (IN.EX.1) explained: “Mo’men served fasting meals for Christian customers and wrote “Happy New Year” on the door of their restaurants to share in their feast.”

4.9 Technological Factors

Technology is a critical aspect of the QSR concept and permeates the whole QSR operation as well as supporting customers directly.

4.9.1 Technology to support operations

Comprehensive automation technologies are a basic feature of global and local QSRs in their kitchens. Equipment incorporating advanced technologies enabled the delivery of high-quality standardised products, as the Mo’men area manager (LEC-QSRM1) explained: “QSRs use technology in the kitchen to introduce high-quality standardized products”. It also provided competitive advantage by reducing the need for human labour in the preparation of meals. The McDonald’s assistant general manager (GC-QSRM2) explained: “The advantage of advanced technology in QSRs is that it helps QSRs to provide
consistent quality products with standard portion sizes; it saves labour; it increases the speed of production and provides competitive advantage".

Reviere and Carter (1996) and Leidner (2002) also emphasised the importance of increased automation in decreasing the number of staff for a QSR operation.

One of the Mo'men branch managers (LEC-QSRM5) explained that the local Egyptian QSRs, e.g. Mo’men, used a computerised system called Micros which takes customer orders and sends them to the kitchen where they are prepared in a few minutes instead of sending orders manually. The system also provides reports on peak and valley periods in restaurants.

The QSRs used state-of-the-art computerized systems to enable them to update inventories and track waste food. This information is transferred to head office as the McDonald’s general marketing manager (GC-QSRM3) explained:

*McDonald’s use advanced equipment. We have an advanced computerized system for auditing and recording transactions for updating the inventory. We have a server which transfers all information to head office. Waste food also registered by computers.*

Technology helps management to forecast sales in particular outlets by knowing the numbers and socio-economic classification of the local population which can inform strategic decision-making in the QSR chains. As the industry expert (IN.EX.1) explained: “*Technology saves time in forecasting incoming sales. Technology also helps decision-making by providing the information needed*.”
Technology is critical to the provision of a home delivery service and the operation of the QSR call centre service which underpins the home delivery service. One of the McDonald’s branch managers (GC-QSRM7) explained that McDonald’s Egypt was operating a: “call centre through which customers could place orders by phone. The call centre transfers the order to the nearest restaurant and provides the restaurant with an electronic map to facilitate the delivery of the order” (see Figure 4.20).

Figure 4.20: McDonald’s - the fastest delivery in Egypt. [Source http://www.McDonalds.qe.com/logoer.html]

4.9.2 Technology for customers

One of the McDonald’s branch managers (GC-QSRM7) explained that McDonald’s Egypt had introduced free high speed wireless internet (wi-fi) at all its branches and had attracted a large number of consumers who could surf online on internet via their laptops and mobile phones: “McDonald’s introduced a wi-fi service into its restaurants for customers to help increase restaurant sales”. The McDonald’s website (2010: online) proclaimed that: “Your favourite McDonald’s meal now comes with complementary Wi-Fi”.
Chapter Four: External factors and new glocal product development in global QSRs

4.10 Summary

To draw this chapter to a conclusion the major external factors impacting on new glocal product development and the success and failure factors for the new glocal products – McFalafel and McArabia sandwiches – will be discussed. There was considerable interaction between the various external factors as summarized in Figure 4.21.

The major demographic factor impacting on QSRs and the development of new glocal products was socio-economic class in terms of household income which influenced the amount of disposable income and the demand for QSR products. For higher-income earners who had greater work pressures and were ‘cash rich but time poor' this fuelled their demand for QSR products. Lower-income earners were extremely sensitive to price and were looking for value for money which the QSRs responded to through the development of a range of economic meals offering branded affordability which would be perceived as value for money by prospective customers. The response of the QSRs was to develop a range of economic meals.

Socio-economic class and levels of disposable income determined where people lived and in turn the location for QSRs. The QSR restaurants in Cairo were all located in residential areas where professional people lived since socio-economic classes A, B and C1 were the core market for QSR products. This negatively impacted on the promotion of the McFalafel sandwich which had been promoted by McDonald’s using a folk singer popular amongst the lower
socio-economic classes in Egypt. Poor product placement ultimately proved to be one of the failure factors for the McFalafel sandwich.

The local QSRs had adopted red ocean tactics to undermine the global QSRs to lure customers from them. McDonald's response was to adopt a blue ocean or pioneering strategy and to be first to market. Strong competition on price and value for money of products between global QSRs and global and local QSRs increased the importance of the economic meals and brand affordability. There was also competition for staff with the local QSRs pirating trained staff from the global QSRs and benefiting from the global QSRs' investment in training.

High currency exchange rates and high import duties had forced up raw material costs and encouraged the global QSRs use currency hedging and to pursue a localisation strategy to reduce the impact of importing raw materials.

The global economic crisis of 2008 had significant impact on QSRs as a result of reduced disposable income which resulted in decreased demand for QSR products and an increased demand for branded affordability products, e.g. economic meals.

The major ecological factors that impacted on the global QSRs were global food crises (swine flu, avian flu and mad cow disease) and the weather. Both impacted on the demand for QSR products, positively and negatively. The QSRs had made several responses to global food crises. They had broadened
their ingredient base so they were able to offer substitute products when a particular ingredient was impacted by a particular food crisis. They had changed the sources of raw materials, e.g. the supply of beef for their patties was changed to countries not affected by mad cow disease. However, the global QSRs were very vulnerable to commercial rumours initiated by local competitors who used every opportunity to undermine global QSR operations.

US interventions in the Middle East, in Iraq and Afghanistan and particularly perceptions of their support for Israel, had a major impact on the operations of global QSRs of American origin, such as McDonald’s, which was particularly vulnerable due to its highly-recognisable golden arches. Backlash resulted in boycotts of McDonald’s and the other American QSRs. McDonald’s has responded to the boycotts in a number of ways including a media campaign to refute rumours and a major emphasis on McDonald’s Egypt’s Egyptian credentials – “a 100% Egyptian company with a 100% Egyptian workforce, owned and managed by an Egyptian”. The new glocal product developments, initially of the McFalafel and then the McArabia modelled on traditional local foods, were similarly designed to emphasise McDonald’s Egyptian/Arabic credentials. McDonald’s Egypt also increased its CSR activities through making donations to a cancer hospital, a kindergarten and a fund to develop an undeveloped area in Cairo. In relation to the donations to the kindergarten McDonald’s used the slogan ‘from our children to our children’ to promote sales of its happy meals - 25 piaster from every happy meal was donated to kindergartens. The McDonald’s company is very aware of the importance of children in family decision-making about where to eat – pester power - and, as
Allen (2010: np) explained: they are "conscripting ... children into an unpaid drone army of word-of-mouth marketers". Giving away toys with each happy meal made McDonald’s products very attractive for children.

There were no legal factors that were drivers for new glocal product development and so legal factors are removed from the model of the external factors relevant to the development, success or failure of the McFalafel and McArabia sandwiches.

Again McDonald’s high profile and American allegiances made them very vulnerable to a range of rumours – commercial, political and religious - and misinformation, e.g. that they made donations to Israel, which they countered using media campaigns. The McDonald’s Egypt website regularly carried a refutation of one rumour or another as the company sought to manage the misinformation. CSR and associated awareness programmes, e.g. of the importance of hygiene in the management of swine flu and the provision of hand sanitisers for customers in each of their branches, was one way in which the company built trust as a form of collateral.

Reflecting the local culture was particularly important. The overwhelming social issue impacting on the QSRs operating in Egypt was religion. Egypt’s population was overwhelmingly Muslim with traditional values with significant implications for QSR operations. This extended to ensuring staff uniforms respected local Islamic dress codes and using halal meat in their products. All
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the global QSRs made explicit their use of halal meat in their products on their product packaging. Muslim sensitivities about eating pork made them very vulnerable to commercial rumours about their use of pork fat for the cooking of their French fries and to accusations that evidence of the swine flu (H1N1) has been found in their El Maadi branch in Cairo.

The weather increased the prices of raw materials and increased the demand for home delivery. A technological solution using a call centre and electronic maps to take customer orders and pass them on to the nearest branch to prepare and deliver the food was used to deal with the increased demand for the home delivery service. Technology was also used to support customers through the provision of WiFi in all McDonald’s branches. Technology – the Internet and SMS messaging on mobile phones - was a significant factor in the dissemination of rumours and misinformation.

The next chapter, chapter five, will discuss the internal factors that constrain the development of new glocal products in global QSRs.
Figure 4.21: External factors and new glocal QSR products
CHAPTER FIVE
INTERNAL FACTORS AFFECTING THE NEW GLOCAL PRODUCT DEVELOPMENT PROCESS

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CHAPTER FIVE
INTERNAL FACTORS AFFECTING THE NEW GLOCAL PRODUCT DEVELOPMENT PROCESS

5.1 Introduction
This chapter will consider the internal factors that constrain McDonald’s Egypt’s new glocal product development process. These will be presented in the same order as considered in the literature review. Section 5.2 will explain the major franchising issues that impact on the new glocal product development process. Section 5.3 will clarify human resource management issues: staff training; and motivation, satisfaction and loyalty; teamwork. Section 5.4 will focus on marketing issues and the marketing mix. Section 5.5 considers aspects of quality management relating to the new glocal product development process. The chapter culminates with the development of a theoretical model comprising all the internal factors relevant to the new glocal product development process. According to the global QSR industry expert (IN.EX.1): “Internal factors can have positive and negative effects on the new glocal product development process” as also suggested by Reviere & Carter (1996) who emphasised that internal factors have more direct impact on business than external factors.

5.2 Franchising
The 1993 Oslo Peace Treaty between the Palestinian and Israeli people heralded a period of calm in the Middle East which made business less risky and encouraged global businesses to franchise their operations into the Middle
East. As the McDonald’s general marketing manager (GC-QSRM3) highlighted: “In 1994 the political climate in Egypt encouraged global franchising operations to enter the Egyptian market”. These findings support the work of Hollensen (2007) and Kotler et al. (2003) who stressed the complexity of the global political climate which impacts on global marketers, especially those involved in foreign direct investment.

Global QSRs, like KFC and McDonald’s, were in the vanguard of global companies moving into the Middle East market. The franchising model adopted by McDonald’s in Egypt was different to that in some other countries. In Egypt all the branches of McDonald’s Egypt were operated by Manfoods (Egypt), owned by Mr Yasseen Mansour - President and Managing Director (McDonald’s, 2008), rather than operating as individually-owned franchises. Similarly, the Kuwaiti company, Americana, operated all the KFC, Hardee’s and Pizza Hut outlets across Egypt and other Middle Eastern countries.

As explained in the literature review, QSR franchises are a form of business format franchising since: “the franchisee not only sells the franchisor’s product and/or service, but does so in accordance with a set of precisely laid down procedures or ‘format’” (Felstead, 1993: 47). The major advantage of business format franchising is that franchisors provide franchisees with a brand identity that facilitates the establishment of the franchise. Although not the case for McDonald’s Egypt where all branches were operated by Manfoods (Egypt) employing experienced managers for each branch, franchisees may be
relatively inexperienced and thus benefit from the advice and training they get from the franchisor. As (IN.EX.1) explained: “a successful franchisor should support the franchisee in training, marketing and during local and global crises”. Franchisees also benefit from brand awareness by customers, whether the brand is global or local, which precludes the need for individual promotional efforts on their behalf. However the constraints of the particular business format they buy into may stifle innovation. Hoy & Shane (2003) emphasized that franchisees cannot innovate products or services without getting permission from the franchisor to ensure that the brand identity is maintained. Getting permission can be time consuming as the McDonald’s general marketing manager (GC-QSRM3) explained: “there are long processes to get permission from the head office to launch products that meet local tastes”.

The brand name, whether global or local, can often ensure the success of a new business. As the industry expert (IN.EX.1) explained: “Chain QSRs do not necessarily have to be international brand names to ensure success - but you have to select a good franchisee to help during crises”. Furthermore, the McDonald’s general manager (GC-QSRM1) emphasized the importance of franchisees in individual branch success - “the success of any restaurant depends on the franchisee. If this franchisee has a system and has great experience in management and marketing this will ensure success”. The general McDonald’s manager (GC-QSRM1) emphasized the importance of a franchisor supporting the franchises, especially in times of crisis: “In terms of franchising, the franchisor should support the franchisee during problems”.
These results support previous studies (e.g. Maher, 2007; Simons, 2009; Khan, nd) which explained that franchising provides considerable support to franchisees particularly during the early stages of the franchise lifecycle.

The second advantage of business format franchising by global companies is the provision of an international experience for the customers – Vashisht (2005) pointed out that franchising has become one of the most effective tools in the global economy. The KFC chain manager (GC-QSRK9) explained: “international experience has a great influence on Western customers around world. The first restaurant they eat in is McDonald’s or Hardee’s or KFC or Burger King because they know what the global QSRs serve”.

The third major advantage of business format franchising is that new branches inherit a reputation for high standards of food hygiene. One of the McDonald’s branch managers (GC-QSRM7) explained: “Global QSRs like McDonald’s have a good reputation for high standards of food hygiene”. Simmons (2009) stressed that global franchises set high standards for the handling of its global products.

5.2.1 Standardisation

As explained by the industry expert (IN.EX.1), McDonald’s world-wide success as a global brand is built on standardisation: “Standardisation is very important to build a successful brand ... if you change your standards, you will lose your
“customers”. It is however not just a critical success factor for global brands but also for local brands, as the Mo’men assistant general manager (LEC-QSRs1) emphasised: “Standardisation is very important for chain QSRs - global and local chain QSRs”. The major advantage of standardisation is that it: “enables management to have control of service quality as well as costs” (Jones et al. 1994 cited Sandoff, 2005, 529).

Standardisation is the basis of our business - from the ingredients used in our products to our preparation and service standards ... we use specific types of potatoes ... have specific standards to maintain and ensure quality. A Big Mac in Egypt is like a Big Mac anywhere.

(GC-QSRM3)

Product consistency is the critical issue. As one of the McDonald’s branch managers (GC-QSRM7) stressed: “Consistency of products is very important. Consistency is the result of standardisation”. The KFC chain manager (GC-QSRK9) added:

Standardisation is the basic factor that enables QSRs to compete effectively in the marketplace. When a customer enters a chain restaurant he imagines the taste of the product before he eats it. If you do not have standardisation every branch will have products with a different taste and this would cause the QSR to lose its market.

The downside of standardisation and the requirement for product consistency is that it constrains innovation - no-one working in a chain QSR can alter the standardised procedures - product consistency must be the same in all the branches. As the chain manager for KFC in Egypt explained:

I cannot break the brand standards. The business is built on effective standardisation ... I am convinced of the benefits to customers that standardisation creates. I will maintain McDonald’s position as a quality QSRs in this country if I follow these
standards ... If you are go into any branch anywhere in the world it will be like McDonald’s in Egypt.

(GC-QSRK9)

The McDonald’s operation manager (GC-QSRM6) explained that standardisation relates to all aspects of the QSR business format from raw materials, the equipment used in its preparation and packaging, the training of staff, their uniforms and what they say to customers, the management style, the premises, the décor and most importantly the final product.

... materials specifications, procedures, equipments, decoration, the same management, staff training, organisational culture. Customers going to whichever McDonald’s branches around the world must get the same experience.

(GC-QSRM6)

QSRs set standards with suppliers so that the raw materials and pre-prepared items arriving into each branch are of a consistent quality and are received and stored in a standard manner to maintain them in peak condition. Products are designed to ensure high levels of consistency in all aspects as the McDonald’s assistant manager (GC-QSRM2) explained: “Every product that comes from our factory is ready to be served so there is minimum preparation in the QSR branch. Every product is frozen and is ready to fry or grill”. This is consistent with previous research (e.g. Jain, 1989; Pehrsson, 1996; Ottenbacher and Harrington, 2007) which indicated that QSR products are designed to ensure high levels of consistency in all their aspects.

Most QSR branches will have a standard kitchen layout as advised by Head Office although they are allowed to modify the layout without reference to the
Head Office as one McDonald’s branch manager (GC-QSRM7) elaborated: “A branch manager can choose to reorganise the kitchen layout and replace equipment so as to improve the unit’s working practices and do not need to consult with the Head Office on this”. However, the amount of change that can be initiated without reference to Head Office is limited as this could negatively impact on standardisation.

Food items are prepared and stored in the branch in a standardised manner – the equipment, the cooking time and temperature and the shelf life post-preparation are very important as the Hardee’s branch manager (GC-QSRH7) explained: “Hardees takes great care of the storage and cooking temperature degrees by applying standardised procedures”. This also applies in the local QSRs, e.g. Mo’men: “There is no innovation in recipes because we follow standardised rules” (LEC-QSRM7). These standardised routines ensure that, in theory, anyone can produce the product to the required company standard. Employees are not allowed to use their own initiative. Royle & Towers (2002) emphasised the importance of standardization in increasing managerial control of operations whilst cutting costs.

Local culture has a major influence on the standardisation of product marketing when global QSRs establish themselves in different country contexts. The marketing strategy must suit the local culture although a strategy adopted in one country may be able to be utilized in countries with similar cultures as explained by Van Heerden & Barter (2008: 42):
I think that culture does prohibit standardisation of a marketing strategy to a certain extent. I do not think there is anything wrong with standardisation of a marketing strategy across countries that are very similar, but when they are diversified and different, culture certainly does prohibit standardisation.

Despite its obvious advantages, the standardisation of business format franchising has some major disadvantages. Customers can get over-familiar and bored with the unchanging menu and restricted product range available. As the industry expert (IN.EX.1) commented: “Standardisation in global QSRs is too stereotyping, customers get bored with the same items every day”. Ultimately stereotyping is the strength and weakness of the standardisation process that defines QSR products.

A variety of products helps overcome stereotyping, as one McDonald’s branch manager (GC-QSRM7) commented: “A variety of products is very important because if the customer does not notice regular changes in the variety of products or the introduction of new products he will get bored”. Burger King rotates its products every three months as does Hardee’s, as explained by one of the Hardee’s branch manager (GC-QSRH7): “products should be rotated every third month to satisfy different tastes because Egyptian customers get bored very quickly”. The Mo’men operations manager (LEC- QSRM2) agreed: “Egyptian customers like changes in taste - they like a variety of menu items including meat, chickens and seafood. QSRs have to provide different food tastes from home food tastes”. One of the Hardee’s branch managers (GC-QSRH7) emphasised: “Hardee’s is unique because it introduces a new sandwich every month”.
One of the McDonald's branch managers (GC-QSRM7) explained that "franchising affects new glocal product development because franchising maintains consistency and standardisation for all its products globally". A new glocal product must fit the brand image. Ottenbacher & Harrington (2009) highlighted the importance of consistent quality as the key to success for new glocal products.

5.2.2 Adaptation

Pehrsson (1996), Norlander (1999) and White (2009) stressed that McDonald's success depended on its ability to adjust to the local business environments in the various countries they operated in globally and to be able to compete with the local companies. Quelch & Hoff (1991), Risner (2001), Bowie & Buttle (2004), Axelrod (2003) and Kurtz (2011) indicated that adaptation is the key to success for global businesses enabling them quickly to meet the specific needs of different local cultures and taste preferences.

Global QSRs use adaptation as a tool to attract local customers as the KFC chain manager (GC-QSRK9) explained: "Adaptation is a tool of marketing to attract local customers by introducing local meals from local culture". Grant (2010) highlighted the importance of adaptation as a competitive tool. McDonald's assistant general manager (GC-QSRM2) identified: "four important issues for QSRs to balance in launching new glocal products: price, quality, adaptation and the local Egyptian taste".
The McFalafel sandwich was produced in specific response to the Egyptian market to meet customer needs and Egyptian taste preferences. Initially it was unique to the Egyptian market although it was introduced into the Israeli market where falafel is also recognized as a national dish in January 2011 (see Figure: 5.1) and very quickly withdrawn in a very public admission of defeat by McDonald’s Israel in the middle of 2011 (Knell, 2011). As one Israeli customer commented: "Their specialty is burgers. We don't need McDonald's coming over from the [United] States to make falafel. We have Israeli places" (Knell, 2011: online). Sensitivities around American interventions in the Middle East are the likely explanation for this reaction to the introduction of the McFalafel in Israel.

**Figure 5.1: McFalafel Israel** [Source: http://www.demotix.com/news/563646/mcfalafel-coming-israel]

Similarly, the McArabia sandwich is unique to McDonald’s outlets in the Middle East and the Gulf. Neither the McFalafel nor the McArabia sandwiches can be found in McDonald’s outlets in the USA or the UK.
We have a core menu, which contains the quarter-pounders, fillet of fish and so on. You have to go with the core menu first. As the core products become established so you then have to start to become localised. We started developing and introducing new items that match the local taste. Some time ago, we introduced the McFalafel, and the McFalafel was very successful. (GC-QSRM2 cited Dziadosz, 2009: online)

Other global QSRs have similarly adapted new glocal products in response to local tastes, e.g. KFC Egypt had adapted a traditional Egyptian oriental rice dish - brown rice with sliced fried chicken breast – which they offered under the name Reezo. The general chain manager of KFC Egypt (GC-QSRK9) emphasised: “KFC has adapted some local products to suit local tastes. For example we have introduced Reezo in two different tastes - spicy and mild”. The Reezo product is adapted to different country contexts by varying the type of rice used – in Egypt they use long grain rice and in Saudi Arabia they use basmati rice to match local taste preferences, as explained by the KFC chain manager (GC-QSRK9).

Grilled/barbecued items and spicy items, like Jalapeño sandwich (“spicy taste”) are very popular in the Middle East. McDonald’s Egypt understands the needs of its customers in Egypt in relation to eating spicy foods and launched spicier products in their Egyptian outlets (see Figure 5.2). The KFC chain manager (GC-QSRK9) explained: “When McDonald’s QSRs in Egypt realised that their customers like spicy tastes, they introduced spicy products onto their menus”. One of the Hardee’s branch managers (GC-QSRH7) explained: “Hardee’s served jalapeno sandwich because Egyptian customers like the spicy taste”.

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In McDonald’s (Egypt) we produce spicy chicken fillet. We work on the premise that “Your product must suit local tastes with a suitable price and must be of good quality”.

(GC-QSRM4)

Figure 5.2: McDonald’s new chicken fillet with regular and spicy tastes

McDonald's Egypt adapted the McDo sandwich to a spicy flavour to suit Egyptian taste preferences (the McDo originally had a sweet and sour flavour and was developed specifically for the Philippine market), explained the McDonald's general training manager (GC-QSRM4). Similarly, as pointed out by the McDonald's general manager (GC-QSRM1): "McDonald's breakfast is still is not as successful in Egypt as it is in America and Australia". As explained in chapter one the traditional Egyptian breakfast is ful medames and a shift in eating patterns which would make McDonald's breakfast more popular in Egypt would require a significant shift in social norms.

Understanding the changes in customer preferences is one of the most important things for restaurant companies to consider. This understanding could lead to launching new menu items (i.e., chicken products) as well as new cooking systems (i.e., "made for you" by McDonald's), and changing menu boards to a large font size for mature customers, even though these changes may not guarantee immediate success. But failure to adapt to the changes could lead to early demise.

(Hahm & Khan, 2001: 77)

In spite of its attempts to get the taste of its products right through extensive market testing, there were occasional complaints about the standardised products in McDonald's QSRs. When complaints occurred the company acted quickly to deal with the cause of the complaint:

McDonald's QSRs in Egypt previously used high concentrations of salt and black pepper in their products. This caused the products to be very spicy and as a result complaints were occasionally received from non-Egyptian customers. As a result the standardised percentage of pepper to salt was changed from 50:50 to 20:80 in McDonald's QSRs

(GC-QSRM7)
5.2.3 Customisation

Local and global QSRs use customization as a strategy to tailor products to meet the particular needs of individual customers (Pine, 1993; Sundbo, 2002; Albaum et al., 2002; North, 2012). For example, a diabetic customer might request that a burger is prepared without tomato ketchup because of its sugar content, as Mo'men branch manager (LEC-QSRM5) explained: 

"If any customer would like a “special meal” (i.e. non-standardised) this meal is made specifically in response to the customer's request". As one of the McDonald’s branch managers (GC-QSRM7) commented:

Whatever the customer asks for he can have, as long as the product is on my menu. Customers can customise their product to suit their own particular tastes, so if a customer wants to put a different dressing on his sandwich he can.

The McDonald’s general training manager (GC-QSRM4) went on to explain a new McDonald’s concept – Made for You – where the operation is redesigned to enable most customers to customise their orders to meet their particular needs:

The customer can customise his/her sandwich to suit their particular taste. We call this flexibility in product delivery “Made for You”. Customers therefore are offered the “Made for You” product which enables McDonald’s to respond to the individual needs of Egyptian customers.

Similarly, to make customised meals for customers Hardee’s QSRs operate a ‘cook to order’ system in its kitchens:

Hardee’s operate a system of “cooking to order”. The customer demands a specific food order and the restaurant then prepares the sandwich to equate with the specific demands of the customer. This is customisation of the product in the purest sense.

(IN.EX.1)
There are a number of advantages of cooking to order, particularly freshness:

A made-to-order (MTO) foodservice programme where food is made on demand in front of customers conveys freshness. Yet, they also said the dedication and labor required of such an operation can put the concept out of reach for many convenience store operators.

(Lisanti & Belanger, 2009:1)

The Made for You concept is a significant extension of the customisation principle and is a new McDonald’s initiative designed to maximise product flexibility. It allows ‘Freedom within a Framework’ and supports international expansion which maintaining fidelity to the brand image, the brand processes, and customer expectations. As the McDonald’s general manager (GC-QSRM1) explained: “Freedom within a Framework – allows a choice of dressing”. This strategy was explained by the McDonald’s general marketing manager (GC-QSRM3): “McDonald’s offers flexibility in its products - freedom within a framework”. Whilst at the time of writing this thesis the Made for You concept was only available at a limited number of branches in Egypt since it required fundamental changes in the operating platform in each branch, the McDonald’s general manager (GC-QSRM1) explained that this would be available in all branches across Egypt from 2013: “the operating platform will change so Made for You will be available in all branches from 2013”. Implementation of the Made for You concept across all McDonald’s branches in Egypt would require a significant injection of capital to remodel the kitchens in support of the concept and in training to ensure that staff could deliver the concept consistently to brand standards.
5.3 Human resource management issues

It is widely-recognized that the success of any company depends on its ability to take care of its staff. In the past many companies did not take appropriate care of their staff and a number of recent studies have emphasised the importance of people as success factors in business (e.g. Yang, 2010; Paul, 2010). The McDonald’s assistant general manager (GC-QSRM2) explained that the function of the human resources department was to “choose the right people in their deserving places”. He added: “good people make a good business but a business does not make good people”. The Burger King branch manager (GC-QSRB7) elaborated: “Burger-King’s concept is that staff are internal customers, paying attention to the needs of internal customers is the success of Burger-King QSRs”.

Figure 5.3: McDonald’s Egypt has some mega burgers [Source: http://images.google.com/imgres?q=mcdonald%27s+fast+delivery+egypt&hl=en&gbv=2&biw=1280&bih=796&tbnid=gAL5KcGZ4gJbsM:&imgrefurl=http://attiffany2.travellerspoint.com/49/&docid=fyfQhNqVEv-]
McDonald's have always recognized the importance of their staff - an old McDonald's slogan stated it was: "... a people company serving hamburgers", a slogan which has now been changed to "... a hamburger company serving people" - a more inclusive statement not specifically identifying staff but wider and potentially including customers and other stakeholders.

5.3.1 Staff training

Yang (2010) and Chon & Maier (2010) highlighted the importance of staff training, a sentiment echoed by the Burger King branch manager (GC-QSRB7): "weakness and deficiency in training means failure for operation" and the McDonald's general manager (GC-QSRM1) whose comments related specifically to the success of new glocal products: "... good training which follows standardised rules with updated training materials". The industry expert (IN.EX.1) elaborated: "staff in QSR operations are like body organs for humans. A human cannot walk without legs and a QSR operation cannot do business without staff". One of the McDonald’s branch managers (GC-QSRM7) added: "Any shortage of staff is very dangerous for a restaurant and will obviously affect operational performance".

Each of the global QSRs interviewed ensured that there were suitable professional training courses for staff so they not only met customer expectations but also exceeded those expectations. One of the KFC branch managers (GC-QSRK7) explained: "good training reduces bad staff performance and increases profitability". The Hardee's branch manager (GC-
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QSRH7) added: “The importance of training is to decrease the number of problems when staff deal with customers ... and to keep our regular customers because they are the foundation of our business”. The general training manager McDonald’s QSRs (GC-QSRM4) commented: “we make professional training programmes for our staff to meet the needs and expectations of customers. We aim to build customers’ loyalty toward our company”.

McDonald’s publicly proclaims its commitment to training:

The training is essential and begins with working in a QSR, wearing the staff uniform and learning everything from cooking and preparing food to serving customers and training, further training at regional training centers focuses on areas such as business management, leadership skills, team building and handling customer enquiries.

(McDonald’s Corporation, 2008: 3)

Diana Thomas (2009: 15), McDonald’s general training manager in USA, explained in detail about McDonald’s training mission and the organisation’s progressive attitude towards training:

McDonald’s training mission is to be recognised as “the best developer of people in the world with the most committed individuals to quality, service, cleanliness, and value”. We have refined our philosophy to focus on the specific training that drives the key expectations our customers have of our QSRs.

McDonald’s see training as an investment and key to the achievement of organisational goals and as a result maintained the training department’s budget explained the McDonalds general training manager (GC-QSRM4): “In the recession we did not decrease the budget of the training department because this department is an investment in our future”.

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The McDonald's consultant training manager (GC-QSRM10) confirmed that “the training department is a tool for communication between management and staff. The training department policy is to solve the operation problems by give staff training course”. Mo'men assistant general manager (LEC-QSRM1) echoed this: “Training is an important tool for communication between management and staff. The advantage of training is to raise awareness and ensure that staff is continually updated”.

The quality of the global QSR training programmes is recognized by the local Egyptian QSRs who get copies of training programmes from the global QSRs by “luring” their professional staff and paying them higher salaries as confirmed by the McDonald’s assistant general training manager (GC-QSRM5): “Local Egyptian chain QSRs copy training programmes from global QSR chains and then implement these programmes in their QSRs”. The Mo’men area manager (LEC-QSRM2) emphasised: “Our standardised procedures and the growth of our company depend on staff training”, the Mo’men operations manager (LEC-QSRM3) added: “Training is very important for ensuring standardised procedures are applied”.

5.3.2 Staff motivation, satisfaction and loyalty

Huber (nd), Olsen & Zhao, (2010) and Chon & Maier (2010) emphasised the importance of staff motivation and the strong links between staff motivation and enthusiasm for serving customers and business success. One of the Mo’men branch managers (LEC-QSRs5) explained that to increase staff motivation and
create competition between staff, management should reward excellent performance by staff members:

Management must offer rewards to motivate staff to achieve management’s goals. Motivations and rewards improve staff loyalty and motivation towards their work. Management must encourage and reward staff in order to encourage them to improve their level of performance within my QSR.

McDonald’s operations manager (GC-QSRM6) elaborated: “The behaviour and attitude of staff in QSRs is very important. Maintaining these is vital to ensuring the success of my restaurant”. Some managers rewarded their staff with vacations and outdoor activities. As the KFC chain manager (GC-QSRK9) explained: “We arrange vacations for our staff to spend one day on the beach. This builds staff loyalty and improves the concept of teamwork”. The industry expert (IN.EX.1) added: “we give a sum of money or reward staff with a meal in a prestige restaurant when they achieve our sales targets”.

Clark and Baker (2004) stressed that successful companies understand staff satisfaction and its effect on service quality and the customer experience. Staff satisfaction is vital to business success, particularly in the context of new glocal products. Staff attitudes influence their dealings with customers during service. Heatly (2004) and Huber (nd) explained the vital role of staff satisfaction in business performance. The McDonald’s general manager (GC-QSRM1) explained: “Staff satisfaction affects the success of new products because staff promote new glocal products – the so-called sales direct effect”. The industry expert (IN.EX.1) added: “Staff satisfaction is important to every operation, not only to achieve success but also to maintain success”.

...
As a critical issue in relation to getting the right staff, the McDonald's general training manager (GC-QSRM4) explained: “salaries influence staff psychology because the cost of living is high in Egypt ... it is therefore in a QSR's interest to pay staff well”. The payment of fair or good salaries offers QSRs the opportunity to develop staff loyalty toward their operation. One of the Burger King branch managers (GC-QSRB7) explained: “If you pay good salaries for staff this will attract qualified staff that is looking for opportunities in QSRs”. There were also opportunities to pay higher salaries for qualified staff to ensure the retention of staff providing a valuable service to the business. Another respondent, the McDonald’s operation manager (GC-QSRM6), supported this argument suggesting: “There are several key factors that affect the success of global QSR QSRs including staff satisfaction and the financial rewards paid to staff”.

Job titles are very important in Eastern culture. As a result job descriptions play an important role in staff motivation and staff satisfaction. Some job titles, such as ‘servant’ and ‘cook’, are considered inferior. Staff will often be attracted to particular jobs because of the prestige that the job title accrues:

Job descriptions and titles are very important because this document specifies the duties and responsibilities. Also, the job description identifies the career progression available and the organisational hierarchy. No-one in Egypt wishes to be associated with a low-ranking job title.

(IN.EX.1)

5.3.3 Teamwork

Teamwork is critical to business success (Flood, 2011). Industry expert (IN.EX.1) explained the importance of teamwork as an effective management
tool: “Management relies on team work as a result of a good balance between experience and education/training programmes. To get highly-qualified staff you have to use highly-skilled training programmes”. The role of management in promoting teamwork cannot be under-estimated. Management cannot encourage teamwork without a good mix of theoretical training and practical experience. The McDonald’s branch manager (GC-QSRM7) identified that: “Management must ensure that staff have a spirit of cooperation. In order to ensure that this is achieved management must give staff a combination of rights, rewards and motivation”. Management should behave fairly with staff to ensure they work at maximum efficiency. One of the McDonald’s branch managers (GC-QSRM7) added: “Teamwork helps staff to improve the way they behave with customers”.

Successful management should therefore ensure that there is good communication between management and staff so that they operate as a team. The McDonald’s general training manager (GC-QSRM4) emphasised: “If there no link between management and staff this will cause conflict. So teamwork is very important in the restaurant”. One of the McDonald’s branch managers (GC-QSRM7) identified that: “good leaders make good followers and bad leaders make bad followers”. This is an important feature of good management because staff will follow if there is clear strategic direction for positive organisational change, however bad leaders will cause problems.
Mystery shopping was one tool by which the success of teamwork approaches were evaluated explained the Mo'men branch manager (LEC-QSRs5): “The mystery shopper observes and evaluates teamwork approaches every month. If a restaurant scores more than 85% in this restaurant evaluation the management gives rewards to the staff”.

5.4 Marketing and marketing mix

Ruby & Stake (2007) stressed the importance of market research to know which products customers need, their ability to buy particular products and their preferred ways of advertising new products. McDonald’s undertakes extensive market research and feasibility studies before opening new branches. This provides the company with information on market demand and an enhanced understanding of the local competition so that they can respond directly to competitive influences. McDonald’s also aimed to differentiate itself from its competition in the marketplace. The industry expert (IN.EX.1) explained that:

... before opening a new branch McDonald’s studies the market. What are the market’s needs? Who are competitors in the marketplace? How is McDonald’s a better overall product than competitors?

McDonald’s undertakes landscape research to understand the local taste preferences, eating habits, and ways of thinking about food. This research focuses on socio-economic classes A, B and C1. As explained by the McDonald’s general marketing manager (GC-QSRM3):

The aim of “landscape research” is to know all customers’ habits and the local taste, the way of thinking, what they watch on T.V.,
what they (A, B, C1) eat for dinner? What do they prefer for their lunch?

As the McDonald's assistant general training manager (GC-QSRM5) explained:

Before opening any operation you have to look first at the market needs. Undertaking a feasibility study is very important to any project before opening in order to select the right business, i.e. parking is very important for quick service and drive thrus.

The McDonald's general marketing manager (GC-QSRM3) highlighted the importance of landscape research in McDonald's success:

McDonald's is a market leader because it spends a lot of money on market research so McDonald's builds its strategy according to landscape research. There is specific research to identify the different tastes in different parts of the same country.

The intensity of promotion was critical to product acceptability in a new market. However, in promoting a particular product a global QSR may benefit the local competition. One of the local Mo'men branch managers (LEC-QSRM5) explained the benefits of new global QSRs for stimulating the QSR market for other QSR operations: “If a new QSR restaurant opens near your restaurant, this new restaurant entices customers to eat fast-food which may also benefit competitor QSRs”.

The McDonald's general manager (GC-QSRM1) explained that the best marketing for McDonald's QSRs was word-of-mouth since customers were the real evaluators of consistent quality product. “A good quality product markets itself because it satisfies customer needs” (GC-QSRM7). McDonald's are particularly keen to market to children because they know how powerful children
can be in influencing the buying behaviour of their parents – so-called ‘pester power’ (Tomar & Shukla, 2012). For this reason McDonald’s often offer toys with their children’s products. As the industry expert (IN.EX.1) explained: “McDonald’s gives gifts to customers and toys to children to build customer loyalty as part of their promotional offer”. As Allen (2010: np) explained: “McDonald’s marketing has the effect of conscripting America’s children into an unpaid drone army of word-of-mouth marketers, causing them to nag their parents to bring them to McDonald’s”.

5.4.1 Product

The product is at the core of the QSR concept as industry expert (IN.EX.1) emphasised: “McDonald’s must provide a consistent quality product globally”. Critical product characteristics in relation to the McFalafel included: product quality, taste and texture, the fit between the product and local taste preferences, price and customer perceptions of value for money, and finally product packaging. The McFalafel fell short of customer expectations in relation to several of these critical product characteristics.

In terms of product quality, one McDonald’s branch managers (GC-QSRM7) explained: “product quality is an essential element. Critical product characteristics include: the freshness; the temperature at which it is served; the texture; the flavour; the colour”. The McDonald’s assistant general manager (GC-QSRM5) added that quality issues include: “hygiene standards and a
healthy eating image”. This emphasis on rigid standards for product quality echoes the work of Tum et al. (2006).

The traditional Egyptian falafel sandwich holds a special place in Egyptian culture. As the McDonald’s general training manager (GC-QSRM4) emphasised: “McDonald’s was not a specialist in falafel so it did not fit all customers’ needs. Our focus is to offer customers a high quality sandwich with an authentic taste. It was good but not as good as the falafel an Egyptian can buy at his neighbourhood stand”. The industry expert (IN.EX.1) added: “There was something missing about the McFalafel sandwich - it was not bad but it was not excellent”.

The McFalafel was a typical McDonald’s product - a typical McDonald’s-style patty in a typical American-style bun, as the industry expert (IN.EX.1) explained: “McDonald’s QSRs served McFalafel sandwiches in burger buns”. The McFalafel bore little or no relation to traditional Egyptian falafel sandwiches which are a totally different shape and are served on brown and white Shami bread, as noted by Atia (2000: online): “It’s falafel alright, even though it looks exactly like a hamburger and is couched in a standard sesame seed McDonald’s bun; it’s filling”. One of the McDonald’s branch managers (GC-QSRM7) commented: “The McFalafel sandwich was only offered one taste – mild – whereas the original was served in two tastes - spicy and mild"
Not just the taste, but also the texture of the McFalafel was a problem since McDonald’s only offered a well-done patty whereas traditional falafel sandwiches are offered at various degrees of cooking - rare, medium rare, medium, medium well, well done. The industry expert (IN.EX.1) commented on the texture of the McFalafel: “The McFalafel was crunchy which differed from the original and it did not taste of Ta’miai”. As the McDonald’s general training manager (GC-QSR4) explained: “The texture did not fit the Egyptian market because the way it was cooked differed from the original”. As one of the global QSR branch managers (GCQSRM6) commented: “this sandwich is more American than Egyptian”.

There was also a problem with the very different smell of the McFalafel which did not fit the McDonald’s QSR image, as McDonald’s operations manager (GC-QSRM6) explained: “The smell of the QSR branch was not good from making this sandwich”. The packaging also proved problematic. As one McDonald’s branch manager (GC-QSRM7) argued: “the packaging of the McFalafel caused problems. The size was not good”. The McDonald’s general manager (GC-QSRM1) added: “a customer could not control his sandwich in his hands. It was chaotic!”. Supermaki (2008) and Rundh (2009) both highlighted the importance of product packaging in helping global brands to suit local cultures.

5.4.2 Price

Cram (2008) and Armstrong & Kotler (2007) emphasised the importance of price in the context of value for money. Theodosiou & Katsikeas (2001) and
Sousa & Bradley (2009) stressed the challenges of price setting for global brands which are operating in so many markets. McDonald's prices are based on the cost of resources needed, the affordability of customers, competitor's prices, and value provided and are particularly interesting as the prices set by McDonald's QSRs worldwide are used as a barometer to measure the purchasing power of a particular country (Khan, nd).

A successful pricing strategy delivers a good quality product at a reasonable price to satisfy customers: “Good product quality with moderate price to attract more customers” (LEC-QSRM5). Each McDonald's restaurant had a 'branded affordability menu' which included low-priced items. The McFalafel was one of the lowest-priced items on the McDonald's Egypt menu but despite this it was expensive in comparison with falafel sandwiches produced by competing local restaurants. For Egyptian customers value for money is a critical issue because they do have not a lot of money, especially those in lower socio-economic classes, i.e. socio-economic class E, who cannot afford more expensive menu items (see Figure 5.3). As explained by the McDonald's general training manager (GC-QSRM4):

*The burger-sized McFalafel was one of the cheapest items on the McDonald's menu, but it was more than three times what a Falafel sandwich cost at thousands of shops around the country. In Egypt, value for money is very important to customers because people would like to eat to satisfy their hunger. Value for money does not equal price for this sandwich. The price of this sandwich was more expensive than the equivalent sandwich sold in traditional QSRs.*
McDonald’s are pioneers in the production of value meals in global QSRs and are renowned for their range of ‘happy meals’ for children. These meals attract children from low-income families and build loyalty towards McDonald’s. As explained by the McDonald’s operations manager (GC-QSRM6): “McDonald’s makes happy meals for children for two reasons: first, value for money; second, increasing loyalty amongst children”. One of the KFC branch managers (GC-QSRK6) had offered a special menu to satisfy value-driven customers. “Egyptian customers prefer an economic menu and like to pay less money for a better value product”.

In spite of its low-cost ingredients, the McFalafel was a very expensive product for McDonald’s to produce. It was possible to buy five falafel sandwiches from local shops for the price of one McFalafel. As the McDonald’s general marketing manager (GC-QSRM4) explained: “There is a good and cheap substitute which is alternative for this sandwich in traditional QSRs in Egyptian market”.

5.4.3 Place

Parsa et al., 2005 and Parsa & Kwansa, 2002 highlighted the importance of place as a factor in the marketing mix for global QSRs. Socio-economic class A and B customers who could afford to eat from McDonald’s live in particular areas of Cairo and the other Egyptian cities, as explained by the McDonald’s general marketing manager (GC-QSRM3): “McDonald’s is a luxury in Egypt which is eaten by socio-economic classes A, B and C1”. There are certain
demographic criteria that must be fulfilled when a new location for a McDonald's QSR is being considered.

Before opening a new restaurant we must study the location to ensure that the local community can support the proposed new restaurant. This will be influenced by standards of living, income, and customer demographics in the area. Is there a busy road in the area or not? Is there sufficient parking in the place proposed for the new restaurant or not? It is also necessary to consider if the restaurant will provide a delivery service or "drive thru" service. (LEC-QSRM1)

Locations near large industrial companies, schools, universities and shopping complexes were favoured, as explained by the industry expert (IN. EX.1):

There are several key elements that affect the place selection; i.e. the types of customers; types of service, the prices of the products, and the location companies, schools, universities, etc. that will serve it.

A restaurant’s location must be near to universities, companies, and commercial markets. Other factors, such as the proximity to shopping malls and similar QSRs, must be considered. It is also necessary to ascertain the standard of living in the targeted area, including income levels, eating habits and traditions. (LEC-QSRM5)

Interestingly local QSRs preferred to be on the ground floor whereas global QSRs were more flexible, as the Mo'men assistant general manager (LEC-QSRM1) explained: “Local QSRs should be on the ground floor. However the location of global chain QSRs is optional; they can be located on the ground floor, first floor or in the basement”.

Maintaining the state of the building in which the QSR was located and its décor was critical to success and was likely to be explicitly written into the franchise
agreement, as explained by the industry expert (IN.EX.1): “Every five years in a franchisee agreement it may be necessary to renew restaurant equipment, install new equipment, decorate the walls and floors, etc”. He elaborated using the case of KFC in Egypt which experienced a slump in sales which was addressed by renovating its premises:

KFC faced problems in its sales because its decoration was old. As a result its sales fell sharply. David Noval, the general manager of the Yum Company (which includes Pizza Hut, KFC and Taco Bell) therefore instructed new decoration throughout. There are other franchisees who do not take care of their business premises so this causes their branches to fail.

He also outlined the case of Baskin-Robbins which also failed as a result of not paying appropriate attention to their décor:

Baskin-Robbins also failed because they did not undertake new decoration of their QSRs ... Baskin-Robbins was number one in the world. This is a disadvantage of an international company where you cannot make a change without getting permission from regional office. This is a big problem with large organisations; they are out-of-touch with changing local needs.

(IN.EX.1)

5.4.4 Promotion

The McDonald’s general marketing manager (GC-QSRM3) identified promotion as: “...vital to the success or failure of a new product”. Similarly, the KFC chain manager (GC-QSRK9) explained: “promotion is a tool to brainwash customers using different kinds of publicity”. One of the KFC branch mangers (GC-QSRK7) added: “there are two kinds of promotion internal and external”. Internal promotion to restaurant staff was undertaken primarily through training and underpinned by the Blue Book; external promotion was done through newspapers, radio, TV and billboards on the streets.
One of the McDonald’s branch managers (GC-QSRM7) explained: “a successful promotion campaign is not easy”. For example, the McFalafel sandwich promotion used a popular Egyptian folk singer called Shaaban Abdel-Rahim (best-known for a chart-topping song entitled ‘I hate Israel’) to make a tape to be played in McDonald’s restaurants across Egypt to attract socio-economic class D and E customers. Although this promotion was initially extremely successful and huge sales were experienced, it was also extremely controversial provoking much Western and Israeli criticism (Sheridan, 2011). McDonald’s Egypt were forced to withdraw the tape and cancel the singer’s contract just three weeks after its introduction following complaints received from the American Jewish Committee The industry expert (IN.EX.1) commented: “Promotion: It was a good promotion but it was not appropriate for McDonald’s image with high-class customers in Egypt”. The most important failure factor was as industry expert (IN.EX.1) explained: “…a substitute product could be bought more cheaply”. As the Burger King branch manager (GC-QSRB7) explained: “McDonald’s targeted the wrong segment. The image of the McFalafel sandwich was that it was for poor people only”. The Burger King’s awareness of the failure of the McDonald’s product emphasises the competitive nature of the Egyptian QSR market.

Standardisation and consistent product quality is a critical success factor for global brands, as one of the McDonald’s branch managers (GC-QSRM7) explained: “… because McDonald’s is a consistently good quality product it needs minimum promotion. The product should promote itself”. Benitez et al.
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(2007) similarly highlighted that product quality helps a product promote itself through word of mouth. Standardisation was difficult to achieve in the McFalafel sandwich and contributed to its failure.

In contrast, there were several success factors for the McArabia sandwich: first, its uniqueness in the QSR market - as the McDonald’s general training manager (GC-QSRM4) emphasised: “there is no substitute product for the McArabia sandwich”. Second, it fits with the McDonald’s brand image – it is meat. Third, its up-market images appeals to the aspirations of Egyptian customers and as the industry expert (IN.EX.1) explained: “The McArabia sandwich is suitable for all QSR market segments – socio-economic classes A, B, C and D”. Fourth, unlike the McFalafel which fell below customers’ requirements for authenticity, the McArabia was a high-quality product and served in a much more authentic style, as one of the McDonald’s branch managers (GC-QSRM7) explained: “The McArabia sandwich has a very consistent quality and an authentic taste”. Fifth, and probably most importantly, its price compared well with the traditional product it was emulating, as the McDonald’s branch manager (GC-QSRM7) highlighted: “Suitable price McArabia sandwich in comparison with original product”. Finally, there was no substitute (sandwich) product in the Egyptian QSR market.

5.5 Quality management

One of the McDonald’s branch managers (GC-QSRM7) explained that QSRs compete on six key aspects: “All global and local QSRs compete with each
other on **CHAMPS**: **Cleanliness, Hospitality, Accuracy, Maintenance, Product and Speed of service**. One of the McDonald’s branch managers (GC-QSRM7) and the industry expert (IN.EX.1) explained that the company had to see quality in terms of customer perceptions of quality with a focus on: “… taste, flavour, freshness, temperature, sanitation, hygiene and healthy”. In the same vein, one of the McDonald’s QSR branch managers (GC-QSRM7) explained that quality management ensured: “*McDonald’s served standardised end products of consistent quality for customers*”. As explained by Zu (2009) quality management involves the ongoing process of managing quality from the launch of new products through their ongoing delivery to their service to the customer to ensure they continued to meet customers’ needs and expectations. As shown in Figure 2.11 ongoing quality management results in the translation of a consistent set of inputs through a consistent process into a consistent set of outputs – product deliverables (Oakland, 2003) to achieve a standardised product for customers. Standardization is a major goal for global QSRs so that customers would experience consistent quality, portion size, packaging and time of service in whichever QSR branch they accessed their product. Such consistency of output is achieved through a system based on standardised inputs and processes using standardised recipes, equipment and time of cooking across the global QSR chain.

As emphasised by Hoyle (2007), and echoed by the McDonald’s operation manager (GC-QSRM6), quality management for McDonalds’s focused on maintaining the company’s image in the marketplace with new product
development and innovation a key part of the quality management process to sustain the global brand through standardised product and service:

*This is an ongoing process - a new term which McDonald’s managers use. It means new product development or product innovation processes are continuously used in McDonald’s QSRs. The product development process does not and cannot stop because this would result in loss of the company’s image as a pioneer in the QSR market.*

New products were an important part of the quality management process and the maintenance of brand image. As emphasised by Grant et al. (1994 cited Germain & Spears) and echoed by one of the McDonald’s branch managers (GC-QSRM7): “The important aim of the ongoing product development process is to maintain brand image among competitors” - new product development is important in attracting new customers and retaining regular customers.

Once a new product was developed quality management played a key role in the maintenance of the processes underpinning the purchase and receipt of raw materials and the operational procedures related to their preparation and service with a heavy reliance on standardisation to protect the brand image as explained by the McDonald’s general assistant manager (GC-QSRM2): “the management process for new glocal products is systematic and standardised to maintain brand standards”.

Sousa and Voss (2002 cited Mehrjerdi, 2011) stressed the importance of operational procedures as a part of the quality management process. These were also highlighted by the McDonald’s operation manager (GC-QSRM6) who
explained that it included everything from: “product design through raw material specification and procurement and cooking to service” and stressed the importance of standardisation throughout in the delivery of a consistent end product for the customers. As the industry expert (IN.EX.1) added: “McDonald’s provides a high consistent quality product not only in Egypt but also all over the world”. The McDonald’s marketing manager (GC-QSRM3) emphasised: “… to maintain the brand image of your restaurants you have to continuously remodel and renovate your restaurants and taking care of the quality, the speed of service, the standards of hospitality, the cleanliness and the accuracy in order taking (quantity and quality)".

Supplier relationships were critically important to the procurement of consistent quality raw materials to maintain the global standard around the world. There are some basic essential criteria for global QSRs (Hoyle, 2007) - reasonable price, good quality and fast delivery - to satisfy customers. In relation to the supply of raw materials Jayaram et al. (2012) stressed the importance of suppliers:

*Suppliers play a critical role in these efforts in many ways. For example, the quality of incoming parts from suppliers determines the level of inspection efforts for buyers and this can have an impact on the quality of the end product. Supplier’s capability of reacting to a buyer firm’s needs, can also determine the buyer firm’s ability in responding to its customers’ needs.*

(Jayaram et al., 2012: 534)

The importance of supplier relations cannot be over-emphasised and the McDonald’s management valued their strong relationships with their suppliers in maintaining their competitive brand image, especially during difficult periods of
high inflation and during the global economic crisis. As McDonald’s supply manager (GC-QSRM8) explained: “one of the main elements of success for McDonald’s is our suppliers who supported and maintained our competitive position in the crisis”.

In terms of raw material specification, McDonald’s set standards with suppliers so that the raw materials and pre-prepared items arriving into each branch were of a consistent quality and were received and stored in a standard manner to maintain them in peak condition. Products were designed to ensure high levels of consistency in all aspects as the McDonald’s assistant manager (GC-QSRM2) explained: “Every product that comes from our factory is ready to be served so there is minimum preparation in the QSR branch. Every product is frozen and is ready to fry or grill”. This is consistent with previous research (e.g. Jain, 1989; Pehrsson, 1996; Ottenbacher and Harrington, 2007) which indicated that QSR products are designed to ensure high levels of consistency in all their aspects.

Once in the branch, quality management relates to standardisation of the preparation and service of food. Standardised processes on standardised equipment are key to producing standardised products. Most QSR branches had a standardised kitchen layout as advised by Head Office although they were allowed to modify the layout without reference to Head Office. As one McDonald’s branch managers (GC-QSRM7) elaborated: “A branch manager can choose to reorganise the kitchen layout and replace equipment so as to
improve the unit's working practices and does not need to consult with Head Office on this”. However, the amount of change that could be initiated without reference to Head Office was limited as this could negatively impact on standardisation. The McDonald’s operation manager (GC-QSRM6) explained that “The main issue relating to using special equipment is to maintain competitive advantage - Hardee’s, for example, uses a grill which gives its products a unique grilled flavour”.

The workforce was a critical part of the standardisation process both in terms of training (so there was no opportunity for local interpretation with negative impacts on brand standards) and teamwork. Ottenbacher & Harrington (2009) also stressed the importance of using standardised methods of preparation to avoid personal interpretations by individual staff members. Training was a critical element in the product development process for new glocal McProducts and a key tool for communication between management and staff. Training linked management philosophy to staff performance. McDonald’s provided comprehensive training programmes to their staff to ensure: the quality and consistency of staff performance; the accuracy of orders; cleanliness; quality service; the effectiveness of operational procedures. The McDonald’s general training manager (GC-QSRM4) emphasised the importance of the trainer in the training process: “the key to business success is the trainer. The trainer should be a role model for the staff”. The training consultant (GC-QSRM10) also emphasised the importance of the trainer saying that: “preparing professional trainers is very important”.

Chapter Five: Internal factors affecting the new glocal product development process

Underpinning the training process was the Blue Book developed by the training department (see Figure 5.4) which included the guidelines for processing the product. As one of the McDonald’s branch managers (GC-QSRM7) explained: “The Blue Book includes everything about the product”. The McDonald’s supply chain manager (GC-QSRM8) went on to say:

*The training department makes the Blue Book - the procedures for preparing a new product step-by-step. How we store the product, the receiving temperature, its primary shelf life, cooking methods (fried or grilled), the expiry date, the holding time, with supply department. We also have a station operation check list which gives details about the responsibilities of everyone working in the restaurant from A-Z."

The soft launch of the product in the seed stores enables a phased roll-out of the product and the ongoing identification and resolution of problems. The station observation checklist was sent to the seed stores to identify any issues relating to the production processes for the new glocal product experienced by the staff:

*Management sends the station observation check list to all branches about the procedures for making this sandwich in steps including the time of cooking, the temperature, the time of serving. The trainer shows staff how they can make new product professionally.*

(GC-QSRM4)

One of the key considerations in the quality management process relating to the workforce was teamwork as Zu (2009) highlighted. The McDonald’s operation manager (GC-QSRM6) explained:

*Teamwork - members must cooperate between each other to serve a good quality end product in the kitchen. Furthermore, staff members have to be friendly with customers and their children to*
make a good impression. We have an Egyptian colloquialism which says ‘meeting me in a hospitable manner is better than producing me food without hospitality’.

Mo’men branch manager (LEC-QSRM5) explained the importance of regular visits by mystery shoppers as a tool by which the success of teamwork in a branch could be evaluated: “The mystery shopper observes and evaluates teamwork approaches every month. If a restaurant scores more than 85% in this restaurant evaluation the management gives rewards to the staff”. One of the McDonald’s branch managers (GC-QSRM7) explained that mystery shoppers were also able to: “evaluate restaurants for three things - quality, service and cleanliness”.

5.6 Summary

Business format franchising, and the standardisation that is an inherent part of it, offers a range of advantages and disadvantages to franchisors and franchisees. For franchisors, business format franchising enables brand extension whilst minimizing the risk and capital cost of growth. For franchisees buying into a successful business format reduces promotional costs (because there is a high level of brand awareness amongst potential customers) and provides support on entry to new entrants into the QSR market. However, the standardisation of business format franchising can be a disadvantage with stereotypical products and a requirement to consult with Head Office before being able to innovate new products. In the particular context of McDonald’s Egypt, its perceptions as a US brand had significant implications in the Egyptian
marketplace and invoked a range of subversive tactics amongst its potential customers, including boycotting of the product.

Adaptation was a vital tool in McDonald’s Egypt response to the boycott scenario through the development of two new glocal products – the McFalafel and the McArabia – one a case study of success and the other a case study of failure. Both products were developed to stress the Egyptian credentials of McDonald’s Egypt – Egyptian products operated by Egyptians. The McArabia’s meat basis chimed with McDonald’s brand image, it resonated with local aspirations appealing to all socio-economic classes and, although not everyone may have been able to afford it, was perceived as a value-for-money product in the market. It was unique in the QSR market with no substitute product offered by competitor QSRs and was served in an authentic style.

Customisation had been used as a tool to match standardised products to meet the needs of individual customers. The McDonald’s format in Egypt is being adapted to introduce a Made for You programme which allow flexibility within a framework and enables customers to specify their unique requirements by mixing and matching from a palette of ingredients. It requires a different operating platform but has been promised for introduction to all McDonald's Egypt branches by 2013. The Made for You programme is seen as an important tool in overcoming the stereotyping that is inherent in standardised QSR products.
To achieve standardisation and consistent product quality, training was seen as a critical tool in QSR operations. It was seen as a communication tool between management and employees and critical for management control of costs and quality. McDonald’s had not reduced their training budget during the recession. Training was an important element in the development process of new glocal products which helped to overcome the risks associated with launching new products since trained staff would help promote the new glocal product. Staff satisfaction and motivation contributed to staff loyalty which impacted positively on the success of new glocal products. Appropriate levels of remuneration were important in reducing staff turnover and the pirating of trained staff from global QSRs by local QSRs was a significant issue. Teamwork was at the heart of a successful QSR operation which facilitated product quality and consistency by building on the training process and easing new employees into the workplace.

The QSRs were continually reviewing their marketing mix strategy to meet the ever-changing market demands in non-Western countries. The development of new glocal products was a critical strategy in positioning the global QSR in the local market. However, new glocal product development needed to consider all aspects of the product and its packaging. The demands of standardisation drove critical product decisions, such as that QSR products have to be designed to be produced in branches on the existing equipment and need to look like they fit the brand identity. In the case of McDonald’s therefore the new glocal product needs to look like a McProduct – a ‘burger in a bun’. These
requirements contributed to the failure of the McFalafel sandwich which did not meet the visual, taste or textural requirements of Egyptians – it did not look right, taste right or have the right texture. The price and perceptions of value-for-money were critical success factors in the Egyptian marketplace to manage in the face of stiff competition. Place in the sense of being accessible to the socio-economic class A, B and C customers who can afford McDonald's products was a critical decision in determining the location of new QSR outlets. Place was also critical in the sense of ensuring that the décor of the QSR outlet was maintained in an attractive manner. The promotion of the McFalafel and the use of the singer Shaaban Abdul-Rahim (popular amongst the lower socio-economic classes D and E) was probably what finally put paid to the McFalafel locating it as a product for poor people. The wave of controversy resulting from the jingle based on Abdul-Rahim's 'I hate Israel' song led to the withdrawal of the song and was shortly followed by the withdrawal of the McFalafel product.

Figure 5.4 summarizes the internal factors impinging of new glocal QSR products and illustrates the interactions between issues emerging from business format franchising, human resource management and the marketing mix. Glocalisation requires new glocal products based on local traditional foods. The McArabia was based on grilled chicken and kofta dishes, the McFalafel was based on the traditional falafel sandwich. Both were traditional Egyptian dishes.
Business format franchising requires that new glocal product fits the brand. In the case of McDonald’s this means they must be McProducts – ‘burgers in a bun’ and ideally based on meat products to fit the McDonald’s brand identity. It also requires that the new glocal product can be produced in the QSR branch using the standard operating platform – equipment, cooking methods, etc. The ingredients for the new product should draw on the palette of ingredients already used. The packaging should similarly be standardised.

Human resource management issues focus on a virtuous circle of staff training enhancing motivation satisfaction and staff loyalty and promoting teamwork which reinforces staff training in the workplace.

The interviews with the managers identified a number of success and failure factors relating to the influence of internal factors on new glocal product development. The product needed to be based on good market research so that it fitted with the local culture and met customer needs.

In terms of price the product needed to be value for money and competitively priced. Obviously the price of the product has to ensure that the product is profitable.

The product needed to be authentic, of high quality and have the right organoleptic properties - taste, texture and smell. It needed to be developed to meet a clear goal, whether that was addressing value for money issues (e.g. the
Chapter Five: Internal factors affecting the new glocal product development process

mega burgers) or to counter boycott by promoting local links (e.g. the McFalafel) and this needed to be clearly communicated to staff through training and to customers through promotional materials. It also need for there to be no substitute product in the marketplace, especially one that was better or at a lower price.

Promotion needed to use appropriate channels and be timed to best effect. It needed to target its market segment appropriately so that it met its market's aspirational and other needs. The packaging design and art work needed to reinforce the goal of the product.

The next chapter, chapter six, will discuss the new product development process.
Chapter Five: Internal factors affecting the new glocal product development process

Figure 5.4: Internal factors and new glocal QSR products

- Marketing mix for new glocal product
- Internal factors
# Chapter Six: The Product Development Process for New Glocal McProducts in Egypt

## Chapter Six
THE PRODUCT DEVELOPMENT PROCESS FOR NEW GLOCAL McPRODUCTS IN EGYPT

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CHAPTER SIX
THE PRODUCT DEVELOPMENT PROCESS FOR NEW GLOCAL McPRODUCTS IN EGYPT

6.1 Introduction
This chapter explains the perspectives of McDonald’s Egypt’s senior management about their product development process for new glocal McProducts. It shows in detail the sequential steps for the development of new glocal McProducts, e.g. the McFalafel and McArabia sandwiches, launched onto the Egyptian market.

6.2 Reasons for launching new glocal McProducts
There are a number of reasons for launching new glocal McProducts as explained by the McDonald’s general training manager (GC-QSRM4):

... to increase restaurant sales; to ensure a wide variety of products for customer’ choice; to maintain the company’s image among our competitors and finally to suit Egyptian taste preferences to attract new customers. If a new product does not achieve these goals it should be stopped.

It is important that new glocal McProducts respond to the particular needs of the local market as the McDonald’s general manager (GC-QSRM1) explained: “At this time, McDonald’s launches regionalised versions of its products to satisfy local customers’ demands and to conform to the religious beliefs of a particular country”. The McDonald’s general marketing manager (GC-QSRM3) added the following positive points for launching a new QSR product: “To increase market penetration by attracting new segments of customers and to maintain product mix in the restaurants”. As McDonald’s assistant general manager (GC-
QSRM2) explained: “The reason for launching the McFalafel was to attract new market segments, particularly socio-economic class C2, D and E customers”.

Two of the interviewees (GC-QSRM7 and GC-QSRM4) identified that the McFalafel (Elmaalim) was launched to break the recession, because of the boycott and the global food crises.

The McDonald’s assistant general manager (GC-QSRM2) highlighted that McDonald’s launched the McFalafel sandwich for two reasons: first, “To send a message to local customers – ‘I am local and I have my roots in Egypt and I am proud to eat a product that has been produced for the local market’”; second, “To reduce losses in our sales from mad cow disease”.

Moreover, one of the McDonald’s QSR branch managers (GC-QSRM7) highlighted that “McDonald’s launches new glocal products to satisfy local customers’ taste preferences”. It is therefore evident that McDonald’s was keen to attract Egyptian customers into buying from an American restaurant chain and the way to break into this market was to adapt a local product for local people.

One of the global QSR branch managers (GC-QSRM7) said that: “The important aim of the ongoing product development process is to maintain brand image among competitors” which means new product development is important to attract new customers or keep regular customers.
6.3 The product development process for new glocal McProducts

When shown a product innovation flowchart (see Figure 6.1), the general manager (GC-QSRM1) explained that: “We do not use all these steps in the product development process for glocal products like McFalafel and McArabia sandwiches”, a view echoed by the McDonald’s general marketing manager (GC-QSRM3) who confirmed that: “We do not follow all these steps in the product development process for glocal products but we do use similar processes which we will discuss with you”.

As the McDonald’s operations manager (GC-QSRM6) explained:

This is an ongoing process - a new term which McDonald’s managers use. It means new product development or product innovation processes are continuously used in McDonald’s QSRs. The product development process does not and cannot stop because this would result in loss of the company’s image as a pioneer in the QSR market.

GC-QSRM7 explained that there are two kinds of “ongoing process” (see Figure 6.2). The first process is to create (or innovate) new products, like the McFalafel and McArabia sandwiches. The second process relates to modifying existing products, e.g. in terms of their ingredients, to meet the needs of specific markets and market segments.

There are two kinds of “ongoing process”; the first one is to generate new products like the McFalafel and McArabia sandwich. The second type is to change some ingredients or reshape the existing product.

(GC-QSRM7)
Figure 6.1: Flowchart of QSR product innovation process [Source: Ottenbacher & Harrington, 2009: 528]
The McDonald's general manager (GC-QSRM1) concurred that "there are two options in launching a new product: the first one is to modify the existing raw materials. The second is to generate a new idea". He also added that the generation of ideas for new products often involved suppliers. A specific example of product modification was provided by the McDonald's operations manager (GC-QSRM6) who explained that the McDonald's Quarter-Pounder sandwich (which used to contain a quarter of a pound of meat - the standard size of the original McDonald's Quarter-Pounder) was customized to satisfy demands from younger Egyptian customers so it contained a third of a pound of meat. This supports Portsmouth (2008) who explained that QSRs often get new product ideas from existing products.

**Figure 6.2:** Two routes for new product development

The following sections will discuss the glocal product development process as explained by the industry expert and the top management of McDonald's QSRs. The process includes ten steps.
Chapter Six: The product development process for new glocal McProducts in Egypt

6.3.1 Category strategy

The category strategy is the first stage in the product development process. As one of the global QSR branch managers (GC-QSRM7) stressed: "Before launching, we need to be sure that the new product suits new trends in the QSR market". Global QSRs have to monitor new trends in the QSR market, especially in terms of what the competitors are doing.

New product development in McDonald’s Egypt is led by the Food Improvement Team (FIT). The FIT is involved in the decision-making processes around new product development right from the first step. As the McDonald’s operations manager (GC-QSRM6) explained:

The team responsible for new product development is called the FIT. It includes specialists from the supply chain, marketing, operation, finance and training departments which work on four angles:

1. It will study existing products and write appropriate comments;
2. It will focus on menu design and menu appearance;
3. It will consider the new product that we would like to launch; and,
4. It will continually review the changing needs of customers in the Egyptian market so as to ensure profitability.

The FIT team works cross-functionally with six key departments (see Figure 6.3) primarily with the managers of these departments: the supply chain department; the marketing department; the finance department; the equipment department; the training department and the operations department.
The McDonald’s supply chain manager (GC-QSRM8) explained that:

‘Cross-functional process’ is a new term that McDonald’s managers use to reflect the communication between departments for creating the new product. In this process the availability of raw materials, price, quality, quantity, value, storage, shelf life, etc. are considered. The cross functional process helps them to ensure they meet or exceed customer expectations.

It is important to appreciate that standardisation is a vital tool for expanding a global QSR franchise operation and consistently enforcing brand standards. The process of standardisation ensures both food quality and product consistency. As a result McDonald’s Egypt must get permission to launch a new product from the regional office - Asia Pacific Middle East Africa (APMEA). This regional office controls operations across the Middle East.
Because McDonald's is a global chain, using a franchising system, it has to progress through a defined process before launching new products. McDonald's has to get permission from APMEA to start the process of new product development. This applied to McDonald's Egypt when they got the idea of the McFalafel and McArabia sandwiches.

(GC-QSRM1)

The argument for a new glocal product has to be presented in the form of a business case:

In the business case (new product development name) the following questions need to be answered: What is the new product? What is the aim of the new product? Is there supporting documentation for the proposed innovation? These help ensure that the proposed new product development suits the Egyptian culture.

(GC-QSRM1)

It is the role of the FIT to put together the business case to support a proposed new glocal product, as McDonald's general marketing manager (GC-QSRM3) commented:

New product development is not easy to achieve so the FIT team has to do their homework (by producing flowcharts to assist product innovation). The FIT team must therefore have a strong argument to convince the regional office (APMEA) to launch a new product that satisfies the market research by responding to customers' needs.

After the FIT has received permission for developing a new product the process follows sequential steps according to the brand name and the business concept, as McDonald's general marketing manager (GC-QSRM3) emphasised:

It is not easy to create a successful new product for a global QSR menu (especially a glocal product). The FIT has to do its homework through flowchart of product innovations so FIT should have a strong argument - strong evidence for launching a new
product - to get permission from the Head Office to launch a successful glocal product according to researches of market and customers’ needs such as it will increase sales in my restaurants. FIT should know “You have a freedom within framework (process templates)” You have to go through the process.

Before launching a new glocal product the McDonald’s assistant general manager (GC-QSRM2) explained that McDonald’s follows these steps:

1. Assess the marketing needs to meet local needs of customers in the Egyptian market,
2. Find suitable suppliers for this new product according to McDonald’s specifications,
3. Generate a marketing package that is suitable and receives approval from Head Office.

Market research provides the guidance to translate customer needs into a new glocal product with particular consideration for local taste preferences and values. As the McDonald’s training manager (GC-QSR3) explained:

Before launching new product a QSR reviews research to know:
- Who are the customers to target?
- What are their needs?
- What is the preferable price; taste, size, value, for them?

Global and local QSRs compete on the basis of various types of products ranging from beef sandwiches, chicken, fish, ice cream, juices and soft drinks. As a result of the intensive competition, the industry expert (IN.EX.1) explained: “Our strategy is to copy competitors’ products, prices, and services”. He added: “We study competitors’ products monthly before launching new products”. Moreover, before QSRs launch new products the McDonald’s training manager (GC-QSRM3) emphasised that the marketing department must pay particular attention to market research about “the needs of our customers and what our customers want from our company”.

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It is important issue to identify if there are alternative and appropriate substitute products in the marketplace:

    The FIT should know the substitute products available in the Egyptian market before launching. If there is a substitute product the FIT needs to know: What is the price of substitute product? Is the price offering value for money? Is the product suitable for customers' taste preferences or not?

    (GC-QSRM7)

To be successful the QSR must launch new products which meet customer needs and also achieve a profit. This development process requires a lot of effort from the FIT to introduce new products that will succeed in the marketplace as one of the McDonald’s branch managers (GC-QSRM7) commented:

    The FIT can get information from guest comments cards, managers working in the outlets, experts in the QSR industry, other market research, and competitor’s surveys. Finally, the FIT must find out if there is a substitute product for this new product or not.

The McDonald’s assistant general manager (GC-QSRM2) explained that: “the FIT should know the opportunities in the market to decide whether to implement improvements to an existing product or to launch a new product. The results of this process depend on customer research, existing competition, and the capability of suppliers”, i.e. launching new products depends on good market research that identifies the gaps in competitors’ menus and the opportunities in the QSR market, as explained by Ottenbacher & Harrington (2009), who asserted that the restaurants should identify the gaps of competitors – global and local QSRs - which helps in determining a category strategy.
The category strategy for launching a new product should consider the taste, the quality, the price and the value for money to suit the brand identity of the QSR and to differentiate the product as the McDonald’s assistant general manager (GC-QSRM2) explained:

*New products in local Egyptian QSRs should achieve these elements - unique quality; unique taste; good atmosphere; value for money. The price of the product must equate with the price of competitor products in other local restaurants.*

The design and launch of new glocal products is a difficult balancing act for McDonald’s. While they are keen to expand their product range, McDonald’s do not want regular customers to shift from buying their regular product to buying the new product – a process called ‘cannibalization’. As the McDonald’s training manager (GC-QSRM3) explained, it is important to consider the potential of a new product to cannibalise old products by distracting customers:

*‘Cannibalisation’ or ‘incremental new transaction’ is a term which is used by the McDonald’s general marketing manager. It means customers shifting from buying an old product to buying a new product.*

Cannibalisation was a problem with the McArabia sandwich (chicken and kofta) when regular customers spurned their ‘old’ sandwiches and bought the McArabia sandwich instead. As the McDonald’s general manager (GC-QSRM1) explained: *“Cannibalisation occurred so that customers were deflected from buying the old product and instead opted to purchase the new product.”*

A key aspect of global QSR success comes from new product development that is undertaken in consultation with customer focus groups. Customer feedback
leads to the generation of new ideas for launching new products and these ideas are then translated into new products through the full integration of all the QSR departments in the cross-functional process.

The McDonald’s general manager (GC-QSRM1) explained that: “the category strategy for new product can come out of a basic SWOT analysis”. Ottenbacher & Harrington (2009) similarly highlighted the importance of SWOT analysis in the launch of new QSR products to satisfy customer needs.

The key issue when a launching new glocal product is to be clear about its aim: whether it is a defence strategy to assist in coping with the competition, the recession or a disease, as the McDonald’s general manager (GC-QSRM1) emphasised:

Management must research why we need to introduce this new product? Which category will be selected for the re-designed sandwich, will it be beef, chicken or fish? The selection of the sandwich type depends on the research analysis undertaken.

The choice and implementation of a category strategy depends on market research. The McDonald’s operations manager (GC-QSRM6) highlighted that: “Market research gives an outline of the trends in the QSR market”. For example, market research in 2011 showed that there should be a focus on chicken sandwiches because there are more chicken eaters in the Egyptian QSR market. He emphasised the importance of market research in identifying the category strategy and developing products in response to customer behaviour:
After some market research we found that there were a lot of people who wanted to drink coffee with their breakfast. So we launched breakfast with coffee in McDonald’s from 6 am until 10am. This strategy was called ‘capture the shared users’.

Market research helps global QSRs to respond to customers’ needs according to their income, age and gender, as the McDonald’s operations manager (GC-QSRM6) explained:

*Market research identifies opportunities according to segment (age and gender) and suitable times for launching new product (breakfast, dinner or lunch). What they would like to eat? For example, if it is a student segment they would like to eat snacks.*

He went on to say: “product positioning is essential in relation to its appeal to consumers. It is important to know which market segment the new product is aimed at”.

One important aspect of product positioning as explained by the McDonald’s general manager (GC-QSRM1) was that: “The new product should have a clear aim in terms of which food category it focuses on. Should it be beef, chicken or fish. What is our strategy for product positioning - cheap or expensive?”. Lamb et al. (2010) similarly emphasised product positioning so that the new product complements the existing menu and the objectives of the marketing department.

Price is a key element in the success or failure of a new product as was evidenced with the McFalafel sandwich. Traditional falafel sandwiches are cheap in the Egyptian market but the McDonald’s McFalafel was expensive. If a
new product is designed to attract a wide range of customers it generally has a low profit margin on each individual product to be competitive but makes its profit through the volume of sales. Fewer premium products are sold and so to achieve a profit are more expensive. As the McDonald's general manager (GC-QSRM1) explained: "Is the new product cheap or expensive? This will depends on the segment to be targeted? Also, it depends on the aim of sandwich".

The availability of suitable raw materials is crucial to the launch of successful and profitable new products, especially in non-Western markets. The supplier of ingredients for the McFalafel was not able to supply McDonald’s with the basic raw materials at a consistent price and quality - so McDonald’s withdrew the McFalafel to protect its image and customers. The McDonald’s assistant training manager (GC-QSRM5) explained: "The FIT should consider the quality, price and quantity of new product development supplies for the long term. It is very important to the ongoing success of new product".

The McDonald’s general manager (GC-QSRM1) explained that: "Once you have decided which category you can go on to generate ideas for the new product". Idea generation will be discussed in the next section.

6.3.2 Idea generation

Idea generation takes into consideration new trends in the Egyptian QSR market: consumer needs, the competition, feedback from focus groups and comments from staff, marketing experts and marketing agencies. This is in
agreement with previous studies (e.g. Panneerselvam, 2006; Saxena, 2009; Ottenbacher & Harrington, 2009; Lamb et al., 2010) which indicated that there are many sources of ideas for the product development process (see Figure 6.4).

Idea generation for a new product begins with an opportunity analysis to support the new product. Idea generation for new glocal McProducts often considers how a product can be adapted from a traditional food and then standardised. As McDonald’s general training manager (GC-QSRM4) explained:

All the time the FIT are thinking to launch products based on our Egyptian traditional foods. The idea for the McArabia sandwich was generated in the regional office (APMEA). The McFalafel sandwich was not launched for a long time and also not launched across the whole of the Middle East like the McArabia was. The FIT extracts ideas from McDonald’s system, competition, and customer’s needs. Furthermore, it depends on market research in the vein of; what is the preferable food for your customers. Marketing is not scientific it always depends on inspiration. Market research should support the idea for the new product with empirical data.

The McDonald’s general manager (GC-QSRM1) explained that: “the new product idea can be generated by asking a supplier to develop new raw materials at a particular quality or price”. Ottenbacher & Harrington (2009) also stressed the importance of suppliers as partners in establishing ideas for new products and in supplying the raw materials for them.
Chapter Six: The product development process for new glocal McProducts in Egypt

The McDonald's supply chain manager (GC-QSRM8) explained that the McDonald's Food Studio is an important source of ideas for creating new products around the world.

*There is a new concept called the 'Food Studio' which has been used in McDonald's QSRs for three or four years. Professional experts work with chefs and key suppliers on "Food Studio" to develop new products. The "Food Studio" develops a library of products from which we can select new products that are suitable for our market.*

Another source of information on new trends in the QSR market is Food News - a practitioner magazine focused on the QSR industry. As the McDonald's operations manager (GC-QSRM6) explained: "Food News" is important for the FIT to improve menu, to address the price sensitivity, to achieve profit margin".

**Figure 6.4: Sources of idea generation for new glocal McProducts**
6.3.3 Screening one
The FIT always tries to select easily-manufactured recipes for new products to minimise the time spent in product preparation, cooking and service. The McFalafel sandwich was not easy in operation which contributed to its failure whereas the McArabia sandwich was easy in operation which contributed to its success:

The FIT will see if the new product can be easily manufactured by the Golden State Food Company. The McDonald’s team tries to avoid complex products. The FIT undertakes trials on a new product to ensure that it is easily manufactured before making the decision to launch it.

(GC-QSRM1)

Ottenbacher & Harrington (2009) also emphasised the importance of being able to prepare and serve the new product easily at a suitable price for customers.

6.3.4 Screening two
Financial and operational procedures are essential steps in the product development process for new glocal McProducts. The FIT pays particular attention to the concept of McDonald’s as a global QSR - its customers and its image. The quality, price, quantity and availability of raw materials in the longer term are the life blood of a new product.

The FIT has to ensure that the price of the new product will suit its target market as the McDonald’s general marketing manager (GC-QSRM3) explained: “the price must be considered in relation to the target market (students differ from workers)”. Value for money in relation to the size and quality of the new product
in relation to its price is an important aspect in the Egyptian market as the McDonald’s general marketing manager (GC-QSRM3) explained: “market research gives focus to the FIT to help ensure the product addresses the needs of the target market”. Operational issues also have to be taken into account in determining the price of the product and this comes through the finance department which estimates the number of sandwiches that will be sold each hour and inputs to the debate accordingly.

Sometimes the regional office (APMEA) gives guidelines for the price of a new product aimed at particular market segments to attract new customers depending on the results of the market research:

The regional office (APMEA) suggested that some products are devised and produced to appeal to customers in different market segments. We undertake studies to identify an attractive price for this market.

(GC-QSRM4)

6.3.5 Product optimization

Product optimization in terms of the raw materials to be used and the operational procedures that will be required in its preparation in the QSR branches is a critical issue in the product development process. As the McDonald’s general manager (GC-QSRM1) stated: “product optimization is always the first important issue to continue new product launching in QSRs”.

In terms of raw materials, the availability of raw materials in the local Egyptian market for the proposed new glocal product is a very important consideration.
Chapter Six: The product development process for new glocal McProducts in Egypt

The FIT tries to use raw materials that are already being used in other products so as not to introduce new raw materials and to avoid unnecessary problems and costs associated with the procurement of a stable supply of a new ingredient at an appropriate quality and price. As the McDonald’s general manager (GC-QSRM1) explained: “The FIT tries to use existing raw materials to stay away from high costs”. As the McDonald’s assistant general manager (GC-QSRM2) explained: “the supplies for the new product … should be available in the local market to avoid the need to import materials from overseas which would be expensive”. This ensures that costs are maintained at realistic levels for the new product.

The supply chain department needs to ensure that the requisite raw materials can be supplied in the right volume, at the right price and the right quality. As the McDonald’s assistant general manager (GC-QSRM2) explained:

*Management should pay attention to the food costs for new products - raw material costs must be determined before launching a new product. Higher raw material costs lead to a decrease in the profit margin.*

The McDonald’s operations manager (GC-QSRM6) added:

*The supply chain manager has to consider the availability of raw materials in the local market of the host country to avoid imported raw materials from outside which will lead to an increased price for the new product.*

McDonald’s consultant (GC-QSRM10) explained that Golden State Food is the main supplier of raw materials and manufactured products to McDonald’s:

*The Golden State Food (GSF) company is the distribution company responsible for all McDonald’s supplies - raw materials*
and manufactured patties, buns and sauces (e.g. ketchup, mayonnaise). GSF collects raw materials from suppliers after inspecting their quality before sending to McDonald’s.

The operational procedures for the new product have to well-planned through cooperation between three departments – i.e. the operations department, the supply chain department and the marketing department – and every aspect of the new glocal product has to be approved by the regional office APMEA. Speed of production is the unique selling proposition of QSRs - new products must be quickly and easily processed so a quality product can be provided to the customer quickly for customers as two of the interviewees (GC-QSRM2 and GC-QSRM4) highlighted. The global QSR supply chain manager (GC-QSRM8) explained: “McDonald’s is not a wet kitchen, we are a dry kitchen which it means ready to go and ready to eat as quickly as possible”.

The operations department considers the number of members of kitchen staff required to prepare the new product and its packaging and whether more staff would be needed. It also considers the type of equipment and the capacity of equipment required for the preparation of the product and if additional equipment - such as an extra refrigerator or even something as seemingly trivial as a new sauce gun - would be needed. The comments of the interviewees emphasised the importance of Ottenbacher & Harrington (2009) findings about the importance of equipment considerations in the product development process. The McDonald’s general training manager (GC-QSR4) stated: “new products are designed to suit the existing equipment to avoid having to buy new equipment”. McDonald’s does not offer grilled chicken because they griddle
rather than grill their products. The McDonald’s general manager (GC-QSRM1) asserted: “the equipment must be right to achieve the high standards required by McDonald’s QSRs”. The McDonald’s general training manager (GC-QSRM4) added: “Some restaurants have limited space so the equipment needs to be small and this reduces its capacity”.

The packaging also needs to be considered - some sandwiches take two wraps or a package plus wraps. This is the role of the marketing department who use the product package to promote the unique features of the product (see Figures 6.5 and 6.6).
Figure 6.5: The Final Approval for Big Tasty Clamshell

![Image of the final approval for Big Tasty Clamshell]
Figure 6.6: The Final Approval for Quarter Pounder Clamshell
6.3.6 Concept test with prototypes

Before the launch of a new product onto the market McDonald’s uses a marketing agency to test its concept with focus groups and taste panels using prototypes. Ottenbacher & Harrington (2009) similarly stressed the importance of the concept test in the product development process. The McDonald’s general manager (GC-QSRM1) stated: “the marketing agency does the concept test with targeted customers to measure the new product’s appeal and to get their opinions”. A role of the marketing agency is to test the new product in terms of its taste, quality, quantity, packaging, value for money, and most importantly, its price. As the McDonald’s general manager (GC-QSRM1) explained:

The marketing agency conducts surveys about the size, price, and taste of the new glocal product. Sometimes marketing agencies disclose the restaurant name, but often they don’t. Sometimes the agency does not divulge the brand name.

As the McDonald’s general marketing manager (GC-QSRM3) explained: “if you have an idea you have to test it to find out whether it is necessary to add or remove ingredients”. It is difficult to ascertain the suitability of a new product for a particular market until the product has been tested on its intended customers.

McDonald’s are very active in concept testing using appropriate prototypes which is an important step in ensuring the suitability of the new product for its target market. One of the McDonald’s operations managers (GC-QSRM6) explained: “a range of prototypes are produced, e.g. with different sauces, spices or cheeses, to see which are most suitable for the intended market”.

Page 6-25
Ottenbacher & Harrington (2009) also described the role of focus groups and taste panels in evaluating the taste of new products and their appropriateness for their target customers.

The concept test helps the FIT to minimise the risk of new product failure by making modifications such as adding or removing ingredients. The FIT is also concerned to maximise the potential profit before the final product launch. One of the McDonald’s branch managers (GC-QSRM7) explained: “we invite customers to sample new products so we can take their feedback into consideration”. In return for their time the customers who tasted the new product in the concept test are given a card by the marketing agency – BOG (Be Our Guest) - to get free items from McDonald’s.

### 6.3.7 Concept refinement and development

The quality assurance manager, the operations manager and the marketing manager collaborate to make modifications to the product and refine its concept in the light of the results of the concept test and confirm the raw materials, the recipe, the quality and the price as the McDonald’s general marketing manager (GC-QSRM3) explained: “The quality assurance manager discusses with the operations manager and the marketing manager to determine the quality and a suitable price for the new product”.

It is in this stage that the Blue Book for the product is developed by the training department (see Figure 6.7). The Blue Book is the term which McDonald’s
managers used for the guidelines for the processing of the product. As one of the McDonald's branch managers (GC-QSRM7) explained: "The Blue Book includes everything about the product". The McDonald's supply chain manager went on to say:

*The training department makes the Blue Book - the procedures for preparing a new product step-by-step. How we store the product, the receiving temperature, its primary shelf life, cooking methods (fried or grilled), the expiry date, the holding time, with supply department. We make also station operation check list which gives details about the responsibilities of everyone working in the restaurant from A-Z.*

(GC-QSRM8)

**Figure 6.7:** The Blue Book Structure

![Blue Book Structure Diagram](image)

In relation to the station observation check list the McDonald's general marketing manager (GC-QSRM3) added that it:
... is related to the training process. The quality assurance department writes in the appropriate storage temperature for this sandwich – its primary shelf life for storage pre-cooking and its secondary shelf life for storage after cooking.

Training is a critical element in the product development process for new glocal McProducts because it is a tool of communication between management and staff. Training links management philosophy to staff performance. Ottenbacher & Harrington (2009) stressed the importance of using standardised methods of preparation to avoid personal interpretations by individual staff members.

McDonald’s provide comprehensive training programmes to their staff to ensure the quality and consistency of staff performance, the accuracy of orders; cleanliness; quality service; and effective operation procedures. The McDonald’s general training manager (GC-QSRM4) explained that “the key to business success is the trainer. The trainer should be a role model for the staff”.

The training consultant (GC-QSRM10) emphasised that “preparing professional trainers is very important”.

Training focuses on a range of issues, particularly cooking and storage times and temperatures, as industry expert (IN.EX1) explained. The supply chain manager (GC-QSRM8) added: “... the procedures of food safety like how to maintain the safe shelf life for a product after it is cooked”. The McDonald’s training manager (GC-QSRM4) highlighted some basics of the training: “these are the standards that should be followed to maintain food safety, such as sanitizers, hand dryer, and gloves for staff”. It is important to observe operational procedures within kitchens to identify staff errors and minimise
wastage of raw materials. The McDonald's assistant general manager (GC-QSRM2) explained that: "the training department follows up on operational procedures by giving staff regular training programmes which helps them to achieve their goals". He added that ongoing performance is carefully monitored: "operational managers observe the staff performance to evaluate the results of training and make a monthly report for top management".

The role of the marketing department is to develop a marketing plan for the product launch, as the McDonald's general marketing manager (GC-QSRM3) explained: "The role of marketing is to introduce a clear plan regarding the launch of the new product and how to promote it". In order to extend their product reach the marketing department undertakes on-going surveys to ensure that "new" products meet the needs and expectations of customers. As McDonald's assistant general manager (GC-QSRM2) explained: "All aspects of the product's marketing strategy must be agreed. This includes the slogan, the marketing message, and the art work that will be employed". The McDonald's general marketing manager (GC-QSRM3) added: "Marketing channels include indoors (local promotion in restaurants) and outdoors (billboards) and other media commercial on television or in newspapers".

6.3.8 Screening three

Intense competition in the QSR market means the FIT has to consider the price of the new product price compared to competing products. The McDonald's general marketing manager (GC-QSRM3) stated that: "The FIT depends on
surveys and market research, e.g. through marketing agencies with focus groups representing different market segments, to select a suitable price for a new product. The FIT decides if the estimated price suits the new product (or not) which leads to the soft launch (or not). The price of a new product is critical to its success”. This echoes the findings of Ottenbacher & Harrington (2009) who emphasised the importance of the price of a new product in comparison to its competitors.

One of the global branch managers (GC-QSRM7) also emphasised that the “new product must suit the brand concept and menu”. The FIT considers the new product in relation to the brand name and whether it appropriately reflects the business concept. This was clearly a problem in relation to the McFalafel sandwich - a vegetarian sandwich - with the McDonald’s concept being built on meat sandwiches. This was a contributory factor to the failure of the McFalafel in the Egyptian market.

6.3.9 Soft launch

The soft launch is undertaken in McDonald’s seed stores and involves the quality assurance manager, the training manager and the operations manager and enables the new product to be offered to customers and to identify potential problems in its preparation or service. It also allows staff to sample the product. As one of the global QSRs branch managers (GC-QSRM7) explained: “sampling is an important issue for the crew - by tasting the new product before its final launch and getting their impressions”. He went on to add: “staff also
need to be convinced that the new product is good so they promote it for customers inside restaurants (internal marketing)

There are four seed stores (also known as growth stores, pick stores or ideal stores), i.e. particular branches of McDonald’s QSRs in different places in Egypt which attract different market segments and “are selected based on an agreed set of criteria - size, location, facilities, sales” as the McDonald’s general manager (GC-QSRM1) explained. The seed stores are used for the soft launch (a final stage of market testing in selected stores prior to full launch of the product across all stores) to gauge the reaction of different market segments.

One of the McDonald’s operations managers (GC-QSRM6) emphasised that “the four seed stores are different points of sale – one an ordinary street location, one in a shopping mall, one a drive through, and one MDS (McDonald’s delivery service)”. He explained that the different characteristics of these seed stores enables McDonald’s “to get different feedback from different types of customers, such as families, kids and youth”. GC-QSRM6 went on to explain that “the first trial with customers for a new product is in the seed stores. This process called ‘new product simulation’ to get real customers’ feedback”. As the McDonald’s general manager (GC-QSRM1) added: “the main job of these stores is to promotion the new product to customers inside the store without advertising outside the stores for a period of 1-5 months”. 
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The station observation check list is sent to the seed stores to identify any issues relating to the processing of the new product procedures experienced by the staff:

 Management sends the station observation check list to all branches about the procedures for making this sandwich in steps including the time of cooking, the temperature, the time of serving. The trainer shows staff how they can make new product professionally.

(GC-QSRM4)

The operations manager and the training manager ensure that everything is going well throughout the process:

The operations manager and training manager go to restaurants to ensure the work is going well and resolve any problems a week before launching the new product. The operations manager is the one who visits most branches. At the beginning of the launch the new product sales will be high because the vast majority of customers want to try the new product, marketing make a distribution plan.

(GC-QSRM10)

The McDonald's assistant general manager (GC-QSRM2) explained: “After the FIT gets positive or negative feedback on the new product from the seed stores they make small or large modifications to the new product accordingly. Rarely – just in a few cases – they stop the launch of new product because of negative feedback”. One of the McDonald's operations managers (GC-QSRM6) added: “Staff sample customers so their feedback can be taken into consideration in the fine-tuning of a new product”.

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Another aim of the soft test is to identify any problems in preparing, cooking, packaging and serving:

Soft launching let's us know where there are problems with operational procedures and how to solve them, if it has a raw material problem or not. If there is a problem with the raw materials the company takes a sample and takes immediate action to resolve the problem.

(GC-QSRM7)

One of the McDonald's operations managers (GC-QSRM6) who was involved in the product development process for the McFalafel and McArabia sandwiches explained that: “the process of new product development is normally six to eight months but for McFalafel was just two months and for McArabia was just four months”.

Before the FIT makes the decision for the final launch of the new glocal product, the quality assurance department follows up on all the product ingredients and specifications to ensure product quality and consistency and to confirm a standard price for a defined period of time as McDonald's assistant general manager (GC-QSRM2) explained.

6.3.10 Final launch

In relation to the final launch, the FIT must consider the right time for launching the new product. As the McDonald's general manager (GC-QSRM1) emphasised: “we must select the right time to launch the new product”. The assistant general manager (GC-QSRM2) went on to explain: “time is very important - suitable dishes for the different seasons ... you cannot launch a new
product, such as ice cream, during the winter season, similarly you cannot launch a meat-based new product in a Muslim country, like Egypt, during fasting days". Lamb (2010) highlighted the importance of careful timing when launching a new product. Similarly, Anderson & Vincze (2004: 282) had argued: "in order to be successful one of the first major decisions in launching a new product is timing".

6.4 Modelling the product development process for new glocal McProducts

The ten sequential steps in the product development process for new glocal McProducts by McDonald's Egypt are shown in Figure 6.8.
6.5 Summary

This chapter has focused on the product development process adopted by McDonald’s Egypt for its new glocal McProducts. Following the chapter introduction the second section of the chapter explored the reasons for launching a new glocal McProduct which included to: increase market
penetration and sales by retaining existing customers and appealing to new market segments (particularly customers from lower socio-economic classes); ensure a wide choice of products for customers, maintain brand image; differentiate McDonald’s from its competitors and respond to local taste preferences. A particular reason for the development of the McFalafel was to overcome the downturn in sales precipitated by boycotts of McDonald’s resulting from global food crises (e.g. mad cow disease) and from US involvement in the Middle East (e.g. in Afghanistan and Iraq). The McFalafel, based on the traditional Egyptian food falafel, was intended to emphasise McDonald’s Egypt Egyptian credentials.

The third section of the chapter presents McDonald’s glocal product development process for new glocal McProducts. Their process is similar in nature to that reported by Ottenbacher and Harrington (2009) for global products albeit streamlined. It involves ten steps. First, the category strategy which is based on market research and customer needs determines the food category (e.g. meat, chicken or fish). Second, idea generation for the new glocal product comes from a range of different sources - suppliers, food studios, new trends in the Egyptian market, consumer needs, competitors’ products, focus groups, staff, marketing experts and marketing agencies. Third, screening one identifies if the new glocal product can be manufactured by the global QSR and uses a cross-functional screening process. Fourth, screening two focuses on the financial aspects arising from the cost of raw materials. Fifth, product optimization results in the identification of the raw materials and recipe and the
operational issues influencing the processing of the proposed product in the QSR branches. Sixth, is the use of prototypes of the product to test the concept with the target market. Seventh, concept refinement and development fine tunes the recipe. Eighth, screening three evaluates the product against its competition. Ninth, soft launch of the product in one of four seed stores across Egypt. Tenth, is the final launch of the new glocal product. Whilst the product development process for a normal McProduct takes 6-8 months, new glocal McProducts may be developed in as little as 2-4 months.

The next chapter in the thesis will discuss the success and failure factors for the McArabia and McFalafel sandwiches.
# CHAPTER SEVEN

CRITICAL SUCCESS FACTORS FOR NEW GLOCAL McPRODUCTS IN EGYPT

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7.1 Introduction

This chapter draws together the success and failure factors identified by the managers and industry experts for two new glocal McProducts – the McFalafel and the McArabia sandwiches. The chapter is organised around the four elements of the marketing mix – product, price, place and promotion – in sections 7.2, 7.3, 7.4 and 7.5 respectively. The success and failure factors for the McFalafel and the McArabia are discussed in section 7.5. Section 7.6 completes the final objective of this research by drawing the discussion to a close and developing a model for glocalisation through new glocal McProduct development in global QSRs in non-Western countries.

7.2 Product

There are a number of critical factors relating to the definition of the new glocal product. It is important that the product 'fits' in a number of ways. First, it is important that the new product fits with new trends in the QSR market which are determined through ongoing market research. Second, the new glocal product needs to fit into the global QSR product portfolio. This issue is resolved at the very beginning of the new product development process in determining the
category strategy for the new glocal product so the new glocal product has a clear aim – a beef or a chicken or a fish product.

Egyptian customers like a variety of menu items, including meat, chicken and seafood, and such diversification helps mitigate the risk associated with global food crises, e.g. mad cow disease, avian flu and swine flu. It also helps to overcome the issue of product stereotyping which is a major problem for global QSR products.

There also needs to be a clear idea about the target market and the taste, the quality, the price and the value for money so the product can be placed and promoted unambiguously. For McDonald’s the new glocal product needs to be recognisably a McProduct to differentiate the product from its competitors and to suit the McDonald’s brand identity. At this early stage in the development any substitute products in the Egyptian market will be identified.

The third aspect of fit is in relation to the cultural identity of the host country. In relation to Egypt, which is predominantly a Muslim country, products must be halal. As was explained in chapter five, halal is an Arabic expression meaning "permissible" and needs to be shown prominently on the new glocal product packaging for branches across the Middle East. The importance of packaging as a critical part of a product cannot be underestimated – it not only helps to reinforce the global brand identity but also helps to customise it to meet the needs of the host culture.
Fourth, the new glocal product needs to fit the taste preferences of the host country. McDonald’s has modified several of its products to suit the Egyptian host culture in terms of offering appropriate portion sizes to suit the market and in relation to catering for Egyptian preferences for spicy foods.

Fifth, the McProduct has to fit the operational platform which is standardised across the chain in terms of layout and equipment – design for process. The product has to be designed so that it is easy to process in the branch and requires minimal preparation, cooking and service. It also has to be designed so that it can be processed on the standard equipment to avoid having to buy new equipment which would increase the capital costs associated with the introduction of a new glocal product. A considerable amount of planning goes into developing the operational procedures and involves cooperation between three departments – the operations department, the supply chain department and the marketing department.

The sixth consideration is speed of production which is the QSR’s unique selling proposition - new products must be quickly and easily processed so a quality product can be provided quickly for customers.

The seventh issue relates to standardisation. A critical part of the new product development process relates to the production of the Blue Book which includes a full set of instructions on how to prepare and serve the new glocal McProduct – storage and cooking times and temperatures. The Blue Book coupled with
training is the communication link between managers and employees and ensures product standardisation and results in product consistency and quality which is a defining feature of global QSRs.

7.3 Price

Getting the price right is an overwhelming issue for new glocal products. There were several aspects to this: the absolute price in terms of perceptions of value for money and the relative price in relation to substitute products offered in house and by competitor QSRs. McDonald’s has a reputation for getting the price right and, as mentioned in chapter five, the prices of McDonald’s products are taken as a barometer for the cost of living in countries worldwide and closely tied to customers’ incomes and purchasing power (Khan, nd). In considering the right price a clear understanding of the target market was required (e.g. students differ from workers in terms of their price sensitivity).

Various factors impacted on the price that McDonald’s could deliver its new glocal products for and the price of raw materials was crucial in this. Higher raw material costs led to a decrease in the profit margin and reduced the financial viability of the product. Imported raw materials were vulnerable to currency exchange rates, import duties and fluctuations in price resulting from global inflation. Locally-sourced raw materials were subject to local inflation which resulted in fluctuations in their price. High temperatures affected the cost and quality of locally-sourced raw materials.
A range of strategies were used to stabilise raw material prices. First a localization strategy was used to ensure that the bulk of the supplies were sourced locally and to avoid currency exchange rates, import duties and fluctuations in price resulting from global inflation. Currency hedging was one strategy used to overcome fluctuations in exchange rates associated with those materials that had to be imported and as the KFC chain manager (GC-QSRK9) explained: "McDonald’s QSRs implemented hedging programmes for six months through a non-profit company to get a stable price for commodities like meat and oil over a period of time to enable it to continue to offer its £5 LE menu". Supply chain management and negotiations with local suppliers were critical to ensuring a steady supply of consistent raw material quality at a fixed price. As the McDonald’s supply chain manager (GC-QSRM8) explained: "It was all to avoid harming our brand name as well as losing the trust of our suppliers ... in hard times - for example when there is high inflation - suppliers will support you by supplying large quantities of raw materials at agreed quality standards with small profit margins". The McDonald’s supply chain manager (GC-QSRM8) explained that McDonald’s were well aware that they could not put too much pressure on suppliers as this would jeopardise quality: "We cannot put pressure on suppliers to get a lower price which would negatively impact on quality standards as this would jeopardise our brand name and image". However, despite all these strategies the ingredient costs for the McFalafel sandwich were high and so it could not be introduced at a competitive price.
Wherever possible McDonald’s based its new glocal products on the palette of ingredients it already used to obviate the need to source additional new raw materials. Great care was taken in the new product development process to ensure that the requisite raw materials could be sourced in appropriate volume and at an appropriate price with the price fixed for a fixed period.

7.4 Place

The location of McDonald’s restaurants was strongly influenced by demographic factors of which the most important factor was household income. There was good consensus on definitions of socio-economic class amongst the managers and reasonable consensus on the income levels associated with these classifications (see Table 7.1).

<table>
<thead>
<tr>
<th>Class</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Class</td>
<td>Monthly income threshold of 80,000 LE</td>
</tr>
<tr>
<td>B Class</td>
<td>Monthly income threshold of 30,000 LE</td>
</tr>
<tr>
<td>C1 Class</td>
<td>Monthly income threshold of 10,000 LE</td>
</tr>
<tr>
<td>C2 Class</td>
<td>Monthly income threshold of 5,000 LE</td>
</tr>
<tr>
<td>D</td>
<td>Infrequent visitors on less than 5000 LE per month who use QSRs for festivals and celebrations</td>
</tr>
<tr>
<td>E</td>
<td>Infrequent visitors on less than 5,000 LE per month who buy only low-priced items</td>
</tr>
</tbody>
</table>

Although McDonald’s core markets in Egypt were socio-economic classes A, B and C, they had produced a range of ‘economy’ products to attract customers from lower socio-economic classes D and E, e.g. the 5LE menu and a range of
children's meals. McDonaId's restaurants were located in upscale areas of Giza-Cairo in which many people from socio-economic classes A and B lived, e.g. El Mohandeseen. In terms of the specific location within these areas legislative requirements relating to the provision of parking to prevent traffic congestion was a major consideration. Whether the QSR is to provide a home delivery or 'drive thru' service was also a consideration which impacted on the restaurant location.

Once the location was determined, the décor of the restaurant was critical to promoting the brand identity of the global QSR chain. It was extremely important to success that the QSR premises were well maintained. Several QSRs had been adversely affected and gone out of business as a result of poor décor. The franchising agreement was the place to identify décor-related requirements for franchisees to ensure the QSR branch met the brand standards.

A major consideration in relation to the new glocal product design was that it could be processed in the branch on existing equipment. Additional equipment would increase the capital expenditure associated with the new glocal product. It would also require additional kitchen space and the spatial constraints of many of the branch kitchens would prevent the inclusion of new equipment.
7.5 Promotion

Appropriate promotion was "... vital to the success or failure of a new product".

All aspects of the product's marketing strategy had to be agreed including the slogan, the marketing message, and the art work that would be employed.

The promotion of the product and its differentiation in the marketplace started with the name of the product. All McDonald's products were named as McProducts - the first part of the name (Mc referring to McDonald's), the second part of the name emphasising the provenance of the sandwich. So the name McFalafel clearly stated through the name that the McFalafel was McDonald's version of the traditional falafel sandwich. Similarly, the name McArabia emphasised to Arabic customers its provenance. Both names reinforced the local credentials of McDonald's Egypt.

McDonald's Egypt used a range of promotional media to promote their new glocal products. Marketing channels include internal promotion - local promotion in the restaurant outlet which is reinforced by restaurant staff - and external promotion which includes billboards and other media, e.g. the Internet and newspaper, radio and television commercials. Rumours disseminating misinformation were a particular issue for McDonald's in Egypt. The website was a particularly important tool for publishing information to refute these rumours.
7.6 Success and failure factors for new glocal McProducts in Egypt

The consistency of supply of raw materials of the right quality for new glocal products was a major issue for McDonald’s. One of the McDonald’s branch managers (GC-QSRM7) explained: “product quality is an essential element. Critical product characteristics include: the freshness; the temperature at which it is served; the texture; the flavour; the colour”. McDonald’s Egypt faced considerable problems in sourcing raw materials of the right quality for the McFalafel sandwich as the McDonald’s supply manager (GC-QSRM8) explained: “McDonald’s Egypt faced considerable challenges in supplying the raw materials for the McFalafel sandwich to meet our exacting specification and quality measures”. This was not a problem for the McArabia sandwich which drew its ingredients from the palette of existing ingredients used for other McProducts.

The sourcing of raw materials at a stable price was a key issue in relation to the competitiveness of a new QSR product which have small profit margins. Notwithstanding the quality of the raw materials for the McFalafel sandwich, its raw materials were adversely affected by inflation which impacted negatively on price at which McDonald’s could supply the sandwich to its customers. As Mo’men area manager (LEC-QSRM1) explained: “increases in raw material prices led to increases in the cost of food and sandwich packaging which impacted on sales”. In contrast, the raw materials for the McArabia sandwich were able to be supplied to McDonald’s at a stable price.
It is important that a new glocal product fits the brand identity of a global QSR. McDonald’s image is strongly meat-oriented as a provider of ‘burgers in buns’. The McArabia sandwich fits with the brand identity as one of the McDonald’s branch managers (GC-QSRM7) explained: “the category strategy for the local traditional products which is being adapted must fit the brand identity as happened with the McArabia sandwich”. Kofta and kebab, on which the McArabia was based, would be eaten by all socio-economic classes in Egypt especially the higher socio-economic classes. In contrast, the McFalafel did not fit the brand identity for a number of reasons. It was a vegetarian burger and so although it was a ‘burger in a bun’ it did not fit McDonald’s meat orientation.

Although falafel has strong Egyptian associations, the ful on which the McFalafel was based is a staple food eaten by lower socio-economic classes. In contrast to the West where McDonald’s would be seen as down-market, in Egypt it is up-market - a way of associating oneself with a Western lifestyle. To eat at McDonald’s Egypt is relatively expensive and therefore aspirational – a ful-based product does not fit with such aspirations. Thus, McDonald’s got the category strategy wrong at the earliest stage of the new product development process.

The McArabia sandwich achieved the authentic flavour of the traditional dish of kebab and kofta on which it was based and which suited local taste preferences. It had an Arabic shape and size and was served with Arabic bread. The taste and texture of the McArabia texture were consistent with the taste and
texture of the original kofta and kebab product. The smell of the McArabia was good.

In contrast, the McFalafel had a number of problems. It did not have the authentic taste or texture of the original falafel sandwich. As the McDonald’s general training manager (GC-QSRM4) emphasised:

*McDonald’s was not a specialist in falafel so it did not fit all customers’ needs. Our focus is to offer customers a consistent quality sandwich with an authentic taste. It was good but not as good as the falafel an Egyptian can buy at his neighbourhood stand.*

The McFalafel was a typical McProduct – an American-style burger in a bun, as industry expert (IN.EX.1) explained: “McDonald’s QSRs served McFalafel sandwiches in burger buns”. This echoes Atia (2000: online) who commented: “It’s falafel alright, even though it looks exactly like a hamburger and is couched in a standard sesame seed McDonald’s bun; it’s filling”. Notwithstanding its appearance, one of the McDonald’s branch managers (GC-QSRM7) commented: “The McFalafel sandwich was only offered one taste – mild – whereas the original was served in two tastes - spicy and mild”.

Not just the taste, but also the texture of the McFalafel was a problem since McDonald’s only offered a well-done patty whereas traditional falafel sandwiches are offered at various degrees of cooking - rare, medium rare, medium, medium well, well done. The industry expert (IN.EX.1) commented on the texture of the McFalafel: “The McFalafel was crunchy which differed from the original and it did not taste of Ta’miai”. As the McDonald’s general training
manager (GC-QSRM4) explained: "The texture did not fit the Egyptian market because the way it was cooked differed from the original". As one of the global QSR branch managers (GC-QSRM6) commented: "this sandwich is more American than Egyptian". The industry expert (IN.EX.1) emphasised that "there no consistency between the texture of the McFalafel and falafel".

The McDonald’s operation manager (GC-QSRM6) explained that the smell of the McFalafel was not good and was alien to McDonald’s customers. One of the McDonald’s branch managers (GC-QSRM7) added: “McDonald’s customers complained that the McFalafel made a bad smell in McDonald’s restaurants”.

Thus, in various ways the McFalafel did not meet the standards set by the traditional product it was adapted from. As industry expert (IN.EX.1) explained: “There was something missing about the McFalafel sandwich - it was not bad but it was not excellent”.

The packaging of the McFalafel also proved problematic. As one McDonald’s branch manager (GC-QSRM7) argued: “the packaging of the McFalafel caused problems. The size was not good”. The McDonald’s general manager (GC-QSRM1) added: “a customer could not control his sandwich in his hands. It was chaotic!”. Supermaki (2008) and Rundh (2009) both highlighted the importance of product packaging in helping global brands to suit local cultures. In contrast the McArabia sandwich was attractively packaging and suited McDonald’s high socio-class customers as explained by KFC chain manager (GC-QSRK9):
"McArabia has unique and easy to use packaging for customers". In contrast, the McFalafel’s packaging was not good and was deemed unsuitable by McDonald’s customers.

New glocal products must be suitably priced to match the budgets of its target market segment and to compete successfully with the local and global QSR competition. The McArabia was seen to be good value for money in relation to the traditional product it was adapted from whereas the McFalafel was not. As industry expert (IN.EX.1) explained: “the McFalafel price was five times the price of a traditional falafel served in a local Egyptian restaurant which have a long experience of serving falafel sandwiches”.

The McArabia sandwich did not have a substitute product in the QSR market whereas there was a cheaper and better substitute product for the McFalafel sandwich in the restaurant market as mentioned by the McDonald’s general training manager (GC-QSRM4) who emphasised: “there was a good substitute for falafel in terms of price and quality on offer with our competitors”.

The McArabia sandwich was perceived as being aspirational and was seen as being is suitable for McDonald’s socio-economic class A and B customers. The McFalafel was initially popular as McDonald’s general manager (GC-QSRM1) explained: “McDonald’s sold around a million McFalafel sandwiches in just a matter of 10 to 14 days” since as McDonald’s general training manager (GC-QSRM4) added: “It was very strange for McDonald’s to adapt a local Egyptian
product and launch it in American style. People came just to try the sandwich”. However, once the initial novelty had worn off the McFalafel was not seen as being suitable for these customers because of its association with the humble staple food ful. The McFalafel’s down-market association was further exacerbated by the promotion of the McFalafel by folk singer Shaaban Abdel-Rahim and his jingle based on the ‘I hate Israel’ song. As one of the McDonald’s branch managers (GC-QSRM7) explained: “McDonald’s Egypt promoted the McFalafel sandwich with the wrong singer who sang against Israel”. Thus, the McFalafel promotion targeted the wrong market segment of people who only visited McDonald’s restaurants infrequently during their feasts, as one of the Mo’men branch managers (GC-QSRM7) explained: “the vast majority of falafel sandwich customers were low socio-economic class D and E and they just do not visit our restaurants regularly”.

Speed of preparation is the QSRs’ unique selling point and time is money. As McDonald’s operation manager (GC-QSRM6) explained: “the new product must be quick and easy to prepare and serve”. The McArabia sandwich was easy to operate in McDonald’s dry kitchens and could be quickly prepared using existing equipment. In contrast, although the McFalafel could be prepared using existing equipment it could not be prepared as quickly.
7.7 Making sense: a model for glocalisation through new glocal McProduct development in global QSRs in non-Western countries

In this section the four individual elements of the big picture of glocalisation in global QSRs operating in non-Western countries will be put together. These four elements are: the new product development process; the external factors; the internal factors; the marketing mix.

External factors were not in the control of McDonald’s but were drivers for change triggering new glocal product development and forcing them to modify their mode of operation to remain competitive in the marketplace and therefore sustainable in the longer term.

Internal factors constrained innovation since McDonald’s has to take into account their brand identity and operational processes in their response to the external drivers for change with implications for various aspects of the new glocal product development process.

The new product development process was a streamlined version of the standard new product development process since, in relation to some of the drivers for change, speed of response was of the essence. The result of the process was the new glocal product which might be successful (or not) with particular elements contributing to the success and failure. If the marketing mix is right and based on good market research the result is a competitive and sustainable global QSR business in non-Western countries. This is summarised in Figure 7.1. Together the new glocal development process, the internal factors
and the marketing mix can be controlled by the global QSR and thus together represent the corporate response. It is important that the corporate response is appropriate to the external factor triggering the corporate response.

**Figure 7.1: An outline model of glocalisation through new glocal product development by global QSRs in non-Western countries**

In the next four sections each of the elements will be looked at individually and simplified by focusing on the aspects with implications for new glocal products to develop a detailed model of glocalisation through new glocal product development in global QSRs in non-Western countries. They will be brought back into a final model encompassing the triggers for new glocal product development in McDonald’s Egypt and the corporate response to these triggers in section 7.8.
7.7.1 External factors – drivers for new glocal product development

Economic factors had significant impact on the major demographic factor which was disposable income of potential customers. The core market for McDonald’s Egypt was socio-economic class A and B who with high work pressure were cash rich and time poor and seeking a Western lifestyle.

A range of economic factors - the global economic crisis and resultant inflation, fluctuations in currency exchange rates and high import duties - pushed up raw material costs and reduced profit margins in a highly competitive and price-sensitive market. McDonald’s Egypt had implemented a number of strategies to mitigate the associated risks. These strategies included currency hedging, a localisation strategy and negotiating stable prices with local suppliers. McDonald’s Egypt had adopted a blue ocean, pioneering strategy to respond to the red ocean strategies undertaken by local QSR competitors, e.g. Mo’men, and through ongoing market research had developed new products to respond to local market needs.

In terms of ecological factors the ones with major impact on new glocal product development were global food crises, particularly important to the McDonald’s Egypt operation were mad cow disease and swine flu. Each of these promoted a response from McDonald’s Egypt. In response to mad cow disease McDonald’s Egypt changed its beef supply to countries which were not affected by mad cow disease. Egypt was particularly affected in relation to swine flu as a result of heightened reaction to pork which is forbidden in Muslim culture. The
McDonald's Egypt response to the threat of swine flu was to embark on an education programme to raise awareness of the personal hygiene issues and to provide hand sanitising fluid in its washrooms. The aim was to build consumer trust as a form of collateral to defend against rumours and other misinformation.

A heady mix of political, information and social (especially religious) issues resulted in boycotts of McDonald's Egypt and was the major driver for the McFalafel (the first new glocal product produced by McDonald's Egypt) and later (as a result of the spectacular failure of the McFalafel) of the McArabia. As an American chain operating globally, McDonald's is particularly vulnerable to anti-American backlash when America intervenes in world politics. Following the American invasion of Iraq and Afghanistan, and as a result of perceptions of American support for Israel, McDonald's Egypt was seen as being too American and was boycotted across the Middle East. Falling sales was the major driver for a range of activities to promote the local credentials of McDonald's Egypt, i.e. that it was Egyptian owned, Egyptian operated and used Egyptian products so making a major contribution to the Egyptian economy – 100% Egyptian. The McFalafel and the McArabia were attempts to enhance the Egyptian credentials. Alongside this McDonald's Egypt enhanced its local links and sought to demonstrate explicitly, through a range of visual signals, its understanding of local values. It increased its CSR activities, it made halal labeling explicit on the packaging of its products and it ensured that its uniforms (particularly for its female staff) were consistent with local traditional dress codes. Alongside this it ran a series of media campaigns on television and on its
website to counter rumours and misinformation and to attempt to overcome the boycott.

Neither legal factors nor technological factors per se were seen to trigger new glocal product development in the Egyptian context and thus were removed from the list of external factors. The external factors which were reported by the managers to have triggered new glocal product development in Egypt were social factors, political factors, economic factors, ecological factors, demographic factors and informational factors. These can be summarised in the acronym SPEEDI which is perhaps appropriate in the QSR context and are summarized in Figure 7.2.
Chapter seven: Critical success factors for new glocal McProducts in Egypt

Figure 7.2: SPEEDI – the external factors which drive new glocal McProduct development in non-Western countries
7.7.2 Internal factors – constraints on new glocal McProduct development which impact on the new glocal product development process

There are a number of operational constraints which impacted on the new product development process. First, and foremost, the new glocal product must fit the brand identity of the glocal QSR. In the case of McDonald’s this defines the product as fitting within the product portfolio as a recognizable McProduct with a meat orientation. This issue is addressed in the category strategy step of the new glocal development process.

The new glocal product is by definition an adaptation of a local traditional food. In the case of McFalafel the local traditional food was the falafel sandwich; for the McArabia it was kofta and kebab. These decisions about which local traditional food will be adapted and how are made in the ideas generation step of the new glocal product development process.

The new glocal product has to be standardised. The standardisation process involves consideration of the availability of the raw materials, the design of the packaging and a series of issues relating to the ease of operation in the branches and the times of cooking and serving. These issues are considered in the product optimisation step.

The third area in relation to internal factors was staffing issues in relation to training, motivation, satisfaction and loyalty and teamwork. These were critical to success in the QSR branches. These issues were addressed through the
development of the Blue Book which was a major focus of the concept refinement and development step of the new glocal development process. The Blue Book underpinned training and supported the standardisation of the product and ensured that a product of consistent quality was delivered to the customer.

Finally was the issue of quality management. Quality management was considered by the managers as an “ongoing process”. Quality management underpinned all aspects of operational management of McDonald’s and provided a holistic overview of them ensuring that they were consistent and coherent.

The relationship between the internal factors and the new glocal product development process are summarized in Figure 7.3.
Figure 7.3: The relationship between internal factors and the new glocal product development process
7.7.3 The marketing mix for new glocal McProducts in non-Western countries

The critical issue in relation to the marketing mix for a new glocal McProduct is that it is developed in response to good market research. Market research is at the heart of the process to ensure that the new glocal product fits the local culture. Market research informs the interpretation of the drivers and the development of an appropriate response strategy which may result in new glocal product development. It also informs specific aspects of the new glocal product, particularly its price in relation to competitor products in the marketplace. The success factors identified in chapter six can be related to different aspects of the marketing mix as summarized in Figure 7.4.

Figure 7.4: The marketing mix and the critical success factors for new glocal McProducts in non-Western countries
7.8 Corporate response to drivers for new glocal product development by McDonald’s Egypt

As already emphasised external factors that are potentially damaging to the sustainability of the glocal QSR trigger a corporate response. In relation to the development of the McFalafel and the McArabia this corporate response was in the form of new glocal product development (see Figure 7.5).

Figure 7.5: Triggers for glocal product development and the corporate response in McDonald’s Egypt

In the case of McDonald’s Egypt the key triggers could be summarised by the acronym SPEEDI. For the new glocal product to be successful it was important that the corporate response was appropriate to the trigger so that the new glocal product was ‘fit for purpose’. Table 7.2 shows how the McArabia and the
McFalafel performed on critical aspects of the three critical aspects of the marketing mix relating to new glocal products – product, price and promotion.

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Question</th>
<th>McArabia</th>
<th>McFalafel</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Price</strong></td>
<td>Is the product competitively priced?</td>
<td>There was no substitute product in the QSR marketplace and the price of the McArabia compared well with the traditional product on which it was based.</td>
<td>The McFalafel was seen to be expensive and was competing with a wide range of cheaper substitute products which were seen to be better.</td>
</tr>
<tr>
<td></td>
<td>Is the product perceived as value for money?</td>
<td>The McArabia was perceived as value for money.</td>
<td>Not perceived as value for money.</td>
</tr>
<tr>
<td></td>
<td>Can the product be produced as a price which is competitive in the marketplace and is profitable for the QSR?</td>
<td>The McArabia could be produced at a price which was competitive in the marketplace and was profitable for McDonald’s Egypt.</td>
<td>The McFalafel could not be produced at a price which was competitive in the marketplace and made a profit for McDonald’s Egypt.</td>
</tr>
<tr>
<td><strong>Product</strong></td>
<td>Does the product fit with QSR’s brand identity</td>
<td>The McArabia’s meat image fitted the McDonald’s brand identity.</td>
<td>The vegetarian McFalafel sandwich did not fit McDonald’s strong meat orientation.</td>
</tr>
<tr>
<td></td>
<td>Is the product based on good market research?</td>
<td>The McArabia was introduced more carefully in 2003 and was able to learn from the lessons of the McFalafel in 2001.</td>
<td>The McFalafel was introduced quickly in 2001 in reaction to the boycotting of McDonald’s as a result of American activities in the Middle East.</td>
</tr>
<tr>
<td></td>
<td>Is the product based on a traditional local dish?</td>
<td>Based on kofta and kebab.</td>
<td>Based on the traditional falafel sandwich.</td>
</tr>
<tr>
<td></td>
<td>Does the product fit with the local culture?</td>
<td>The McArabia fitted with the local culture and was attractive to McDonald’s core market.</td>
<td>The McFalafel did fit the local culture but was aimed at the wrong market segment of customers who were infrequent visitors to McDonald’s restaurants.</td>
</tr>
<tr>
<td></td>
<td>Does the name of the sandwich suitable to emphasize its</td>
<td>Suitable as it emphasized Arabic credentials of McArabia.</td>
<td>Unsuitable as it emphasized the humble origins of the McFalafel.</td>
</tr>
</tbody>
</table>

Table 7.2: A comparison of the McFalafel and McArabia sandwiches in terms of the critical success factors
<table>
<thead>
<tr>
<th>Egyptian/Arabic credentials?</th>
<th>The McProduct was seen as an authentic representation of the original dish in terms of taste and texture.</th>
<th>The McProduct was not seen as an authentic or appropriate representation of the original dish. In terms of taste, texture and smell.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the product sufficiently authentic?</td>
<td>The McArabia was seen to be aspirational by McDonald’s core market.</td>
<td>The McFalafel was not perceived to be aspirational by McDonald’s core market – socio-economic classes A, and C1.</td>
</tr>
<tr>
<td>Is the product suitably aspirational to meet the needs of the QSR’s core market?</td>
<td>The McArabia was offered in two meat flavours (beef and chicken) and in two tastes (normal and spicy taste).</td>
<td>Did not fit local taste.</td>
</tr>
<tr>
<td>Does the standardised product fit with local taste preferences?</td>
<td>The McArabia was easy to operate using the standard equipment available in McDonald’s branch kitchens.</td>
<td>The McFalafel was not easily-operated using the standard equipment available in McDonald’s branch kitchens.</td>
</tr>
<tr>
<td>Is the product easy to operate in the kitchen using the standard equipment?</td>
<td>The size of the McArabia was appropriate to the Egyptian market.</td>
<td>The size of the McFalafel was that of an American burger and not appropriate to the Egyptian market.</td>
</tr>
<tr>
<td>Is the size of the product appropriate to the target market?</td>
<td>Arabic-style.</td>
<td>American-style.</td>
</tr>
<tr>
<td>Is the shape of the product acceptable to the target market?</td>
<td>Same components as original product but with “something lacking” and in American rubber bun.</td>
<td>Same components as original dish with Arabic bread.</td>
</tr>
<tr>
<td>Are the ingredients authentic?</td>
<td>The McArabia’s ingredients were within the palette of McProduct ingredients so no additional procurement was required.</td>
<td>The McFalafel’s ingredients were not within the palette of McProduct ingredients so additional procurement was required.</td>
</tr>
<tr>
<td>Does the product draw on the palette of ingredients used by other McProducts?</td>
<td>The McArabia was offered in a smart attractive gift-like package</td>
<td>The packaging was not easy to handle by customers and was not perceived as good.</td>
</tr>
<tr>
<td>Is the packaging and art work suitable for the product?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Chapter seven: Critical success factors for new glocal McProducts in Egypt

<table>
<thead>
<tr>
<th>Promotion</th>
<th>Does the promotion of the product target the appropriate market segment?</th>
<th>The McArabia targeted all customer segments.</th>
<th>The McFalafel targeted customers from socio-economic classes D and E who were infrequent visitors to McDonald’s Egypt branches.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Is the nature of the promotion appropriate to the target market segment?</td>
<td>The McArabia is an aspirational product and suitable for all segments but particularly suitable for socio-economic classes A, B and C1 which are McDonald’s Egypt core market.</td>
<td>The in-house jingle by popular folk singer reinforced the humble origins of the McFalafel and was not seen to be aspirational. It was therefore unattractive to McDonald’s core market.</td>
</tr>
<tr>
<td></td>
<td>Staff were clear about the aim of the product and perceived it to be fit for purpose and promoted it in the restaurant.</td>
<td>Staff were not clear about the aim of the product and did not perceive it to be fit for purpose and did not promote it in the restaurant.</td>
<td></td>
</tr>
</tbody>
</table>

7.9 Summary

This chapter has drawn together the case study of McDonald’s Egypt and the McFalafel sandwich introduced in 2001 and McArabia sandwich introduced in 2003 to identify the reasons for the success of the McArabia sandwich and the failure of the McFalafel sandwich (see Table 7.1). Both sandwiches were produced to reinforce McDonald’s Egypt’s Egyptian credentials and to overcome falling sales as a result of boycotts resulting from McDonald’s Egypt’s strong American image and high visibility which made it a major victim of anti-American backlash in the Middle East resulting from American interventions in Iraq and Afghanistan and perceptions of its support for Israel. McDonald’s Egypt’s position was further weakened by glocal food crises – particularly mad
cow disease, avian flu and swine flu – and by commercial rumours spread by its local QSR competitors.

In many ways the McFalafel was more typically Egyptian than the McArabia being based on one of the most iconic Egyptian dishes – falafel. However, its adaptation into a McProduct failed on a number of counts. First, and probably most critical, was the price. McDonald’s had strong competition from local QSRs who were able to produce a substitute product – the traditional falafel sandwich - at a fraction of the price that McDonald’s could. Strongly aimed at attracting socio-economic classes D and E, McDonald’s used a popular folk singer to promote it in its restaurants. However, this segment of customers was extremely price-sensitive and not McDonald’s core market rarely frequenting McDonald’s restaurants. In contrast to McDonald’s positioning in the UK, McDonald’s in Egypt is an aspirational product sought out by wealthier Egyptians seeking to align themselves with Western lifestyles. The falafel with its humble origins just does not chime with such aspirations. Second, the McFalafel was a typical McProduct - a burger in a bun – bearing little or no relation to traditional Egyptian falafel sandwiches and seen to be “more American than Egyptian”. Third, as a vegetarian burger it did not suit McDonald’s strong meat orientation. Fourth, it was only offered in one taste – mild – whereas traditional falafel sandwiches are offered in spicy and mild varieties. Fifth, the McFalafel was only offered as a well-done patty and was crunchy whereas traditional falafel sandwiches can be purchased at various degrees of cooking - rare, medium rare, medium, medium well, well done. Sixth,
there was a problem with smell of the McFalafel when it was processed in the
restaurants. Seventh, the packaging was problematic – the size was not good
and: “a customer could not control his sandwich in his hands. It was chaotic!”.

In contrast the McArabia learnt from the lessons of the McFalafel and
addressed many of these issues going on to be a successful glocal McProduct.
The McArabia presented its wider Arabic rather than its Egyptian credentials. It
was also based on an iconic Egyptian dish – kofta and kebab – but one that is
more aspirational. The success of the McArabia was based on a number of
different reasons. First, there was no substitute product in the QSR market so
there was no competition although the McArabia did cannibalise other
McProducts. Despite being more expensive than the McFalafel, the McArabia
could be produced at a price which was seen as representing reasonable value
for money in the Egyptian marketplace. The McArabia product was attractive to
McDonald’s core market. Second, the McArabia was not promoted as a typical
McProduct - a burger in a bun. It was offered in a more appropriate style with
Arabic bread and in attractive packaging. It did not look American. Third, it was
a meat product and so did suit McDonald’s strong meat orientation. Fourth, it
was only offered in two flavours – beef and chicken.

It is clear that the McFalafel was developed very quickly (about two months) as
a reactive strategy to survive the fall in sales resulting from a boycott of
McDonald’s Egypt. The product development process was rushed and the
mistake of selecting the wrong category strategy was not addressed throughout.
The McProduct reinforced its American origins. It was not attractive to McDonald’s core market and being far more expensive than substitute products was unsuitably priced as a product for attracting new customers from socio-economic classes D and E who were infrequent visitors to McDonald’s restaurants. It was not an authentic product and had strong competition from local QSRs who were able to produce better, cheaper products. As a vegetarian product it simply did not fit McDonald’s brand identity. The development process for the McArabia was more considered (four months) and addressed most, if not all, of the shortcomings of the McFalafel.

Thus, in drawing the key issues together into a big picture (as shown in Figure 7.1), it can be seen that the external factors act as drivers for the innovation of new glocal products. These products must be developed taking due consideration of a range of operational constraints – the fit with brand identity, that they are based on a local traditional food which has been adapted in the development of the global product, that they are standardised to meet the constraints of the operating platform, particularly the equipment required in their preparation in the branches and the staffing requirements. As a result the new product development process results in a new glocal product for which there are a number of success and failure criteria relating to different aspects of the marketing mix. If the glocal QSR gets it right then the new glocal product will contribute to the competitiveness of the glocal QSR and its sustainability in the longer term. Get it wrong and the long-term sustainability of the global QSR in the non-Western market is in jeopardy.
The next chapter, chapter eight, will draw the thesis to a close and present the conclusions through a review of objectives and a statement of the contributions of the thesis. It will identify the limitations of the thesis and outline some opportunities for further research.
CHAPTER EIGHT
CONCLUSION

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CHAPTER EIGHT
CONCLUSION

8.1 Introduction

This chapter draws the thesis to a close. It first undertakes a review of the objectives and presents the major findings and the answers to the research questions presented in chapter one. It then identifies the contributions of the thesis to theory, practice and methodology. It moves on to discuss the limitations of the thesis and concludes with an outline of opportunities for further research.

8.2 Review of objectives

The overall aim of this thesis was to develop a model of glocalisation through new glocal McProduct development in global QSRs in non-Western countries showing the success and failure factors for new glocal products through a case study of two glocal products - the McFalafel and the McArabia sandwiches by McDonald’s Egypt. This aim was achieved through the following objectives.

Objective 1: Critically review relevant literature regarding the strategies of global QSRs operating in non-Western countries to develop a conceptual framework of the key factors which affect the new product development process for glocal products.

This objective was achieved through undertaking a comprehensive review of relevant literature on restaurants and globalization with a particular focus on the
key issues of global QSR operations in specific country markets and is presented in chapter two which comprises five major sections:

The second section of the literature review chapter two explored external factors. These are the driving force which trigger the development of new glocal products by global QSRs operating in non-Western countries. External factors were considered using the DEEPLIST checklist (demographic, economic, ecological, political, legal, informational, social, and technological) as a lens (Finlay, 2000).

The third section of chapter two considered internal factors which are critical to the global QSR context. These were considered under four headings: franchising (which covers three important areas - standardization, adaptation and customisation); human resources management issues (staff training, staff motivation, satisfaction, loyalty and teamwork); marketing mix (the 4 Ps – product, price, place and promotion which affect the success of the new product development process); quality management.

The fourth section of chapter two explored the new product development process. It included four sections: the first section was about new products; the second explored the reasons for developing new products; the third looked at the hazards associated with new products; the fourth section went through the new product development process.
The chapter concluded by bringing the three key areas of external factors, internal factors and the new product development process into an outline model which was used as the basis for the methodology and the semi-structured interviewed which were at the core of the data collection. The research approach adopted was phenomenological and explored the experiences of the managers of global and local QSRs in Egypt of the QSR industry and particularly the development of new glocal products. It used the McFalafel and the McArabia as case studies and focused on three key areas - external factors, internal factors and the new product development process. Following some preliminary discussions in 2008, three phases of fieldwork were undertaken: phase one in 2009 focused on external factors; phase two in 2010 focused on internal factors; phase three in 2011 focused on the new product development process itself.

**Objective 2 Identify the external factors which act as drivers for the process of new glocal product development by global QSRs in non-Western countries.**

This objective was considered in chapter four. It was linked to answering one of the main research questions addressed in this thesis: i.e. what drives global QSRs to undertake new product activities to meet the needs of local, non-Western, markets?; To accomplish this objective and answer these questions, an exploratory case study of global QSRs in non-Western countries (Egypt) was developed to explore the key factors which drive new glocal product development using the DEEPLIST checklist developed by Finlay (2000). External factors were the driving force triggering the new glocal product
development process in global QSRs in non-Western countries. Neither legal nor technological factors had triggered new glocal product development but demographic, economic, ecological, political, informational and social factors had.

The first external driving forces for new glocal product development were demographic factors of which income, which determined the purchasing power of potential customers, was the dominant issue. Unlike in Western countries McDonald’s products are aspirational and sought out by high-earning customers living in the better parts of Cairo and Giza who craved Western lifestyles. It became clear that customers from socio-economic classes A and B were the core market for McDonald’s Egypt. Customers from socio-economic classes D and E were infrequent visitors to McDonald’s QSRs. McDonald’s had undertaken various strategies to attract these visitors with varying degrees of success.

The second set of factors was economic factors. These were closely related to demographic factors because of their impact on disposable income and price of the final product. Sourcing raw material to McDonald’s demanding specification was a major challenge. On first entry to a new country market most of the raw materials were imported but over time there was a deliberate shift to a localization strategy to source products locally for a number of reasons – global inflation as a result of the global economic crisis, fluctuating currency exchange rates and high import duties. The QSR market is highly competitive and QSR
products individually have low profit margins and rely on high sales volume. Whilst some of McDonald’s competitors had adopted red ocean strategies, McDonald’s had maintained a blue ocean, pioneering strategy using innovation to maintain its brand identity and position as the market leader and to lure customers from its competitors.

The major issues in relation to ecological factors were global food crises which had impacted negatively on the global QSR market. Mad cow disease and swine flu had impacted particularly badly on McDonald’s operations - mad cow disease because of McDonald’s beef focus for many of its products; swine flu because of heightened sensitivities in Muslim-dominated Egypt around pork products exacerbated by red ocean strategies from competitors who took advantage of its vulnerability. As a result of these crises McDonald’s had sought to broaden its palette of ingredients and diversified its product range to include vegetarian, fish and chicken items to mitigate risk. It had also changed the source of its beef supply to countries not affected by mad cow disease. In efforts to build trust, and in response to the swine flu crisis, McDonald’s Egypt had mounted an awareness-raising campaign about the importance of personal hygiene in the control of swine flu and had offered hand sanitisers in its washrooms.

Religion was probably the most important social factor in relation to QSR operations in the Middle East. Many Westerners would find it difficult to understand the dominant role that religion plays in the daily lives of people in
the Middle East, whether Jewish, Christian or Muslim. A heady mix of political, informational and social (especially religious) factors had resulted in boycotts of McDonald’s Egypt and was the major driver for the McFalafel (the first new glocal product produced by McDonald’s Egypt) and later (as a result of the spectacular failure of the McFalafel) of the McArabia. As an American chain operating globally, McDonald’s was particularly vulnerable to anti-American backlash when America intervened in world politics. Following the American invasion of Iraq and Afghanistan, and perceptions of American support for Israel, McDonald’s Egypt was seen as being too American and was boycotted across the Middle East.

Falling sales was the major driver for a range of activities to promote the local credentials of McDonald’s Egypt, i.e. that it was Egyptian-owned, Egyptian-operated and used Egyptian products so making a major contribution to the Egyptian economy – 100% Egyptian. The McFalafel and the McArabia were attempts to enhance McDonald’s Egypt’s Egyptian credentials. Alongside this McDonald’s Egypt enhanced its local links and sought to demonstrate explicitly, through a range of visual signals, its understanding of local values. It had increased its CSR activities (through donations to local charities – a cancer hospital, a kindergarten and a fund to develop an undeveloped area), made halal labeling explicit on the packaging of its products and ensured that its uniforms (particularly for its female staff) were consistent with local conservative dress codes. McDonald’s had also run a series of media campaigns on
television and on its website to counter rumours and misinformation and to attempt to overcome the boycott.

Of the DEEPLIST factors, social, political, economic, ecological, demographic and informational factors were the critical triggers for new glocal product development by McDonald's Egypt and can be summarized into the acronym SPEEDI (see Figure 8.1). Neither legal factors nor technological factors had triggered new glocal product development and thus were dropped from the model.
Objective 3: Identify the internal factors which constrain the new glocal product development process for glocal products.

Internal factors were major constraints on the new product development process and were discussed in chapter five which answers the second
research question, i.e.: what constraints do internal factors impose on new glocal products in global QSRs? Four internal factors were considered: franchising; human resource management issues; marketing and the marketing mix; quality management.

Business franchise formatting is the strength and weakness of the global QSR. The benefits of a strong brand identity resulting from business format franchising cannot be underestimated. Franchisees buy into a brand to enhance the potential for success that the brand promises. However, QSR brands are staunchly defended by their franchisors and are highly resistant to change. Innovation by franchisees, in terms of developing new products to meet the specific needs of particular markets, is tightly controlled and extremely bureaucratic. QSR products are also stereotypical which limits the nature of the products which can be developed for a particular global QSR. McDonald’s new glocal products have to be McProducts – they are burgers in buns. McDonald’s branches are kitted out in particular ways with standard equipment on which to produce standard menu items. McProducts have to be designed for process as any departure from the existing processes, even in terms of needing an additional sauce gun, can result in major cost implications across the chain. Addition of new ingredients to the QSR’s palette incurs major challenges and costs in terms of supply chain management. Standardization is the critical concept in global QSRs so they can deliver consistent product quality. Adaptation of local traditional foods in non-Western countries to satisfy the
needs of local customers is the means by which new glocal products are achieved.

Global QSRs offer McJobs and as a result tend to experience high staff turnover. Global QSR operations and products are designed to take account of this. In QSR branches training is simple since the tasks undertaken require low skills. Despite employees have a critical role to play in product promotion and are an important consideration in new glocal product development. Management issues, particularly in relation to staff motivation, satisfaction, loyalty and teamwork, are critical to the delivery of a consistent QSR product.

The third set of factors considered in relation to internal factors was marketing and the marketing mix. Global QSRs undertook intensive market research to successfully launch new products in non-Western markets. They needed to keep a close eye on customer needs and new trends in the QSR market. Four aspects were considered in relation to the marketing mix: product; price; place; promotion - the 4Ps. In terms of product characteristics, new glocal products must simultaneously fit the global QSR’s brand identity (so for McDonald’s this meant meat products), meet customer needs and achieve profitability. In terms of price the new glocal product should be seen to represent value for money for the target market segment at which the product is aimed and must be priced in line with competitor products. In terms of McDonald’s Egypt, although this is not the case in Western countries and may not be the case for other non-Western countries, the product needs to be aspirational since McDonald’s core market is
customers of socio-economic classes A and B who crave Western lifestyles.
The third component of the marketing mix is place. Although there were critical
issues relating to place which affected the success of the QSR restaurant, such
as location (e.g. in up-market areas or near to universities, schools and
factories) and décor, place did not trigger new product development. The last
element of the marketing mix is promotion. Although McDonald's considered
that a good product should speak for itself, the importance of staff and of
customers in promoting new products through word of mouth (internal
promotion) was critical. The promotion for a new glocal product must speak to
the right market segments. This was a major problem with the McFalafel for
which the promotional jingle was sung by a folk singer popular among the lower
socio-economic classes D and E rather than the core market of socio-economic
classes A and B.

The fourth internal factor considered was quality management. Quality
management was considered by the managers as an "ongoing process". Quality
management underpinned all other aspects of the operational
management of McDonald's and provided a holistic overview of them (see
Figure 8.2).

Objective 4: Identify how the product development process is adapted for the
development of new glocal products – the failed McFalafel and the
successful McArabia sandwiches produced by McDonald's Egypt.
The results of this objective are presented in chapter seven. This objective is
linked to answering the third research question addressed in this thesis: what
are the steps in the new product development process for glocal products? This objective aimed to establish the steps involved in the new glocal product process. The semi-structured interviews with the managers identified ten steps comprising the new glocal product development process and that it was a streamlined version of the new product development process outlined by Ottenbacher & Harrington (2009) which comprised 13 steps. Figure 8.2 shows the relationship between the new glocal product development process and the internal factors which constrain it.
**Figure 8.2:** The relationship between internal factors and the new glocal product development process

**Objective 5:** Develop a model for glocalisation through new glocal product development in global QSRs in non-Western countries showing the critical success factors for new glocal products.

This objective is linked with developing a model for glocalisation through new glocal product development in global QSRs in non-Western markets and answering the final research question addressed in this thesis: What are the success and failure factors for new glocal products in non-Western markets? The results of this objective are presented in chapter seven. An outline model of glocalisation through new glocal product development by global QSRs in non-
Western countries is presented (see Figure 7.3). The model shows the external factors as the triggers for new glocal product innovation. It shows the internal factors as constraints on the new glocal product development process. The new glocal development process results in the development of new glocal product. Decisions relating to the marketing mix – notably product, price and promotion - are critical to the success and failure of the new glocal product.

**Figure 8.3:** An outline model of glocalisation through new glocal product development by global QSRs in non-Western countries.

Getting the marketing mix right through good market research, which is at the heart of the new glocal product development process, results in a successful new glocal product which can secure the sustainability and competitiveness of the global QSR in non-Western countries. This was the case for the McArabia sandwich. Getting it wrong, as happened for the McFalafel sandwich, does not
means that the global QSR is not competitive or sustainable in the longer-term. Figure 8.4 shows the marketing mix and the critical success factors for new glocal products in the non-Western markets as evidenced through the case study of McDonald’s Egypt and the McArabia and McFalafel sandwiches. There were no critical success factors relating to the place aspect of the marketing mix which were linked to new glocal product development.

**Figure 8.4:** The marketing mix and the critical success factors for new glocal McProducts in non-Western countries

The final model relating external factors for new glocal product development shows the external factors triggering new glocal product development as evidenced through the McDonald’s Egypt case study (see Figure 8.5).
Figure 8.5: External factors for new glocal product development and the McDonald's Egypt corporate response

For success the corporate response to the triggers has to be appropriate. These critical success factors for the new glocal product can be summarised as a series of questions (see Table 8.1). Application of these questions to the potential new glocal product and development of a set of answers through good market research which ensure that the global QSR has a good understanding of the cultural context in the non-Western country should be able to ascertain its potential for success with the global QSR's core market.
**Table 8.1:** Questions relating to aspects of the marketing mix that enable the evaluation of a potential new glocal product

<table>
<thead>
<tr>
<th>Aspect of the marketing mix</th>
<th>Question</th>
</tr>
</thead>
</table>
| **Price**                   | Is the product competitively priced?  
                              | Is the product perceived as value for money?  
                              | Can the product be produced as a price which is competitive in the marketplace and is profitable for the QSR? |
| **Product**                 | Does the product fit with QSR’s brand identity  
                              | Is the product based on good market research?  
                              | Is the product based on a traditional local dish?  
                              | Does the product fit with the local culture?  
                              | Does the name of the sandwich suitable to emphasize its Egyptian/Arabic credentials?  
                              | Is the product sufficiently authentic?  
                              | Is the product suitably aspirational to meet the needs of the QSR’s core market?  
                              | Does the standardised product fit with local taste preferences?  
                              | Is the product easy to operate in the kitchen using the standard equipment?  
                              | Is the size of the product appropriate to the target market?  
                              | Is the shape of the product acceptable to the target market?  
                              | Are the ingredients authentic?  
                              | Does the product draw on the palette of ingredients used by other McProducts?  
                              | Is the packaging and art work suitable for the product? |
| **Promotion**               | Does the promotion of the product target the appropriate market segment?  
                              | Is the nature of the promotion appropriate to the target market segment?  
                              | Are staff used effectively as a promotional tool? |

**8.3 Recommendations**

The overall recommendation of this thesis is that in considering responding to external factors through new glocal product development a glocal QSR should ensure that it undertakes in-depth market research to understand both the nature of the trigger for change and the cultural context in which the global QSR
is operating. The global QSR needs to have a good understanding of its core market and the lifestyle factors which promote their custom of the global QSR. The proposed new glocal product must fit with the brand identity of the global QSR and must fit with local taste preferences. It must be sufficiently aspirational to appeal to the global QSR’s core market. The product must be based on good market research. It obviously must be based on a traditional local dish and must fit with the local culture. The name of the new glocal product must emphasise its cultural heritage/credentials and the messages it needs to convey to address the external trigger must be reinforced by the packaging and art work. The product must be sufficiently authentic in terms of its ingredients, its shape, its taste and its texture to be acceptable to its core market. The global QSR must ensure that the proposed new glocal product lends itself to standardisation – the traditional falafel sandwich is offered with a range of sauces and cooked rare, medium and well done. This flexibility cannot be replicated in a standardised global QSR context. Kofta is always cooked well done and thus lends itself to adaptation as the standardised McArabia.

From the global QSR’s perspective the new glocal product must be easily operated in the global QSR branch using standard equipment. It should draw on the palette of ingredients used by other products to avoid the need for additional raw material specification and procurement processes.

The new glocal product, its price and promotion must be appropriate to the trigger and the operational context. Rushing the development is not appropriate
the rushed development of the McFalafel contributed to its failure in the Egyptian market.

In terms of price the product must be priced so that it can compete successfully in the marketplace against competitor products. The product must also be appropriately sized to be perceived as value for money by potential customers. Obviously to sustainably offer the product it must be delivered at a price which enables an appropriate level of profit to be achieved.

In terms of promotion it is critical that the promotion of the product targets the appropriate market segment and will be appealing to it. Staff also need to be on board in relation to the new product so that they help to promote the product in the branches.

### 8.4 Contributions

#### 8.4.1 Contributions to theory

This study is the first in-depth study of new glocal product development by global QSRs in non-Western countries. It contributes a definition of glocal products. It enhances understanding of the external factors (SPEEDI – social, political, economic, ecological, demographic and informational factors) which drive the new glocal product development process by global QSRs in non-Western countries. It develops a model of the streamlined new glocal development process operated by global QSRs in non-Western countries in
reacting to these drivers. It identifies the constraints of the internal factors imposed by brand format franchising on the new glocal product development process. It identifies critical success factors for new glocal products in non-Western countries. The thesis culminates in an outline model of glocalisation through new glocal product development by global QSRs in non-Western countries supported by detailed models of each of the four elements of the outline model and makes recommendations based on some key questions about the proposed new glocal product.

### 8.4.2 Contribution to practice

The model of glocalisation through new glocal product development by global QSRs in non-Western countries and the series of questions shown in Table 8.1 contribute to an enhanced understanding of the critical success factors for new glocal products in non-Western countries and the interrelationships between a complex set of factors. This model and the questions that emerge from it can be used by practitioners to enhance the chances of success for new glocal products in non-Western countries.

The model clearly indicates that the McFalafel met some of the critical success factors, i.e.:

- It was based on a traditional local dish;
- It had a good potential fit with the local culture;
- Its name emphasized its Egyptian/Arabic credentials;
- The ingredients were authentic.

However it would have failed on a number of counts as follows:
• It was not competitively priced in comparison to better substitute product;
• It was not perceived as value for money;
• It could not be produced as a price which was competitive in the marketplace and was profitable for McDonald’s Egypt;
• It did not fit with QSR’s brand identity;
• It was not based on good market research;
• The product was not perceived to be sufficiently authentic to meet the needs of the global QSR’s core market;
• The product was not suitably aspirational to meet the needs of the global QSR’s core market;
• Its standardisation did not fit the local taste preferences – different sauces and extents of cooking (rare, medium and well done);
• It was not easy to operate in the kitchen using the standard equipment;
• The size of the product was not appropriate to the target market;
• The shape of the product was not acceptable to the target market – it was a burger in a bun and too American;
• The product did not draw on the palette of ingredients used by other products within the global QSR’s product portfolio and sourcing the requisite ingredients was problematic and expensive;
• The packaging and art work were not suitable for the product and customers found it difficult to handle the product – “it was chaotic!”;
• The promotion of the product targeted the wrong market segment, i.e. socio-economic classes D and E who were not frequent visitors to the global QSR rather than socio-economic classes A, B and C1 who were the core market;
• The nature of the promotion using a folk singer popular amongst socio-economic classes D and E was appropriate to these classes but not to the core market;
• Staff struggled to see the relevance of the product within the global QSR’s product portfolio and therefore were not able to effectively promote the product.

This effectively shows that had McDonald’s Egypt used such a model when they were contemplating the development of the McFalafel sandwich they could have foreseen the failure of the product.
8.5 Limitations of the research and opportunities for further research

This study has focused on single case study McDonald's Egypt and two embedded units of analysis - the McFalafel and the McArabia sandwiches - one representing a successful new glocal product, the other a failing new glocal product. Although managers of other global QSRs of American origin operating in Egypt were interviewed in the course of the fieldwork, the extent to which they themselves were seen as American and were negatively affected by boycotts resulting from anti-American backlash was not explored. Similarly, the extent to which the other glocal QSRs operating in Egypt - Hardee's, KFC and Burger King - had been forced to develop new glocal products and the drivers for such development were not investigated. This opens up a potential rich vein of research opportunities.

The local QSRs - Mo'men, Wessaya and Cook Door - had emerged as a result of the success of the glocal QSRs in Egypt and to some extent they were apeing the global QSRs and benefitting when local reaction to their American origins made customers turn to the local competition. The impact of external factors on product innovation and the flexibility of the local QSR in responding in less stereotypical fashion to these factors was not explored. Mo'men has expanded to become a regional QSR operating beyond Egypt and thus larger than the other local QSRs and may be less flexible than its local competitors. This has potential for further research.
The model of glocalisation through new glocal product development by global QSRs in non-Western countries contributes to an enhanced understanding of the critical success factors for new glocal products in non-Western countries through a focus on McDonald’s Egypt and the McFalafel and McArabia sandwiches. The generalisability of this model in other non-Western countries has not been explored and is worthy of research. Despite its failure in Egypt McDonald’s released the McFalafel in Israel in 2011. It suffered a similar fate to the Egyptian McFalafel. An exploration of the failure factors for the McFalafel sandwich in Israel would be interesting.
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Appendix 1: Semi-Structured Interview Questions
Appendix 1: Semi-Structured Interview Questions

Phase one

DEEPLIST factors

(Demographic, Economic, Ecological, Political, Legal, Informational, Social,
Technological Factors)

- What are the most important external factors affecting the new product
development process for glocal products in global QSRs in non-Western
countries?
- What are the key issues in relation to demographic factors which impact on the
success or failure of new glocal products?
- What are the key issues in relation to economic factors which impact on the
success or failure of new glocal products?
- What are the key issues in relation to ecological factors which impact on the
success or failure of new glocal products?
- What are the key issues in relation to political factors which impact on the
success or failure of new glocal products?
- What are the key issues in relation to legal factors which impact on the success
or failure of new glocal products?
- What are the key issues in relation to informational factors which impact on the
success or failure of new glocal products?
- What are the key issues in relation to social factors which impact on the success
or failure of new glocal products?
- What are the key issues in relation to technological factors which impact on the
success or failure of new glocal products?
Appendix 1: Semi-Structured Interview Questions

- Why do global QSRs open the vast majority of their branches in specific places in Cairo and Giza?
- What are the most important challenges facing global QSRs in launching new glocal products?
Phase two

Internal factors

- What are internal factors which affect the success or failure of new glocal products?
- What is the impact of business format franchising on new glocal products?
- How does standardisation impact on the development of new glocal products?
- How does adaptation impact on the development of new glocal products?
- How does customisation impact on the development of new glocal products?
- What are most important issues in relation to human resources management and the development of new glocal products?
- What are most important issues in relation to training management and the development of new glocal products?
- What are most important issues in relation to staff motivation, satisfaction and loyalty and the development of new glocal products?
- What are most important issues in relation to teamwork and the development of new glocal products?
- What are most important issues in relation to the marketing and the marketing mix and the development of new glocal products?
- What are most important issues in relation to the product and the development of new glocal products?
- What are most important issues in relation to the price and the development of new glocal products?
- What are most important issues in relation to the place and the development of new glocal products?
Appendix 1: Semi-Structured Interview Questions

- What are most important issues in relation to promotion and the development of new glocal products?
Phase three

The new product development process for the glocal product in Egypt

- Why do global QSRs develop new glocal products?
- Why did McDonald’s select the falafel sandwich and kefta and kebab as the basis for the McFalafel and the McArabia sanwiches?
- What are the sequential steps in the new glocal product development process?
• What are the most important external factors affecting the new product development process for glocal products in global QSRs in non-Western countries?

Excuse me, before we are going to your questions I would to tell you story when I was in Saudi Arabia I was general manager for Hardees chain. McDonald's is the strongest chain all over the world. Before McDonald's was opening any restaurant it makes a strongest marketing promotion to define for customers which is the burger sandwich, Saudi Arabia's nations were not know the fast food in those days. They know only traditions food.

The first branch for McDonald's in the Middle East was in Saudi Arabia. And all fast food chains like Hardees restaurants are threaten from McDonald's because the strongest competitors in the fast food which introduce a new facility to middle east.

This company has tools for competition that can effect on the markets that going to operate new branches.

McDonald's operate a new branch in Middle East in Saudi Arabia in the intelligent place between the largest two branches of Hardees in the capital of Saudi Arabia. Before opening he give information by strongest propaganda to people know what is the meaning of burger chain? Also what is the meaning of burger sandwiches? He makes a new nutrition culture people in Saudi Arabia.

A number of fast food's customers in those days are limited because Saudi Arabia's nation has not experience about this eating called (fast food). Their habits to eat a fresh food and natural. McDonald's attract a wide range from customers to know the meaning of fast food. The results of opening a new branch of McDonald's beside Hardee's. The sales of Haredee's have increased 30% than normal after one month
of opening its branch. If you are strong competitor any competitors will open beside you will benefit you. if you are a weak competitors this will harm the weak competitors. Customers are coming from McDonald’s restaurants and put its sandwich in trash and saying Hardees is number one. We song this slogan before opening a new operation who is number one? Hardees are number one. Hardee’s get benefits because McDonald’s makes brain washing for customers that there is good food called fast food.

McDonald’s has strong and weak point:

In marketing McDonald’s is significant more than competitors. McDonald’s put a huge financial budget for marketing. McDonald’s has some studies about the market so he looking forward to the shortage in market to cover it. McDonald’s spends a lot of money on facilities and renew restaurants. And introduce facilities for children to make loyalty for them, because children affect their families to come to restaurants to play in the facility of restaurants. McDonald’s focuses on attracting children to their restaurants because:

Child make a decision to come to their restaurants so family obey and go to McDonald’s so mc focuses on the meals of children. Also mc introduce children toys to children to make a loyalty to their restaurants. Also he has creativity in introducing intelligent toys all the year. He has a production line in china. These toy components (different characters or persons) are parts that can collect this toy after 4 or 5 visiting for McDonald’s restaurants. This strategy in fast food restaurants called the hock.

In the long time this child will be a consumer of the future to McDonald’s.

The weakness points of McDonald’s:
McDonald's has not the variety of products in comparison of Hardees chain restaurants. McDonald’s staying for a long time doesn’t introduce new items. He imitates Hardees and produces a big sandwich but it does not meet the needs of customers.

The size of sandwich portion it does not meet the hungry of customers.

McDonald's does not take care of quality but it take care of consistency of product when you eat the sandwich all over the world has the same taste and components without decreasing or increasing.

McDonald's has a system that estimated what is your sales on the coming hour depends on the history of sales so McDonald’s makes their sandwich and put it in holder. This holding process makes sandwich lose a little bit of quality and the temperature of sandwich. Because the products are variety like meat, cheese, lettuce and tomato. Sauce of sandwich is cold so when you bought a sandwich will be warm. But if you are eating in Hardee’s you will eat your sandwich hot because cook to order. McDonald’s are not clever in kitchen and total quality management.

Jolly bee restaurants as a local chain defeated McDonald’s restaurants in philipines and enforced McDonald’s to close some branches in philipines. in spite of McDonald's operating its business before jolly bee 20 years ago. Jolly bee has spread and penetration in philipines.

McDonald’s from 10 years ago operating only one branch in the Middle East.

Hardees at 2007 opened 6 restaurants in a one year. It is equal 1 operation opening per 2 months. Because the Egyptian customer want to get the good taste and quantity and the variety of items the produce it to customers.
The marketing divided for two sections, the first of all business pillars these pillars attracts the huge numbers of customers who will pay more money, these propaganda which using televisions and so on.

There are the value proposals marketing this for special segment of customers who have not the buying power and they can not afford it. They have not money. We make the meal for customer who wants to pay only 10 pounds. McDonald’s make £5 pound’s menu. The customer discovers that there is no meal but it is only sandwich.

Value proposals very important he did not want to wine much money but he want to sell more with little profit form this menu.

Value proposals marketing has advantage and disadvantage

Disadvantage of proposal value marketing:

Rumours the people selling the meal + video=10 pounds. The price of video tape only 12 Egyptian pounds. But the really cost of this tape is 3 pounds.

The people said that the shelf life products that using in this value proposals are expired. Value proposal is very dangerous in Middle East countries. You have to make a rational discount to prevent rumour.

In Saudi Arabia we made value proposal with American companies sharing with us. These companies make discount and also restaurants have to make a discount for customers to increase the sales. Also this company take the increase their royalty from these restaurants because their royalty depends on the size sales.

Royalty is a commission in the any chain the specified percentage of purchasing either your restaurants achieve profit or lose that you give this percentage to the
mother company because it gives you new ideas, helping in training, using his name. When he notices your sales lose profit he suggests to make discount in the raw material. Value proposal is very cheap except buying item 5 pound and in the past we bought it by 15 pounds. Rumours spread all Saudi Arabia and health ministry governments make inspection on inventory. Chain restaurants it does not necessary to be international brand name to success but you have to select good franchisee to success you. Elmourad like Americana take Pizza Hut, Wendeys and Tacco Bill. Three of these restaurants are failure and only one is success because it is waked franchisee. Not determined and has not system and chaotic management.

There are franchisees are not take care from their business so this lead to fail their branches. Franchisee did not make marketing, renew for restaurants, and inspection for quality of meals that served in their restaurants. Make short cuts.

The success of any restaurants depends on the franchisee who getting the name from mother company. If this franchisee has a system and have a great experience in the management and marketing this will lead to the success of restaurants.

Every 5 years you have to make complete renovation to restaurants for 45 days or 60 days. It will remove everything in the restaurants like new equipments, decoration from floors to wallets. The concept of franchisee that the restaurants achieved profit so it does not need for renovation because if it closed it will lose daily earning and profits.

Hardees ElMohandseen in the time that restaurants achieved high revenue we close it for making a renovation for it. We lost the complete revenue of two months but after opening we achieved high revenue.
It does not matter to be a strong brand name but you have to be with good franchisee that respect the conditions of contracts, respect the systems and spend money on marketing, developing people, make a renovation every 5 years to his restaurants.

Because renovation every 5 years is the system for Americana not from franchisee.

The main reasons for success any business is the workers and management of restaurants. Added to human internal in structure for workers like:

General manger

Assistant restaurants mangers

Kitchen supervisor who manage kitchen.

Back of the house= cooks + team members (cookers)

F.O.H = lobby people + cashier + packer order.

Wimpy is British company was closed because they did not believe in change or develop their concept. So they closed because people like changing in everything.

Baskin robins also failed because no new decoration. And there is not marketing programs. Albeit, this Baskin Robins was the number one in the world, this is a disadvantage of international company and you could not make a change without permission from Mother Company. No marketing programmes form mother company. KFC is failure because it is decoration was old so its sales sharply down.

David Noval he is a manger of Yum company (pizza hut, KFC, taco pill, A& W), he makes a new decoration for KFC and these. We present this book for worker to know his duties, rights. Corporate social responsibility with ElMataria institute for
tourism. There are many problems in Egyptian workers. Local restaurants do not make training department but it raise the salary for trained workers to attract them to their restaurants. So it is fault to avoid making training department in local restaurants. It is important to make these procedures before you selling your product:

- Human resources and training department.
- Financial department
- Stores management
- Purchasing department
- Lawful procedures.

It is fault to increase the numbers of departments because this will increase the expense budgets (supporting departments). Departments should construct step by step related to the growth of restaurants. All departments chain restaurants company work together to achieve strategic business unit. All departments goal to produce successful restaurants.

In the start of business, restaurants make soft opening to examine the capability of staff and equipments to produce standard high quality sandwich. This soft opening is very important to restaurants to know the weakness and strength points and how to solve problems that faces restaurants in soft opening. When customers are coming to restaurants take a good impression about restaurants.

- What are the most important external factors affecting the new product development process for glocal products in global QSRs in non-Western countries?
The most important issues which affected on the new glocal product are political, economical, demographic and social factors.

- What are the key issues in relation to demographic factors which impact on the success or failure of new glocal products?

Socio-economic class A has an income of more than 50,000 LE (15-20% of all Egyptians). Socio-economic class B earns not less £20,000 LE. Socio-economic class C1 earns more than 7000 LE and socio-economic class C2 more than 5000 LE. Socio-economic class D earns less than 5000 LE but they come to my restaurants for festivals and special occasions.

If b Customers go to the preferable restaurants. I prefer to see the same category like me. D. class when go to restaurants which its customers from B class. B Class will not return to these restaurants again. McFalafel sandwich attract d class to McDonald’s to this sandwich. They find this sandwich is very expensive. You can buy 5 sandwiches from falafel from specialized shops. Word of mouth leads to prevent customers to buy this sandwich.
Appendix 2: Industry expert interview’s Arabic transcript 2009 and English translation

- What are the key issues in relation to economic factors which impact on the success or failure of new glocal products?

Because of globalisation the world is now like small village so any market in any country is open to any business. Day after day competition increases. Economic factors play a vital role to attract investors so if the country has a positive economic situation it will attract foreign investors like global QSRs. The name of Americana to make feasibility study what are the needs of this market? You have to import all resources from out. The feasibility study that shows what is the need of market? After that the company will follow the feasibility study.

Any business looks like baby would like to take care of it all the time. McDonald’s before operating a new branch it studying the market: What is the market need? Which are competitors in the markets? How McDonald’s is being significant more than competitors? You must always keep your eye on your competitors. Competition is the subject of market research. “Competition is subject for survey and studying”. Global QSRs should update themselves to compete and stay strong in the market

I will study the marketing and advertising of my competitors in the market. It is not fault to produce products like my competitors. Competitors are not competing not only in products but also take skilled staff from competitors. For example 40% form American company. I have to know every thing about my competitors. Your competitor is your enemy. Every competitor would like to attract the largest segment from his enemy.

You have to be significant from your enemy in these points: The construction of restaurants and the site is unique; Service and hospitality (key of success) to be the best from competitors; The best price; The variety of products.
“Deliver what are you promised.” Are the important basics in marketing? There are important basic marketing: G.B.O.S.H = go big or stay at home. Big companies buy a small company to be big. When it is happen any problem like boycott. We did not resign any workers but we make pressure on suppliers to give the company low prices. Also we are training staff to make preventing maintenance nationalizing cost. To 20% form energy. And we make training courses by making schedule for energy, lighting, air conditioning and freezing.

McDonald’s did not make any workers’ redundant but put pressure on suppliers to get lower prices.

- What are the key issues in relation to ecological factors which impact on the success or failure of new glocal products?

There are no taking care of environmental laws and regulations. High temperatures affect the cost and quality of raw materials so we make home delivery as a solution for these problems. KFC is a pioneer for home delivery in Egypt. Home delivery increases the cost and decrease the profit to restaurants. Major sports events, such as big football matches, had a major impact on the demand for home delivery.

- What are the key issues in relation to political factors which impact on the success or failure of new glocal products?

The political speech which affected badly on restaurants business, so the good relationship with America leads to growth American restaurants. Vis versa if there are bad relationships with America these will lead to bad side effect on chain restaurants like KFC, BK, Pepsi Cola, Coca Cola: Boycott to American product; Rumours about these restaurants by using Messages (SMS). The boycott of American
products was because America is biased towards Israel and because they invaded Iraq. The boycott caused a recession in global QSRs in Egypt and the Middle East. In 2002, the boycott led to a loss of approximately 60% of sales in global chain QSRs, especially McDonald's. The boycott of the global QSRs was very useful for the local Egyptian chain QSRs and they grew by 30-35%. We are going to the people in underdeveloped areas to introduce what they need in terms of food and shelter. To say to Egyptian society we are a part of this society.

- What are the key issues in relation to legal factors which impact on the success or failure of new glocal products?

- What are the key issues in relation to informational factors which impact on the success or failure of new glocal products?

Market research plays a vital role for getting information about competitors and whether there are substitute products which the company can launch. Also it is important for getting information about what customers want. The global QSR chains in non-Western countries must understand of household incomes in a host country, like Egypt, when considering the locations of restaurants and also explained that high household incomes increase customers' disposable incomes.

- What are the key issues in relation to social factors which impact on the success or failure of new glocal products?

The culture in the Middle East differs from country to another like Saudi Arabia would to dine slaughter ship and eat it with Kabsa (Rice). Now youth hanging out with friend and go to eat burger sandwich.
Religion is very important and you should put it separate from socio-culture as strong external factors. In the Middle East religion is a strong factors influence on customers. We make a survey what do you want call your job. Job’s Title is very important to Egyptian workers according to cultural of nation. What is you want to called for your job? Team member. Job description is very important because this paper say the duties and responsibilities. Also this paper shows the career hierarchy to him. On boarding or orientation about the entire place of work, equipment, his colleagues. Reward recognitions system. Religion is very important and you should put it separately from socio-cultural factors as a strong external factor. In the Middle East religion is a major factor influencing customers. Mo’men makes offers to Muslim customers in their fasting in Ramadan month. Christian fasting decreases the sales of restaurants by 15-20%. Furthermore in the Muslim fasting period sales from restaurants decrease by 30-35%.

- **Think globally and act locally:** this sentence there are many problems because when you like to act locally because standardization. If you are following the desires of customers this is wrong because the desires of customers changes from generation to another. McDonald’s is educator for his customers. McDonald’s attract people from their houses to buy burgers because McDonald’s gives gifts to their customers. McDonald’s also building a loyalty to children by introducing toys which components from parts. And every visiting to give children part from parts of this toy. And McDonald’s give to children draw to draw.

Adaptation: Hardees make a system “cook to order”. Customer demands the order and restaurants prepared this sandwich depends on the order of customer. Reezo dish adapted from Egyptian culture (brawn rice with fried chicken breast). In KFC restaurants. There are a wide space for adaptation but in chain restaurants there
are limitation in adapted dishes from cultures because standardization. Mo'men served fasting meals for Christian customers and wrote “Happy New Year.

- What are the key issues in relation to technological factors which impact on the success or failure of new glocal products?

The technology saves our time to get forecasting system for incoming sales by software. In the past mangers spent a lot of time to prepare this forecasting report for sales in one month but now in 10 minutes. And also make a forecasting sales report (revenue+ profit+ expenses) for one year.

The technology saves our time which helps us to get forecasting system for incoming sales by software. In the past mangers spent a lot of time to prepare this forecasting report for sales in one month but now in 10 minutes. Also, make a forecasting sales report (revenue+ profit+ expenses) for one year. Technology also helped practitioners to make their decisions easy by providing information data such as a number of populations; Income level and Customers base classification (A. B. C. D.).

In the past every restaurant has three or four telephones and takes orders from customers and write orders by hand but now Technology produce call centre industry. This call centre gives for chain restaurants one number any customer call this number and just get orders from customers and press enter the orders go to the nearest branch to customers by electronic map. HRIS: Human resources information system. Oracle Corporation specializes in developing and marketing. Technology saves time in forecasting incoming sales. Technology also helps decision-making by providing the information needed.
Appendix 3:

Data Elements from Semi-Structured Interviews' Transcripts

Phase One 2009
Transcripts' Interviews of industry Expert (IN.EX.1) in 2009

Excuse me, before we are going to your questions I would to tell you story when I was in Saudi Arabia I was general manager for Hardees chain. McDonald’s is the strongest chain all over the world. Before McDonald’s was opening any restaurant it makes a strongest marketing promotion to define for customers which is the burger sandwich, Saudi Arabia’s nations were not know the fast food in those days. They know only traditions food.

The first branch for McDonald’s in the Middle East was in Saudi Arabia. And all fast food chains like Hardees restaurants are threaten from McDonald’s because the strongest competitors in the fast food which introduce a new facility to middle east. This company has tools for competition that can effect on the markets that going to operate new branches. McDonald’s before operating a new branch it studying the market: What is the market need? Which are competitors in the markets? How is McDonald’s being significant more than competitors?
Appendix 3: Data Elements from Semi-Structured Interview Transcripts - Phase One 2009

McDonald’s operate a new branch in Middle East in Saudi Arabia in the intelligent place between the largest two branches of Hardees in the capital of Saudi Arabia. Before opening he give information by strongest propaganda to people know what is the meaning of burger chain? Also what is the meaning of burger sandwiches? He makes a new nutrition culture people in Saudi Arabia.

The global QSR chains in non-Western countries must understand of household incomes in a host country, like Egypt, when considering the locations of restaurants and also explained that high household incomes increase customers’ disposable incomes.

Socio-economic class A has an income of more than 50,000 LE (15-20% of all Egyptians). Socio-economic class B earns not less £20,000 LE. Socio-economic class C1 earns more than 7000 LE and socio-economic class C2 more than 5000 LE. Socio-economic class D earns less than 5000 LE but they come to my restaurants for festivals and special occasions.

Economic factors play a vital role to attract investors so if the country has a positive economic situation it will attract foreign investors like global QSRs.
Appendix 3: Data Elements from Semi-Structured Interview Transcripts - Phase One 2009

McDonald’s did not make any workers’ redundant but put pressure on suppliers to get lower prices.

Because of globalisation the world is now like small village so any market in any country is open to any business. Day after day competition increases.

The global restaurants should deliver what they have promised to customers” and that global QSRs should: “Go Big or Stay at Home (G.B.O.S.H).

You must always keep your eye on your competitors. Competition is the subject of market research. Global QSRs should update themselves to compete and stay strong in the market.

McDonald’s is a clever educator for its children.

Major sports events, such as big football matches, had a major impact on the demand for home delivery. He also explained that: “High temperatures affect the cost and quality of raw materials.

Good relationships with the US led to growth in the number of American QSRs in Egypt.
The boycott of American products was because America is biased towards Israel and because they invaded Iraq.

The boycott caused a recession in global QSRs in Egypt and the Middle East. In 2002, the boycott led to a loss of approximately 60% of sales in global chain QSRs, especially McDonald’s. The boycott of the global QSRs was very useful for the local Egyptian chain QSRs and they grew by 30-35%.

McDonald’s called itself Manfoods to avoid problems with boycotts and the anti-American demonstrations. McDonald’s was very elegant in this action because during normal days he said “I am McDonald’s” but during the boycott period he said “I am Manfoods Company”. The alternative name was very clever because it starts with an ‘M’ like the golden arches.

Market research plays a vital role for getting information about competitors and whether there are substitute products which the company can launch. Also it is important for getting information about what customers want.

Political rumours impact badly on global QSRs like McDonald’s.
Middle Eastern culture differs from country to another. In Saudi Arabia they like to slaughter a sheep and eat it with Kapsa (Rice). Now young Saudi people go out with their friends to eat burger sandwiches.

Religion is very important and you should put it separately from socio-cultural factors as a strong external factor. In the Middle East religion is a major factor influencing customers.

Mo'men makes offers to Muslim customers in their fasting in Ramadan month. Christian fasting decreases the sales of restaurants by 15-20%. Furthermore in the Muslim fasting period sales from restaurants decrease by 30-35%.

Mo'men served fasting meals for Christian customers and wrote “Happy New Year. Technology saves time in forecasting incoming sales. Technology also helps decision-making by providing the information needed.

We are going to the people in underdeveloped areas to introduce what they need in terms of food and shelter. To say to Egyptian society we are a part of this society.
The technology saves our time which helps us to get forecasting system for incoming sales by software. In the past managers spent a lot of time to prepare this forecasting report for sales in one month but now in 10 minutes. Also, make a forecasting sales report (revenue+ profit+ expenses) for one year. Technology also helped practitioners to make their decisions easy by providing information data such as a number of populations; Income level and Customers base classification (A, B, C, D).
Appendix 3: Data Elements from Semi-Structured Interview Transcripts - Phase One 2009

Transcripts’ Interviews of GC-QSRM1

The demographic factor is an important issue for the global QSRs so we segmented the customers to know their incomes and which areas to operate our branches in customers’ areas.

We segment customers’ incomes depending on jobs, assets, salaries, travelling abroad for tourism, education, treatments and their memberships in clubs. The customer segments of McDonald’s QSRs are: A socio-economic class 80,000 LE per month, B class 30,000 LE per month, C1 from 10,000 LE per month, C2 socio-economic class are not less than 5000 LE per month.

High household income increased the chances of success for new glocal products whereas low household income increased the likelihood of failure.

There are two approaches to sourcing raw materials, the first one is a localisation strategy which we follow in Egypt and the second is an importation strategy. When we launched McDonald’s Egypt in 1994 we imported raw
materials from original sources while we worked on a localisation strategy to manufacture and supply McDonald’s restaurants across Egypt.

McDonald’s adapted localisation programme had achieved 85% of raw materials being locally manufactured, with just 15% (mainly meat and fish) being imported. McDonald’s Egypt sources its burger patties from domestic suppliers, such as the Faragilo Company (a successful Egyptian food company processing frozen and canned vegetables, tomato paste, cheese and soups). It is also supplied by Farm Frits (a company which produces a range of potato products for the food service market). Cheese and vegetables are supplied by local Egyptian farms. McDonald’s Egypt provided local suppliers with specifications for the food ingredients it required.

Quality is critical and is continually monitored.

There is a third partner between the sourcing company and the global QSRs - the auditing company - which is responsible for judging raw material quality before shipment.
The main problem is that the stock market traders in the Egyptian market are not sufficiently aware of the cash cycle.

We revised our pricing protocols with suppliers” to put pressure on suppliers to get raw materials at lower prices.

Decreasing product prices gives branded affordability, the 5 LE menus which we offered suited D and E class customers’ incomes.

McDonald’s Egypt overcame these challenges through “customer brand trust” which had been built up over the years.

McDonald’s was impacted badly during the second [Palestinian] Intifada and this is where we see the start of the boycott.

McDonald’s Egypt has provided more than 3000 direct jobs and is responsible for about 10,000 indirect job opportunities that contribute to driving the national economy.
Manfoods Egypt was established before 2002 so we just stressed our company name to avoid the severe boycott in those days.

There were two sorts of rumours – internal and external rumours - “external rumours, such as that McDonald’s donates to Israel” and “internal rumours, specific to Egypt, such as that President Mubarak is sick”.

One political rumour suggested that McDonald’s donated part of its profits to building settlements in Palestine.

We operated new restaurants in two governorates called Asyut and Elmenia in Egypt and we were surprised that these restaurants did not work as we expected. We undertook survey research which showed that if anyone eats out of his home it indicates that he has a problem in his home (with his wife).
Appendix 3: Data Elements from Semi-Structured Interview Transcripts - Phase One 2009

Transcripts’ Interviews of GC-QSRM2

Muslims voted to boycott American brands because they believed that America supported Israel.

You have to complete all governmental rules in relation to licensing your business before you open your operation. One successful restaurant closed because it did not observe the governmental regulations.

We found that the total sales of the local recipe were 50% more than for the global recipe. Our company tries to think globally and act locally so we studied the eating habits of Egyptian customers and found that Egyptians liked the spicy meal more than the normal meal. When we introduced spicy meals in Egyptian market, we found that they accounted for 60% of total sales compared with 40% of total sales in our restaurants in Egypt.

The advantage of advanced technology in QSRs is that it: helps QSRs to provide consistent quality products with standard portion sizes; it saves labour; it increases the speed of production and provides competitive advantage.
We try to increase sales by encouraging customers to purchase side items like desserts.

The global economic crisis had affected all economic sectors, but had particularly affected employees in the banking and tourism sectors who were their major customers.

The chains - KFC, Pizza Hut, Hardee’s, Burger King - I believe you can consider these our main competitors. But we keep an eye on everyone, even the local chains like Mo’men, Cook Door and whatever - we keep an eye on them to.

Avian and swine flu affected customer purchasing intentions and caused a recession for McDonald’s and other global QSRs. Avian flu impacted badly on the sale of chicken products in global QSRs as a result of customers’ concerns that they would catch the virus if they ate chicken sandwiches.

The weather, especially rain, has a major impact on my business – it can increase or decrease sales by 10%. Home delivery increases in bad weather.
The negative impacts of roadworks and "maintaining the infrastructure of the streets.

Muslims voted to boycott American brands because they believed that America supported Israel.

The first is to emphasize the local aspects of your business and how locally your strategy is to communicate with your customers that you are a local company (to emphasize that you are an Egyptian company through advertising, the development of new sandwiches and so on). The second strategy used is to show the corporate social responsibility like donations to a cancer hospital and Elashoyaai – undeveloped areas. Tactics like if you do advertising on TV or launch new products. But the tactics change depending on the actual situation.

McDonald’s QSRs is Egyptian and local through and through.

The advantage of advanced technology in QSRs is that it: helps QSRs to provide consistent quality products with standard portion sizes; it saves labour; it increases the speed of production and provides competitive advantage.
A class and B class customers are not price driven; but they want a variety of menu choices; food quality; food safety; nutritional aspects. C and D class customers more interested in value for money and are more price-driven.

The way of life has changed in the 21st century. People in the past tended to eat in their own homes but now eating out has become very popular. This has led to an increase in the sales from quick service restaurants. People need to go to quick service restaurants.

In spite of inflation McDonald’s Egypt likes using the 5 LE menus, so we did not change our policies. The 5 LE menu means brand affordability. McDonald’s global QSRs decreased its core menu prices for the Big Mac and McChicken sandwiches from 18.18 LE to 15.91 LE.

High income customers increased the chances of success for new glocal products but low household income increased the likelihood of failure.
There is a big difference between McDonald’s QSRs in Egypt and McDonald’s in Western countries because of the socio-economic situation (low income) in Egypt. For example, customers who are able to eat from McDonald’s QSRs are socio-economic classes A and B. Coca Cola targets all Egyptian consumer segments, so McDonald’s made a 5 LE menu to lure the low socio-economic class as D and E class like Coca Cola.

The flourishing of the Egyptian economy will lead to increased customer incomes and increased budgets for eating out and will increase sales in QSRs.

There is a stiff competition in the Egyptian QSR market between global and local chain QSRs.

McDonald’s competes not only with the other global and local QSRs but also with other restaurants like casual restaurants.

Each QSR has different competitive advantages and must keep its identity through its standardised products for customers.
We have two types of garbage: the first you can recycle; the second you cannot.

Ministry of Health should mention that there is no swine flu in these McDonald’s products.

Revolution of January 2011, explained: “During the Arab spring our global QSRs were closed for a long time.

The political climate affects the economic situation indirectly. In 1994, the political climate in Egypt encouraged global QSRs to enter Egypt because Egypt had good relationships with the world. The first McDonald’s restaurant in Egypt opened in 1994.

McDonald’s use advanced equipment. We have an advanced computerized system for auditing and recording transactions for updating the inventory. We have a server which transfers all information to head office. Waste food also registered by computers.

The name of local QSRs can be useful during boycott periods. The name Mo’men is adapted from Arabian and Islamic culture.
McDonald’s Egypt is owned by an Egyptian family and more than 90% of our products are from Egyptian suppliers.

McDonald’s Egypt produced the McFalafel sandwich in 2001 to say that our company is an Egyptian company.

Rumours saying that ‘McDonald’s sandwiches are made from pork’ were spread by SMS among customers to stop customers’ eating from these restaurants to avoid swine flu. It caused a major slump in sales at this time.
Transcripts' Interviews of GC-QSRM4

McDonald's QSRs launched a 5 LE menu to attract socio-economic class D customers. In feasts children go to McDonald's to buy the 5 LE menu which includes French fries, Coca Cola, a hamburger sandwich, ice cream sundae, coffee and apple pie.

Global economic crisis had affected all economic sectors, but had particularly affected employees in the banking and tourism sectors who were their major customers.

McDonald's launched 5 LE menu to attract socio-economic class D customers.

It is not necessary to imitate your competitors after they have produced new products but you should be the first to market.

McDonald's provided sanitised liquid in bathrooms and encouraged customers to wash their hands before eating.
Customers could not go to restaurants during rains to have meals, so the home delivery service has to work harder to deliver meals to customers’ houses.

The stability of the political climate is very important for any business because it affects the economy and the running of any business.

The boycott makes a big recession in global QSRs especially McDonald’s in Egypt and the Middle East. In 2002, the boycott led to a loss of just about 60% of sales in global chain QSRs.

McDonald’s QSRs advertised on all the major television channels that McDonald’s was a 100% Egyptian company with a 100% Egyptian workforce, owned and managed by an Egyptian.

McDonald’s understands customer needs and meets these needs by adapting dishes to suit Egyptian tastes. McDonald’s strategy is to adapt dishes from local cultures in its branches all over the world.
Transcripts’ Interviews of GC-QSRM5

There some factors which negatively impact on sales, such as construction projects near to restaurants.

Demonstrations in the streets led to crises, especially for the global QSR chains.
McDonald's Egypt will help by allocating 25 piaster from every 'Happy Meal' to restore, renovate, and develop kindergartens in the area. The initiative will serve more than 250 children since each classroom carries 25 pupils.
Appendix 3: Data Elements from Semi-Structured Interview Transcripts - Phase One 2009

Transcripts' Interviews of GC-QSRM8

Aim to source more than 85% of raw materials

The food costs for the McFalafel sandwich were high so we could not introduce it at a competitive price.

We switched to purchasing meat from Australia, UK, Europe, Brazil, and South Africa, instead of the US. Sourcing raw materials from these countries depends on the currency of sourcing country.

We are doing business with suppliers on the basis of the following principles: no bargaining; technical support; we develop suppliers through a long-term vision; we do not sign contracts, we have very strong relationship and partnerships with suppliers which consider consistent quality to achieve the standardised product.

It was all to avoid harming our brand name as well as losing the trust of our suppliers ... in hard times - for example when there is high inflation - suppliers will support you by supplying large quantities of raw materials at agreed quality standards with small profit margins.
We cannot put pressure on suppliers to get a lower price which would negatively impact on quality standards as this would jeopardise our brand name and image.

The swine flu crisis was not well-organised because the Egyptian government slaughtered all the pigs in Cairo at the same time. Egyptians had concerns that all meat products in the market or in the global QSRs at that time might contain pork and so meat product sales decreased by 40%.

Imported burger patties come from America which is not a host country for mad-cow disease.
Transcripts’ Interviews of GC-QSRM7 (1)

Excuse me, let me tell you about what is I know which the economic situation people income affect on restaurants.

A strong economy in the host country encourages global businesses and their new products to flourish

We import meat from the US, Australia and Mexico which is then processed by the Faragilo Company. McDonald’s considers its raw material costs very carefully to ensure it makes a good profit.

I know about only the technological facto which is using as a tool in the training programmes.

There are some factors affect on restaurants: Staff satisfactory and staff salaries. Products should be suit with Egyptian taste. Competitors: the successful restaurants should introduce a consistent quality, speed of service.
Transcripts' Interviews of GC-QSRM7 (2)

High raw material costs decrease global and local QSR profits out that the global economic crisis had affected all economic sectors, but had particularly affected employees in the banking and tourism sectors who were their major customers.
Inflation caused the global economic downturn which has led to a rise in raw material costs, increased prices and a decrease in restaurant profits.

McDonald’s made offers for schools, universities and also for customers’ birthdays to increase sales during the recession.

The factors affect the customers’ decisions to buy products: Brand name; Image: if you would like take care of image you have to make remodeling and renovation for restaurants; quality; speed of service; hospitality; cleanliness; accuracy in order taking (quantity and quality).
Transcripts’ Interviews of GC-QSRM7 (4)

Hardee’s serve grilled hamburger sandwiches which are a unique product for Egyptians.

All global and local QSRs compete with each other on CHAMPS which are; Cleanliness, Hospitality, Accuracy, Maintenance, Product and Speed of service.

We provide an exceptional service for our regular customers and greet them on first name terms. We also take special care of children because children encourage their families to eat in our restaurants.

There some factors affecting the food cost: economic situation for country; unstable prices in Egypt; training; professional staff.

We make market survey to study competitors’ prices.
Transcripts' Interviews of GC-QSRM7 (5)

Mad cow disease caused sales recessions in Quick Service Restaurants. Our core business concept is burger (beef) so customers were concerned that we made burgers from cows which had caught mad cow disease.

Avian and swine flu affected customer purchasing intentions and caused a recession for McDonald's and other global QSRs. Avian flu impacted badly on the sale of chicken products in global QSRs as a result of customers' concerns that they would catch the virus if they ate chicken sandwiches.
Transcripts' Interviews of GC-QSRM7 (6)

McDonald's television advertisements were designed to send a clear message to customers that our sandwiches are made from 100% pure beef meat so they know that we produce high-quality products. From when we opened in 1994, we advertised our burgers as 100% pure meat. We take our meat from local farms in Egypt.

We introduced the McFalafel to increase our sales in those days of recession because of the mad cow disease scare and the boycott.
The Intifadas and the Gaza war of 2008 caused a major recession for McDonald’s because Arabic customers saw these restaurants as American symbols and they boycotted them.

President Obama’s visit and his speech in 2009 led to a recession in QSR restaurants.

The Gaza confrontation in 2008 pushed people to boycott all American products included the big brand names like McDonald’s.
Religion plays an important role for Muslim guests. 10-15% of Muslim customers ask specifically if our burgers are made from halal meat or not.

Staff uniforms for girls must respect our conservative traditions which require that a woman’s clothes cover all her body, apart from her face and her hands and feet, and that her hair is covered.
Transcripts’ Interviews of GC-QSRM7 (9)

Some restaurants are affected by much more than this percentage.

Product quality design from raw material till cooking.

In our restaurants depends on main issues like quality; speed of service; build customers’ loyalty through service programmes exceeded customers’ expectations. If customers went from restaurants and find a problem in his car, one member of our team work went with customers to repair his car.
Transcripts’ Interviews of GC-QSRM7 (9)

Call centre through which customers could place orders by phone. The call centre transfers the order to the nearest restaurant and provides the restaurant with an electronic map to facilitate the delivery of the order.

McDonald’s introduced a wi-fi service into its restaurants for customers to help increase restaurant sales.

Food cost control through: decreasing leftovers of preparations; to follow the restricted company rules.
Transcripts' Interviews of GC-QSRM7 (10)

Before opening any operation you have to look firstly to needs of market. Feasibility study is very important to any project before opening to select to select right business. Parking is very important to quick service restaurants and drives thru.

There is some factors affect restaurants:
- Turn over.
- The relationship between manager and staff.

All QSRs restaurants take into account religion amongst their priorities so they make fasting meals for both Muslims and Christians.
Transcripts’ Interviews of GC-QSRM7 (11)

The global Quick service restaurants are in stiff competition between the global and local QSRs so we taking care of our customers. So, one of our customers came to book a birthday for his daughters with deposit after time he came and take his deposit and cancel birthday. The team member asked him why you cancelled daughter’s birthday, he replayed because she has cancer and she now in the hospital. Member teamwork takes the name of hospital and go with team members with meals and make a festival in hospital for this daughter.
Transcripts' Interviews of GC-QSRM7 (12)

Traffic is very important for restaurants because I could not open restaurants in street which no walk in.

There is flexibility in the yum company when we demand from company to introduce new dishes for local culture like reezo spicy and non spicy and also fasting meals for Christian people.

McDonald’s strategy makes a decision to adapt dishes from local cultures in its branches all over the world.

The key success of this company from 1955 is focusing on people. People Company is serving hamburger (In the past). Company in the past was focusing on hamburger not on staff. Hamburger Company is serving people (Now).
Transcripts’ Interviews of GC-QSRM7 (13)

Organizational behavior and staff in restaurant are very important. Dealing of Management towards staff is vital. Make motivation for staff to achieve their goals. Salaries of staff are important to satisfy about their works.

Factors affect on customer: Service, quality, value for money, atmosphere, training; marketing and purchasing.

Research and development which is responsible design. The culture in Middle East is almost value (middle class customers). High class customer: Hospitality; Quality.
There are some elements like atmosphere, the way of dealing between customers and staff, internal decoration for restaurants, product itself and how to show your products.

Religion is very important for Egyptians (Muslims, Christians) in the days of fasting. Restaurants produced suitable dishes for Christians in fasting days. Moreover, Mo’men restaurants produced vegetarian dishes (healthy food). This restaurant focuses on: 1- fresh and healthy food. 2- Value for money. The value for money this the main challenge tool to compete with other competitors.

Increases in raw material prices led to increases in food costs and sandwich packaging which impacted on sales.

The Egyptian market is changeable so it is difficult to fix prices but there are local QSRs like Mo’men which focus on value for money and sandwich size.
There are many factors which can affect the competition such as the location and décor of the restaurant, the service and the variety of the products.

A QSR can face big problems in relation to loss of sales if it just serves one item which can be overcome by serving a variety of products - meat, chicken and seafood.

QSRs should serve a wide variety of products because if there is a problem in one particular type of meat (e.g. mad cow disease, avian flu or swine flu) customers have a wide choice of alternatives, like chicken, seafood, and vegetarian sandwiches, so these will decrease potential loss of sales.

Restaurants should use advertising as a tool against rumours which can lead to loss of sales and closure of restaurants.

Local Egyptian restaurants could able to make their chains like the global chains taking the same characteristics from the global chains in terms of food quality, speed of service and cleanliness but the local chains focus on Egyptian culture and meeting the needs of Egyptian customers.
Local QSRs serve shrimp sandwiches with tehina sauce instead tartar sauce and vegetarian sandwiches during Christian Coptic fasting. Furthermore, the restaurants take into consideration special meals for Muslims during the Ramadan month.

QSRs use technology in the kitchen to introduce high-quality standardized products.

Increases in raw material prices led to increases in food costs and sandwich packaging which impacted on sales.

The Egyptian market is changeable so it is difficult to fix prices but there are local QSRs like Mo'men which focus on value for money and sandwich size.
Mo’men (local Egyptian QSRs) used Micros to handle customer orders and to control and organized the time between the customers’ orders and kitchen where they are equipped in a few minutes instead of sending orders manually.

Furthermore, Micros systems introduce reports on the periods of peak and valley in our restaurants.

Food costs must not exceed 28-30% but sometimes food costs reach to 55-60% for specific products which impacts on profit margins.

Culture differs from one place to another in the same country like our country. People who are living in Attaba are different to people who are living in Ramses and those living in Shubra. So tastes differ from area to another.

Ramadan fasting affects total sales which decrease by 50-60%.
Transcripts' Interviews of LEC-QSRM3

There are some important issues which should consider in any restaurants business such as the location and décor, the service and the variety of the products.

As there are a negative impact of boycott on the global QSRs by deteriorating its sales, on the other side there are a positive impact on the local QSRs, increasing their sales during the boycott period. The positive impact of the boycott on the growth of local QSRs.

After that we made several committee to the products taste. After the committee say that is okay. We make tasting, costing, sale price, training and take a picture for this new product and we prepared well to say for marketing to promote this new product. There are many branches for Mo'men restaurants: Sudan; Bahrain, USE; Saudi Arabia; Jordan.
Transcripts' Interviews of GC-QSRB5

Jolly bee restaurants as a local chain defeated McDonald’s restaurants in Philippines and enforced McDonald’s to close some branches in Philippines. In spite of McDonald’s operating its business before jolly bee 20 years ago. Jolly bee has spread and penetration in Philippines.

I visit my competitors to observe the positive and negative points in their restaurants.

Red ocean ... and Blue Ocean, Red ocean refers to all competitors fighting with each other on the basis of price, quality, quantity, service, value for money to attract customers. Blue Ocean is about my restaurant being unique so there is no need to compete with others.
Transcripts' Interviews of GC-QSRM9

The global economic crisis affected our customers’ incomes and was reflected in their disposal incomes for eating out.

Recession in the market has required a difficult homework exercise in designing new products at suitable prices by getting supplies at low prices but with good quality.

KFC launched new meals called economic meals to send a message to our customers that we aim to save them money.

KFC launched a cheap chicken sandwich for 5 LE targeted at socio-economic class D and E customers to enhance their market penetration”. In similar vein, the McDonald’s general training manager.

Think Big, Act Big, Be Big.

It is wrong to send a message to your customers that your restaurants are not American restaurants. If you do the customer will be sure that you are an American restaurant! It is best to use indirect tools to convince your customer not to boycott, for example, using famous writers to write about your company.
When the boycott crisis increased we advertised on television that our company was 100% Arabic company.

McDonald's QSRs implemented hedging programmes for six months through a non-profit company to get a stable price for commodities like meat and oil over a period of time to enable it to continue to offer its £5 LE menu.
Appendix 4:

Data Elements from Semi-Structured Interview Transcripts

Phase Two 2010
Internal factors can have positive and negative effects on the new glocal product development process.

A successful franchisor should support the franchisee in training, marketing and during local and global crises.

Chain QSRs do not necessarily have to be international brand names to ensure success - but you have to select a good franchisee to help during crises.

Standardisation in global QSRs is too stereotyping, customers get bored with the same items every day.

Hardee's operate a system of "cooking to order". The customer demands a specific food order and the restaurant then prepares the sandwich to equate with the specific demands of the customer. This is customisation of the product in the purest sense.

Staff in QSR operations are like body organs for humans. A human cannot walk without legs and a QSR operation cannot do business without staff.
We give a sum of money or reward staff with a meal in a prestige restaurant when they achieve our sales targets.

Staff satisfaction is important to every operation, not only to achieve success but also to maintain success.

Job descriptions and titles are very important because this document specifies the duties and responsibilities. Also, the job description identifies the career progression available and the organisational hierarchy. No-one in Egypt wishes to be associated with a low-ranking job title.

Management relies on team work as a result of a good balance between experience and education/training programmes. To get highly-qualified staff you have to use highly-skilled training programmes.

... before opening a new branch McDonald's studies the market. What are the market's needs? Who are competitors in the market-place? How is McDonald's a better overall product than competitors?

McDonald's must provide a consistent quality product globally.
McDonald’s gives gifts to customers and toys to children to build customer loyalty as part of their promotional offer.

There was something missing about the McFalafel sandwich - it was not bad but it was not excellent.

McDonald’s QSRs served McFalafel sandwiches in burger buns.

The McFalafel was crunchy which differed from the original and it did not taste of Ta’miai.

There are several key elements that affect the place selection; i.e. the types of customers; types of service, the prices of the products, and the location companies, schools, universities, etc. that will serve it.

Every five years in a franchisee agreement it may be necessary to renew restaurant equipment, install new equipment, decorate the walls and floors, etc.

KFC faced problems in its sales because its decoration was old. As a result its sales fell sharply. David Noval, the general manager of the Yum Company (which includes Pizza Hut, KFC and Taco Bell) therefore instructed new
There are other franchisees who do not take care of their business premises so this causes their branches to fail.

Baskin-Robbins also failed because they did not undertake new decoration of their QSRs ... Baskin-Robbins was number one in the world. This is a disadvantage of an international company where you cannot make a change without getting permission from regional office. This is a big problem with large organisations; they are out-of-touch with changing local needs.

Promotion: It was a good promotion but it was not appropriate for McDonald’s image with high-class customers in Egypt.

...a substitute product could be bought more cheaply.

The McArabia sandwich is suitable for all QSR market segments – socio-economic classes A, B, C and D.
Transcript of Interviews of GC-QSRM1

The success of any restaurant depends on the franchisee. If this franchisee has a system and has great experience in management and marketing this will ensure success.

In terms of franchising, the franchisor should support the franchisee during problems.

In terms of franchising, the franchisor should support the franchisee during problems.

McDonald’s breakfast is still is not as successful in Egypt as it is in America and Australia.

Freedom within a Framework – allows a choice of dressing.

Good training which follows standardised rules with updated training materials.

Staff satisfaction affects the success of new products because staff promote new glocal products – the so-called sales direct effect.

Word-of-mouth is an excellent marketing since customers were the actual evaluators of consistent quality.
Every product that comes from our factory is ready to be served so there is minimum preparation in the QSR branch. Every product is frozen and is ready to fry or grill.

Four important issues for QSRs to balance in launching new glocal products: price, quality, adaptation and the local Egyptian taste.

Choose the right people in their deserving places.

Good people make a good business but a business does not make good people.

Every product that comes from our factory is ready to be served so there is minimum preparation in the QSR branch. Every product is frozen and is ready to fry or grill.
Appendix 4: Data Elements from Semi-Structured Interview Transcripts - Phase Two 2010

Transcript of Interviews GC-QSRM3

In 1994 the political climate in Egypt encouraged global franchising operations to enter the Egyptian market.

There are long processes to get permission from the head office to launch products that meet local tastes.

Standardisation is the basis of our business - from the ingredients used in our products to our preparation and service standards ... we use specific types of potatoes ... have specific standards to maintain and ensure quality. A Big Mac in Egypt is like a Big Mac anywhere.

McDonald's offers flexibility in its products - freedom within a framework.

The aim of "landscape research" is to know all customers' habits and the local taste, the way of thinking, what they watch on T.V., what they (A, B, C1) eat for dinner? What do they prefer for their lunch?

McDonald's is a market leader because it spends a lot of money on market research so McDonald's builds its strategy according to landscape research.
There is specific research to identify the different tastes in different parts of the same country.

McDonald’s is a luxury in Egypt which is eaten by socio-economic classes A, B and C1

...vital to the success or failure of a new product
Transcript of Interviews GC-QSRM4

In McDonald's (Egypt) we produce spicy chicken fillet. We work on the premise that your product must suit local tastes with a suitable price and must be of good quality.

According to the Egyptian taste so McDonald's Egypt adapted the McDo sandwich to a spicy flavour instead of a sweet and sour flavour which was developed specifically for the Philippine market.

The customer can customise his/her sandwich to suit their particular taste. We call this flexibility in product delivery “Made for You”. Customers therefore are offered the “Made for You” product which enables McDonald’s to respond to the individual needs of Egyptian customers.

We make professional training programmes for our staff to meet the needs and expectations of customers. We aim to build customers’ loyalty toward our company.
Salaries influence staff psychology because the cost of living is high in Egypt ... it is therefore in a QSR's interest to pay staff well.

If there no link between management and staff this will cause conflict. So teamwork is very important in the restaurant.

McDonald's was not a specialist in falafel so it did not fit all customers' needs. Our focus is to offer customers a high quality sandwich with an authentic taste. It was good but not as good as the falafel an Egyptian can buy at his neighbourhood stand.

The burger-sized McFalafel was one of the cheapest items on the McDonald's menu, but it was more than three times what a Falafel sandwich cost at thousands of shops around the country. In Egypt, value for money is very important to customers because people would like to eat to satisfy their hunger. Value for money does not equal price for this sandwich. The price of this sandwich was more expensive than the equivalent sandwich sold in traditional QSRs.

There is a good and cheap substitute which is alternative for this sandwich in traditional QSRs in Egyptian market.
There is no substitute product for the McArabia sandwich.
Appendix 4: Data Elements from Semi-Structured Interview Transcripts - Phase Two 2010

Transcript of Interviews GC-QSRM5

Local Egyptian chain QSRs copy training programmes from global QSR chains and then implement these programmes in their QSRs.

Before opening any operation you have to look first at the market needs. Undertaking a feasibility study is very important to any project before opening in order to select the right business, i.e. parking is very important for quick service and drive thru.

Hygiene standards and a healthy eating image.
Transcript of Interviews GC-QSRM6

The smell of the QSR branch was not good from making this sandwich.

McDonald's makes happy meals for children for two reasons: first, value for money; second, increasing loyalty amongst children.

Materials specifications, procedures, equipments, decoration, the same management, staff training, organisational culture. Customers going to whichever McDonald's branches around the world must get the same experience.

The behaviour and attitude of staff in QSRs is very important. Maintaining these is vital to ensuring the success of my restaurant.

There are several key factors that affect the success of global QSR QSRs including staff satisfaction and the financial rewards paid to staff.
Appendix 4: Data Elements from Semi-Structured Interview Transcripts - Phase Two 2010

Transcript of Interviews GC-QSRM7

A successful promotion campaign is not easy.

The McArabia sandwich has a very consistent quality and an authentic taste.

Suitable price McArabia sandwich in comparison with original product.

Global QSRs like McDonald’s have a good reputation for high standards of food hygiene.

Consistency of products is very important. Consistency is the result of standardisation.

A branch manager can choose to reorganise the kitchen layout and replace equipment so as to improve the unit’s working practices and do not need to consult with the Head Office on this.

A variety of products is very important because if the customer does not notice regular changes in the variety of products or the introduction of new products he will get bored.

Franchising affects new glocal product development because franchising maintains consistency and standardisation for all its products globally.
McDonald's QSRs in Egypt previously used high concentrations of salt and black pepper in their products. This caused the products to be very spicy and as a result complaints were occasionally received from non-Egyptian customers. As a result the standardised percentage of pepper to salt was changed from 50:50 to 20:80 in McDonald's QSRs.

Whatever the customer asks for he can have, as long as the product is on my menu. Customers can customise their product to suit their own particular tastes, so if a customer wants to put a different dressing on his sandwich he can.

Any shortage of staff is very dangerous for a restaurant and will obviously affect operational performance.

Management must ensure that staff have a spirit of cooperation. In order to ensure that this is achieved management must give staff a combination of rights, rewards and motivation.

Teamwork helps staff to improve the way they behave with customers.

Good leaders make good followers and bad leaders make bad followers.
A good quality product markets itself because it satisfies customer needs.

Product quality is an essential element. Critical product characteristics include: the freshness; the temperature at which it is served; the texture; the flavour; the colour.

The McFalafel sandwich was only offered one taste – mild – whereas the original was served in two tastes - spicy and mild.

The packaging of the McFalafel caused problems. The size was not good.

A successful promotion campaign is not easy.

Because McDonald's is a consistently good quality product it needs minimum promotion. The product should promote itself.

The McArabia sandwich has a very consistent quality and an authentic taste.

Suitable price McArabia sandwich in comparison with original product.
Appendix 4: Data Elements from Semi-Structured Interview Transcripts - Phase Two 2010

GC-QSRM10

The training department is a tool for communication between management and staff. The training department policy is to solve the operation problems by give staff training course.
International experience has a great influence on Western customers around the world. The first restaurant they eat in is McDonald’s or Hardee’s or KFC or Burger King because they know what the global QSRs serve.

Standardisation is the basic factor that enables QSRs to compete effectively in the marketplace. When a customer enters a chain restaurant he imagines the taste of the product before he eats it. If you do not have standardisation every branch will have products with a different taste and this would cause the QSR to lose its market.

I cannot break the brand standards. The business is built on effective standardisation ... I am convinced of the benefits to customers that standardisation creates. I will maintain McDonald’s position as a quality QSRs in this country if I follow these standards ... If you are go into any branch anywhere in the world it will be like McDonald’s in Egypt.

Adaptation is a tool of marketing to attract local customers by introducing local meals from local culture.
KFC has adapted some local products to suit local tastes. For example we have introduced Reezo in two different tastes - spicy and mild.

When McDonald’s QSRs in Egypt realised that their customers like spicy tastes, they introduced spicy products onto their menus.

We arrange vacations for our staff to spend one day on the beach. This builds staff loyalty and improves the concept of teamwork.

Promotion is a tool to brainwash customers using different kinds of publicity.

International experience has a great influence on Western customers around world. The first restaurant they eat in is McDonald’s or Hardee’s or KFC or Burger King because they know what the global QSRs serve". 
GC-QSRB7

If you pay good salaries for staff this will attract qualified staff that is looking for opportunities in QSRs.

McDonald’s targeted the wrong segment. The image of the McFalafel sandwich was that it was for poor people only.

Burger-King’s concept is that staff are internal customers, paying attention to the needs of internal customers is the success of Burger-King QSRs.

Weakness and deficiency in training means failure for operation.
Before opening a new restaurant we must study the location to ensure that the local community can support the proposed new restaurant. This will be influenced by standards of living, income, and customer demographics in the area. Is there a busy road in the area or not? Is there sufficient parking in the place proposed for the new restaurant or not? It is also necessary to consider if the restaurant will provide a delivery service or “drive thru” service.

Local QSRs should be on the ground floor. However the location of global chain QSRs is optional; they can be located on the ground floor, first floor or in the basement.

Standardisation is very important for chain QSRs - global and local chain QSRs.

Training is an important tool for communication between management and staff. The advantage of training is to raise awareness and ensure that staff is continually updated.
LEC-QSRM3

Training is very important for ensuring standardised procedures are applied.
LEC - QSRM2

Egyptian customers like changes in taste - they like a variety of menu items including meat, chickens and seafood. QSRs have to provide different food tastes from home food tastes.
If any customer would like a “special meal” (i.e. non-standardised) this meal is made specifically in response to the customer’s request.

If a new QSR restaurant opens near your restaurant, this new restaurant entices customers to eat fast-food which may also benefit competitor QSRs.

Good product quality with moderate price to attract more customers.
GC-QSRK6

Egyptian customers prefer an economic menu and like to pay less money for a better value product.
Appendix 5:

Data Elements from Semi-Structured Interview Transcripts

Phase Three 2011
At this time, McDonald’s launches regionalised versions of its products to satisfy local customers’ demands and to conform to the religious beliefs of a particular country.

We do not use all these steps in the product development process for glocal products like McFalafel and McArabia sandwiches.

There are two options in launching a new product: the first one is to modify the existing raw materials. The second is to generate a new idea.

Because McDonald’s is a global chain, using a franchising system, it has to progress through a defined process before launching new products. McDonald’s has to get permission from APMEA to start the process of new product development. This applied to McDonald’s Egypt when they got the idea of the McFalafel and McArabia sandwiches.

In the business case (new product development name) the following questions need to be answered: What is the new product? What is the aim of the new
product? Is there supporting documentation for the proposed innovation? These help ensure that the proposed new product development suits the Egyptian culture.

Cannibalization occurred so that customers were deflected from buying the old product and instead opted to purchase the new product.

The category strategy for new product can come out of a basic SWOT analysis.

Management must research why we need to introduce this new product? Which category will be selected for the re-designed sandwich, will it be beef, chicken or fish? The selection of the sandwich type depends on the research analysis undertaken.

The new product should have a clear aim in terms of which food category it focuses on. Should it be beef, chicken or fish. What is our strategy for product positioning - cheap or expensive?

Is the new product cheap or expensive? This will depends on the segment to be targeted? Also, it depends on the aim of sandwich.
Once you have decided which category you can go on to generate ideas for the new product.

The new product idea can be generated by asking a supplier to develop new raw materials at a particular quality or price.

The Food Improvement Team will see if the new product can be easily manufactured by the Golden State Food Company. The McDonald’s team tries to avoid complex products. The FIT undertakes trials on a new product to ensure that it is easily manufactured before making the decision to launch it.

Product optimization is always the first important issue to continue new product launching in QSRs.

The Food Improvement Team tries to use existing raw materials to stay away from high costs

The equipment must be right to achieve the high standards required by McDonald’s QSRs.

The marketing agency does the concept test with targeted customers to measure the new product’s appeal and to get their opinion.
The marketing agency conducts surveys about the size, price, and taste of the new glocal product. Sometimes marketing agencies disclose the restaurant name, but often they don’t. Sometimes the agency does not divulge the brand name.

The four seed stores (also known as growth stores, pick stores or ideal stores) are selected based on an agreed set of criteria - size, location, facilities, sales.

The main job of these stores is to promotion the new product to customers inside the store without advertising outside the stores for a period of 1-5 months.

We must select the right time to launch the new product.

McDonald’s sold around a million McFalafel sandwiches in just a matter of 10 to 14 days.
Semi-structured interview’s Transcript of GC-QSRM2

The reason for launching the McFalafel was to attract new market segments, particularly socio-economic class C2, D and E customers.

To send a message to local customers – ‘I am local and I have my roots in Egypt and I am proud to eat a product that has been produced for the local market’; second, ‘To reduce losses in our sales from mad cow disease’.

McDonald’s follows these steps: Assess the marketing needs to meet local needs of customers in the Egyptian market; Find suitable suppliers for this new product according to McDonald’s specifications; Generate a marketing package that is suitable and receives approval from Head Office.

The Food Improvement Team should know the opportunities in the market to decide whether to implement improvements to an existing product or to launch a new product. The results of this process depend on customer research, existing competition, and the capability of suppliers.
New products in local Egyptian QSRs should achieve these elements - unique quality; unique taste; good atmosphere; value for money. The price of the product must equate with the price of competitor products in other local restaurants.

The supplies for the new product ... should be available in the local market to avoid the need to import materials from overseas which would be expensive.

Management should pay attention to the food costs for new products - raw material costs must be determined before launching a new product. Higher raw material costs lead to a decrease in the profit margin.

The operational process of the new product must be well-organized through cooperation between all of these departments- operations departments, the supply chain department and the marketing department.

Every characteristic of the new glocal product has to get approved from the regional office Asia Pacific Middle East Africa.

Speed of production is very important the unique selling proposition of QSRs - new products must be quickly and easily processed so a quality product can be provided to the customer quickly for customers as two of the interviewees.
The training department follows up on operational procedures by giving staff regular training programmes which helps them to achieve their goals.

All aspects of the product’s marketing strategy must be agreed. This includes the slogan, the marketing message, and the art work that will be employed.

After the Food Improvement Team gets positive or negative feedback on the new product from the seed stores they make small or large modifications to the new product accordingly. Rarely – just in a few cases – they stop the launch of new product because of negative feedback.

Time is very important - suitable dishes for the different seasons ... you cannot launch a new product, such as ice cream, during the winter season, similarly you cannot launch a meat-based new product in a Muslim country, like Egypt, during fasting days.
Semi-structured interview’s Transcript of GC-QSRM3

To increase market penetration by attracting new segments of customers and to maintain product mix in the restaurants.

We do not follow all these steps in the product development process for glocal products but we do use similar processes which we will discuss with you.

New product development is not easy to achieve so the FIT team has to do their homework (by producing flowcharts to assist product innovation). The FIT team must therefore have a strong argument to convince the regional office (APMEA) to launch a new product that satisfies the market research by responding to customers’ needs.

It is not easy to create a successful new product for a global QSR menu (especially a glocal product). The FIT has to do its homework through flowchart of product innovations so FIT should have a strong argument - strong evidence for launching a new product - to get permission from the Head Office to launch a successful glocal product according to researches of market and customers’ needs such as it will increase sales in my restaurants. FIT should know “You
have a freedom within framework (process templates)” You have to go through the process.

Before launching new product a QSR reviews research to know:

- Who are the customers to target?
- What are their needs?
- What is the preferable price; taste, size, value, for them?

The needs of our customers and what our customers want from our company.

‘Cannibalisation’ or ‘incremental new transaction’ is a term which is used by the McDonald’s general marketing manager. It means customers shifting from buying an old product to buying a new product.

The price must be considered in relation to the target market (students differ from workers.

Market research gives focus to the FIT to help ensure the product addresses the needs of the target market.

If you have an idea you have to test it to find out whether it is necessary to add or remove ingredients.
The quality assurance manager discusses with the operations manager and the marketing manager to determine the quality and a suitable price for the new product.

... Is related to the training process. The quality assurance department writes in the appropriate storage temperature for this sandwich – its primary shelf life for storage pre-cooking and its secondary shelf life for storage after cooking.

The role of marketing is to introduce a clear plan regarding the launch of the new product and how to promote it.

Marketing channels include indoors (local promotion in restaurants) and outdoors (billboards) and other media commercial on television or in newspapers.

The Food Improvement Team depends on surveys and market research, e.g. through marketing agencies with focus groups representing different market segments, to select a suitable price for a new product. The FIT decides if the estimated price suits the new product (or not) which leads to the soft launch (or not). The price of a new product is critical to its success.
Semi-structured interview’s Transcript of GC-QSRM4

... to increase restaurant sales; to ensure a wide variety of products for customer’s choice; to maintain the company’s image among our competitors and finally to suit Egyptian taste preferences to attract new customers. If a new product does not achieve these goals it should be stopped.

McFalafel (Elmaalim) was launched to break the recession, because of the boycott and the global food crises.

All the time the FIT are thinking to launch products based on our Egyptian traditional foods. The idea for the McArabia sandwich was generated in the regional office (APMEA). The McFalafel sandwich was not launched for a long time and also not launched across the whole of the Middle East like the McArabia was. The FIT extracts ideas from McDonald’s system, competition, and customer’s needs. Furthermore, it depends on market research in the vein of; what is the preferable food for your customers. Marketing is not scientific it always depends on inspiration. Market research should support the idea for the new product with empirical data.
The regional office (APMEA) suggested that some products are devised and produced to appeal to customers in different market segments. We undertake studies to identify an attractive price for this market.

The operational procedures for the new product have to be well-planned through cooperation between three departments – i.e. the operations department, the supply chain department and the marketing department – and every aspect of the new glocal product has to be approved by the regional office APMEA. Speed of production is the unique selling proposition of QSRs - new products must be quickly and easily processed so a quality product can be provided to the customer quickly for customers.

Some restaurants have limited space so the equipment needs to be small and this reduces its capacity.

The key to business success is the trainer. The trainer should be a role model for the staff.

These are the standards that should be followed to maintain food safety, such as sanitizers, hand dryer, and gloves for staff.
Management sends the station observation check list to all branches about the procedures for making this sandwich in steps including the time of cooking, the temperature, the time of serving. The trainer shows staff how they can make new product professionally.

To increase restaurant sales; to ensure a wide variety of products for customer choice; to maintain the company's image among our competitors and finally to suit Egyptian taste preferences to attract new customers. If a new product does not achieve these goals it should be stopped.

McDonald's was not a specialist in falafel so it did not fit all customers' needs. Our focus is to offer customers a consistent quality sandwich with an authentic taste. It was good but not as good as the falafel an Egyptian can buy at his neighbourhood stand.

The texture did not fit the Egyptian market because the way it was cooked differed from the original.

It was very strange for McDonald’s to adapt a local Egyptian product and launch it in American style. People came just to try the sandwich
Semi-structured interview's Transcript of GC-QSRM5

The FIT should consider the quality, price and quantity of new product development supplies for the long term. It is very important to the ongoing success of new product.
Semi-structured interview’s Transcript of GC-QSRM6

“Food News” is important for the FIT to improve menu, to address the price sensitivity, to achieve profit margin.

The supply chain manager has to consider the availability of raw materials in the local market of the host country to avoid imported raw materials from outside which will lead to an increased price for the new product.

A range of prototypes are produced, e.g. with different sauces, spices or cheeses, to see which are most suitable for the intended market.

The four seed stores are different points of sale – one an ordinary street location, one in a shopping mall, one a drive through, and one MDS (McDonald’s delivery service)

The first trial with customers for a new product is in the seed stores.

Staff sample customers so their feedback can be taken into consideration in the fine-tuning of a new product.
The process of new product development is normally six to eight months but for McFalafel was just two months and for McArabia was just four months.

This is an ongoing process - a new term which McDonald’s managers use. It means new product development or product innovation processes are continuously used in McDonald’s QSRs. The product development process does not and cannot stop because this would result in loss of the company’s image as a pioneer in the QSR market.

McDonald’s Egypt modified the Quarter-Pounder sandwich (which used to contain a quarter of a pound of meat - the standard size of the original McDonald’s Quarter-Pounder) to satisfy demands from younger Egyptian customers so it contained a third of a pound of meat.

The team responsible for new product development is called the FIT. It includes specialists from the supply chain, marketing, operation, finance and training departments which work on four angles:

1. It will study existing products and write appropriate comments;
2. It will focus on menu design and menu appearance;
3. It will consider the new product that we would like to launch; and,
4. It will continually review the changing needs of customers in the Egyptian market so as to ensure profitability.

Market research gives an outline of the trends in the QSR market.

After some market research we found that there were a lot of people who wanted to drink coffee with their breakfast. So we launched breakfast with coffee in McDonald’s from 6 am until 10am. This strategy was called ‘capture the shared users’.

Market research identifies opportunities according to segment (age and gender) and suitable times for launching new product (breakfast, dinner or lunch). What they would like to eat? For example, if it is a student segment they would like to eat snacks.

Product positioning is essential in relation to its appeal to consumers. It is important to know which market segment the new product is aimed at.

This sandwich is more American than Egyptian
The new product must be quick and easy to prepare and serve
Semi-structured interview's Transcript of GC-QSRM7

We invite customers to sample new products so we can take their feedback into consideration.

The customers who tasted the new product in the concept test are given a card by the marketing agency – BOG (Be Our Guest) - to get free items from McDonald's.

New product must suit the brand concept and menu.

Sampling is an important issue for the crew - by tasting the new product before its final launch and getting their impressions.

Staff also need to be convinced that the new product is good so they promote it for customers inside restaurants (internal marketing)

Soft launching let's us know where there are problems with operational procedures and how to solve them, if it has a raw material problem or not. If there is a problem with the raw materials the company takes a sample and takes immediate action to resolve the problem.
McFalafel (Elmaalim) was launched to break the recession, because of the boycott and the global food crises.

McDonald’s launches new glocal products to satisfy local customers’ taste preferences.

The important aim of the ongoing product development process is to maintain brand image among competitors.

There are two kinds of “ongoing process”; the first one is to generate new products like the McFalafel and McArabia sandwich. The second type is to change some ingredients or reshape the existing product.

Before launching, we need to be sure that the new product suits new trends in the QSR market.

The FIT should know the substitute products available in the Egyptian market before launching. If there is a substitute product the FIT needs to know: What is the price of substitute product? Is the price offering value for money? Is the product suitable for customers’ taste preferences or not?
The FIT can get information from guest comments cards, managers working in the outlets, experts in the QSR industry, other market research, and competitor's surveys. Finally, the FIT must find out if there is a substitute product for this new product or not.

We invite customers to sample new products so we can take their feedback into consideration.

The Blue Book includes everything about the product.

New product must suit the brand concept and menu.

Sampling is an important issue for the crew - by tasting the new product before its final launch and getting their impressions.

Soft launching let's us know where there are problems with operational procedures and how to solve them, if it has a raw material problem or not. If there is a problem with the raw materials the company takes a sample and takes immediate action to resolve the problem.
Semi-structured interview’s Transcript of GC-QSRM8

... The procedures of food safety like how to maintain the safe shelf life for a product after it is cooked.

Cross-functional process’ is a new term that McDonald’s’ managers use to reflect the communication between departments for creating the new product. In this process the availability of raw materials, price, quality, quantity, value, storage, shelf life, etc. are considered. The cross functional process helps them to ensure they meet or exceed customer expectations.

There is a new concept called the ‘Food Studio’ which has been used in McDonald’s QSRs for three or four years. Professional experts work with chefs and key suppliers on “Food Studio” to develop new products. The “Food Studio” develops a library of products from which we can select new products that are suitable for our market.

McDonald’s is not a wet kitchen, we are a dry kitchen which it means ready to go and ready to eat as quickly as possible.
The training department makes the Blue Book - the procedures for preparing a new product step-by-step. How we store the product, the receiving temperature, its primary shelf life, cooking methods (fried or grilled), the expiry date, the holding time, with supply department. We make also station operation check list which gives details about the responsibilities of everyone working in the restaurant from A-Z.

The procedures of food safety like how to maintain the safe shelf life for a product after it is cooked...
The Golden State Food (GSF) company is the distribution company responsible for all McDonald's supplies - raw materials and manufactured patties, buns and sauces (e.g. ketchup, mayonnaise). The Golden State Food GSF collects raw materials from suppliers after inspecting their quality before sending to McDonald's.

Preparing professional trainers is very important.

The operations manager and training manager go to restaurants to ensure the work is going well and resolve any problems a week before launching the new product. The operations manager is the one who visits most branches. At the beginning of the launch the new product sales will be high because the vast majority of customers want to try the new product, marketing make a distribution plan.
Appendix 6:

Interview with GC-QSRM2 by Alex Dziadosz used in the fieldwork as a Printed Document
CAIRO: Across the Atlantic, fast food companies - or, in the industry's preferred jargon, "quick service restaurants - have been among the few to find an upside to the global recession. Quarter-pounders and French fries fit into slimmer budgets better than filet mignon, for instance, and those in the industry are eager to point this out. Here, however, things are a bit different. There is no immediate threat of recession, although economic growth is shrinking fast. And when it comes to fast food, Hardee's and Papa John's are hardly the cheapest options on streets packed with koshari and fuul vendors. The assistant general manager of McDonald's Egypt, Alaa Fathy, met with Daily News Egypt this week to talk about the up and downsides of making fast food in Egypt, including inflation, the effects of the intifadas on hamburger sales and the trouble with making McKoshari.

Daily News Egypt: How does your supply chain work here? Do you import or export most of your foods? Alaa Fathy: We get around 85 to 90 percent of our products locally. The majority of the suppliers are local Egyptian companies. Only around 10 to 15 percent - I believe it's more like 10 percent - are imported, due to the fact that you can't get these products here in the market with the quality that McDonald's is looking for. When we started, the amount of products that we were importing was much higher, [at around 70 percent]. We worked with the suppliers in order to improve their facilities and their production process until we were able, in two or three years, to get them up and running according to McDonald's standards. Since then we [have been] getting more products locally.
What do you still need to import? For example, fillet of fish. We don't have that quality of fish here in Egypt, so we have to import this from Europe. Apple pies - we don't have a local company that is producing apple pies over here. What we are importing from some Arab countries are, for example, cheese...imported from Saudi. These are just examples, the rest is manufactured here: dairy products, agriculture products like lettuce and tomato, the beef patties, the chicken products.

What are the other difficulties you've had locally? Throughout 2008 and 2007, mainly 2008, we witnessed tremendous inflation in raw product prices. This was a worldwide thing, due to the inflation that occurred in all of the commodities. In some products it went up to 40, 45 percent inflation. The majority of the locally-produced products depend on imported raw materials. So if you have any change in the worldwide low product pricing, definitely it will impact you. This is the first challenge. The second is if you have any governmental regulations with regards to the importation of any product. Sometimes the government puts lots of taxation and whatever laws on, say, the chicken manufactured products. But if you have a local chicken supplier, as we do, this is not a problem.

Did you have to raise prices? Definitely. But one of our strategies is that we don't dump all of the inflation on the consumer, because we have to maintain our competitiveness, especially in regards to pricing. So the majority of the inflation affected us internally on our profitability, and we just passed a minor part onto the consumer. One of the main products were beef. To give you an example, beef prices - this is an estimated number - went from around, let's say, $2,800 per ton, to the
$4,500 per ton. So imagine what happened to the raw products. We didn't transfer all of this, definitely, but it did affect our profitability.

Still, McDonald's is less of a budget option here than it is in America. Who are your customers in Egypt? A main challenge in Egypt is the low average income. And, over there, the cost of the food is low. Over here, the cost to produce the food is around 80 percent higher than the US. It's very challenging, due to the high food costs or product costing, with the low average income. This is where the difficulty is. The main customers we are attracting - and I'm not talking about McDonald's only, I'm talking about McDonald's and the majority of the QSR [Quick Service Restaurant] players - are mainly the social economic classes of A, B, C1 and C2. When you go down to E socio-economic class, you see them occasionally; say during feast periods or summer periods. But they order the very low-priced products like ice cream cones and cheeseburgers.

Why is it more expensive to produce food here? These are the main two factors: currency exchange rates and the customs duties. In Egypt the customs duties are high compared to the US and compared to European markets. And, after all the inflation we have seen in 2008, this might be a challenge we are faced with again in 2009. If the dollar gets stronger against the Egyptian pound and the Egyptian pound is devalued, what worries me is seeing inflation again in the Egyptian market.

How do you choose the local menu? We have a core menu, which contains the quarter-pounders, fillet of fish and so on. You have to go with the core menu first. And the more you are developed in the country, the more you start becoming localized. We started developing and introducing new items that match the local
taste. Some time ago, we introduced the McFalafel, and the McFalafel was very successful. If I recall, we sold around a million sandwiches in just a matter of 10 to 14 days. We also have two sandwiches you will not find in the US: the McArabia Chicken and McArabia Kofta.

Have you thought about a McKoshari? We thought of it one time before, but found it was very difficult to maintain. It would be the same challenge we faced with the McFalafel, which is maintaining a strong, consistent high-quality raw product. But again, if we find the formula to solve this issue, it might help a lot.

You are planning five or six new locations in the coming year. Where are you trying to expand? Normally we are in the areas where we see a growing potential or areas we are not yet in. So, let's say, in the area of Sixth of October and in Sheikh Zayed district, this area is expanding, so we are thinking about going in this area. In areas like New Cairo, we just opened an outlet in the new campus of AUC [American University in Cairo].

Where are your most profitable locations? Whenever you see a socioeconomic class of A and B - these are your high-volume areas, like the Heliopolis area, like the Mohandiseen area, like Garden City, like Zamalek. These areas are the high-volume areas. Some others are seasonal, like Sharm El-Sheikh and Hurghada. But definitely now with the negative impact on tourism, we are expecting to see a slight drop on the volumes of touristic areas’ outlets.

Who are you competing with locally? If you talk about the chains - KFC, Pizza Hut, Hardee’s - I believe you can consider these our main competitors. But we keep an
eye on everyone, even the local chains like Mo'men, Cook Door and whatever - we keep an eye on them.

Did your Tahrir location lose business when AUC left? Definitely it had a little bit of an impact. But the good thing about Tahrir is that throughout the past years we have seen a tremendous increase in the volumes coming out from the local, or the Egyptians, that are living somewhere in Tahrir or working near Tahrir. Especially now that the traffic downtown is getting extremely congested, you see an increasing trend in the delivery service. But yes, we have seen a slight negative impact on the volumes when AUC moved out.

Israel's actions and the Iraq war have prompted some calls for boycotts of American brands. Have you been affected? We were impacted during the first [Palestinian] Intifada, and this is where we see the start of the boycott. The strategy we have started to use is to let all Egyptians know that we are a 100 percent pure Egyptian company. It [McDonald's Egypt] is owned by an Egyptian family. All employees working in McDonald's Egypt are Egyptian. We have around 3,000 Egyptian employees. The suppliers are Egyptian. This is how we started communicating to the local market. Over time, people knew it, they believed it. It helped us a lot during the Second Intifada. It helped us a lot during the last Gaza war - we didn't see any boycott happening to McDonald's. We started helping the community. We started with the Children's Cancer Hospital, where we donated as McDonald's Egypt around LE 4 million, then worked with an orphanage. And one of our recent initiatives, we're developing a place here in Cairo, it's an underdeveloped area - ashwa eyat - unplanned communities. We have an initiative in 2009 that will go in and develop 10
Appendix 6: Interview with GC-QSRM2 with GC: QSRM2 which used as Printed Document in Phase one

kindergartens to have them become suitable for children to go in, to stay in. This initiative will cost us around LE 1 million in 2009.