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Concept Uniformity in Limited-Service Restaurant Chains: Case Studies

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Abstract
The purpose of this paper is to examine the issues of concept uniformity in limited-service restaurant chains through case studies. Most fast-food chains such as McDonald's have built their business model on uniformity. Processes and standards are highly documented and units are monitored so that variations are minimized. Franchisees are penalized for non-compliance on major issues. Lafontaine and Blair (2005) state that "At each McDonald's however, one can expect basically the same overall experience. These standards and policies are spelled out in details in its operations manual, which it updates regularly and includes by reference in its franchise contract." Other franchise chains such as Great Harvest, specializing in bakery and pastries have chosen an opposite strategy. Great Harvest calls itself the "Freedom franchise" since it gives extreme freedom to its franchisees. Entrepreneurial spirit is welcome and rewarded. Know-how such as recipes and management processes are provided by Great Harvest but each store could build its own identity and fit in the local business landscape. In this paper we propose to review the merits and downsides of the two strategies by developing a comparative case study of McDonald's and Great Harvest. We will articulate these case studies around two axes: localization strategies from an international or regional point of views and customization strategies. Research by Kaufmann and Eroglu (1998) provide a hierarchical framework while determining the impact of deviation for each key component of the business format and research by Gilmore and Pine (1997) establish useful distinctions between the four types of mass-customization.

Keywords
McDonald's, Great Harvest, Customization, Standardization, Monitoring

1 Introduction

Most limited-service restaurant chains such as McDonald's have built their business model on uniformity. Processes and standards are highly documented and units are monitored so that variations are minimized. Franchisees are penalized for non-compliance on major issues. In some cases franchisees are denied the opportunity to purchase a second unit or they may simply get terminated. Kaufmann and Eroglu (1998) perfectly define the problem of concept uniformity in the following terms "Of the many types of management issues faced by franchisors, perhaps one of the most difficult is defining the appropriate boundaries of their format, i.e., maintaining the required level of uniformity for the system to obtain economies of scale, while avoiding the danger of stifling efficient local market adaptation. The franchisor must determine what it is, for example, that makes a McDonald's restaurant uniquely McDonald's, a Dunkin' Donuts shop uniquely Dunkin' Donuts. Obviously, the menu, name, and trade dress are important, but what are the appropriate limits of uniformity?" Lafontaine and Blair (2005) state that "At each McDonald's however, one can expect basically the same overall experience. McDonald's franchise agreement itself points to the central importance of uniformity. It states that "the foundation of the McDonald's System and the essence of this Franchise is the adherence by Franchisee to standards and policies of McDonald's providing for the *uniform* operation of all McDonald's restaurants within the McDonald's system…". These standards and policies are spelled out in details in its operations manual, which it updates regularly and includes by reference in its franchise contract". Partly due to their uniformity policies, fast food chains are starting to face more negative reactions from community leaders when applying for new unit creation or expansion and from customers who are expecting higher standards from fast-food chains. Other franchise chains such as Great Harvest, specializing in bakery and pastries have chosen an opposite strategy. Great Harvest calls itself the "Freedom franchise" since it gives extreme freedom to its franchisees. Entrepreneurial spirit is welcome and rewarded. Know-how such as recipes and management processes are provided by Great Harvest but each store could build its own identity for a better fit in the local business landscape. In this paper we propose to review the merits and downsides of the two strategies by developing a comparative case study of McDonald's and Great Harvest. However, we are aware of the limitations of this comparison since Great Harvest is not a limited-service restaurant and therefore does not have to deal with issues inherent to the fast-food industry such as production speed, and fluctuation of demand during the day. In addition, while discussing the topic of concept uniformity it is important to keep in mind that some format variations may have more impact than others on the brand.

There is a hierarchy among the various components of a business concept. Kaufmann and Eroglu (1998) identify the following four format components that constitute the business format in a franchise chain: product/service deliverables, benefit communicators such as quality, durability or elegance, system identifiers such as trademark or logo and format facilitators such as policies and procedures. However they state that:

> Not all elements that make up each of the four format components are equal in terms of their centrality. The trademark and name are clearly more critical to system identification than the color scheme. Quick service in a fast-food franchise is clearly more critical to service delivery than the existence of a playscape for the children. Hence, a distinction must be made between the "core" and the "peripheral" elements of each format component. We define core elements as those whose standardization must be enforced across all franchisees without exceptions since they are deemed indispensable for the system's survival. In contrast, peripheral elements are those where the franchisor must balance the system-wide benefits of standardization against the benefits of adaptation to the idiosyncrasies of local demand. Sometimes the same element could be regarded as core for one format and peripheral for another.

In figure 1, Kaufmann and Eroglu (1998) give some examples of this hierarchy in format components. We propose to use this hierarchy as a framework while organizing comparative analysis of McDonald's and Great Harvest.

FORMAT COMPONENTS

CENTRALITY	Product/Service Deliverables	Benefit Communicators	System Identifiers	System Facilitators
Core	basic menu accuracy of work	clean uniforms/ aprons professional certification	system name trademark logo	sales reporting procedure operation manuals
Peripheral	hours of operation parking	mint on pillow display of professional certificates	color scheme decor of unit	POS equipment local advertising

*It should be noted that what might be peripheral in one system could be core to another

FIGURE 1 Examples of format component elements relative to centrality.
Source: Kaufmann and Eroglu (1998)

On the same line Bradach (1998) agrees that "the shared identity of units in a chain encompasses not only visual markings but also the physical design of the unit, the menu, the production processes, and the service." Bradach doesn't however establish a hierarchy among format components.

Another key trend to take into consideration is the increasing demand for personalization for products and services: it appears that the concept of uniformity in limited-service restaurant chains may therefore be challenged. In their fast-food industry report for McKinsey, McPherson, Mitchell and Mitten (2003) write that "our market analysis indicates that time-strapped consumers value control, personality, and choice when making their dinner plans. At Chipotle Mexican Grill (owned by McDonald's), control begins at the counter, where diners decide how much of each ingredient goes into their burritos." However they conclude that "no one in the industry has yet found a way to combine distinctive dinner service with the operational performance necessary for scale." These last few years, manufacturing companies such as Dell and Toyota have started to address this problem by implementing mass-customization production strategies where they develop a core framework along with modular components that could be individually selected by the customer. Most of the literature on this topic comes from manufacturing or operational research, but there are few articles developed by marketing researchers. We are intrigued by the similarities between fast-food chains and manufacturing assembly lines and curious to determine whether these manufacturing and operational theories could be applied to the limited-service restaurant chains. However we need to keep in mind that mass-customization is not always the most efficient model: having too many choices may increase the complexity of a transaction; in the fast-food industry it may also increase waiting time at the counter and costs may go up. In 2000, McDonald's experimented with a made-to-order system but received customer complaints about longer wait. Therefore it is important to clearly understand which customizations are valued by the customers and what could be safely personalized without reducing the overall performance of the unit. We will use the research of Gilmore and Pine (1997) while distinguishing between the various kinds and degrees of customization. Gilmore and Pine defined four approaches to mass- customization that could be the starting point of a framework to help managers make mass-customization decisions. Among the four types of customization defined by Gilmore and Pine, collaborative, cosmetic, transparent, and adaptive, only the three former are relevant to the fast-food industry. The first approach is called the collaborative customization and is the most common type of customization traditionally called mass-customization: through ongoing dialogs with their customers, companies develop a clear understanding of customer needs and build an appropriate modular approach. Customers can personalize their purchase by selecting certain modules of their choice. This model has the advantage to be cost efficient. It still allows the time and cost efficiency of mass production while giving customers the opportunity to create the product of their choice. Since the choices are somewhat limited, the complexity of the transaction is reduced. The second form, cosmetic customization deals mainly with the presentation of the product: the product is the same but the packaging for example may vary to accommodate various needs. Customers could choose from a selection of standard package sizes, and labels. The third form, transparent customization is based on observation and recording of customers' choices: technology allows the company to capture customers' preferences and eliminates the needs for customers to “re-create” their order. In essence, Gilmore and Pine differentiate between the actual product and the “representation of the product”. “Altering the product itself for individual customers provides the most clear-cut means of customization. But adept mass customizers realize that customizing the actual product is only one way to create customer-unique value. Customizing the representation of the product –or how it is presented or portrayed to the customer–can be effective as well. In fact, separating a product from its representation can provide a useful framework for considering which forms of customization are most appropriate for a given business.”

1 McDonaldization

Leidner (1993) describes McDonald's as "an exemplar of extreme standardization". Operating procedures are extensively described in its training manual and absolute respect of defined norms is expected in the smallest details. Watson (1997) writes that "one key to McDonald's success is the constant push to speed up production without sacrificing consistency. Corporate goals announced in late 1995 include the filling of walk-in orders within 90 seconds and a guarantee that customers will never have to wait more than three-and-a-half minutes at drive-through windows. Company representatives monitor performance by making surprise visits to McDonald's outlets every quarter." The Economist (2004) writes about new technology allowing McDonald's to reinforce its operating procedures. "Every McDonald's has a "travel path" along which a member of staff must walk - sometimes every 30 minutes - to ensure that all is well. The company is now testing small hand-held devices which can be used like electronic clip-boards by those making the rounds. Failures to check, say, the temperature inside a refrigerator (the devices are fitted with a probe) or to scan a location barcode (they have a scanner too) when checking the play area, will be recorded. If too many incomplete checks build up, the device can automatically alert the local manager by ringing his mobile phone." McDonald's tries to make the experience predictable. Watson (1997) writes that "familiarity factor is central to McDonald's success, especially in societies like the United States, where job mobility is a regular feature of family life. To many disoriented, lonely children, the Golden Arches symbolize more than just food; McDonald's stands for home, familiarity, and friendship." Predictability however didn't prevent McDonald to slightly adapt to local needs, by offering products such as vegetarian or lamb burgers in India, grilled salmon sandwiches in Norway or Kosher burgers in Israel. However innovations and menu variations are always monitored through regional headquarters. Previous McDonald's president James Cantalupo claimed that McDonalds tried to "become as much a part of the local culture as possible…I like to call us *multilocal*". This means that McDonald's typically hires local managers and buys from local suppliers when appropriate. Actually it appears that there are slight variations in McDonald's positioning around the world. In China for example, McDonald is a status symbol, still somewhat perceived as an upmarket restaurant and targets middle to upper middle class families ready to spend a significant portion of their income for family celebrations at the restaurant. It is important to note that Asian customers are not necessarily interested in fast-food convenience but are looking for an "American" experience. The Big Mac index (2006) (in appendix) published annually by the Economist doesn't show significant absolute price differences for the Big Mac across nations. However, when one takes into consideration hourly wage variations and currency exchange rates, the Big Mac sold the equivalent of 1.31 USD in China or 1.57 USD in Indonesia versus 3.10 USD in the USA becomes a "luxury" item in those countries. Ashenfelter and Jurajda (2001) calculated that in 2000, the average hourly wage in China could purchase 0.36 Big

Macs per hour and the Indonesian's 0.36, while the U.S. hourly wage could buy 2.59 and the French 2.72. It appears therefore that McDonald's has chosen a different positioning in emerging or developing countries. This strategy is quite similar to Starbucks who has chosen to keep very consistent worldwide pricing and has slightly modified its positioning in some emerging countries such as China.

It appears however that McDonald's has experimented with various market entry strategies along the years. Love (1986) writes:

> What is more surprising than the scope of its success abroad is that McDonald's cracked the international market with more or less the same formula it had perfected in the United States…Indeed, whenever McDonald's international departed from its tried and true franchising methods, it stumbled. In issuing its first foreign license in 1965, for example, McDonald's sold John Gibson and Oscar Goldstein, its legendary Washington franchisees, the right to develop the Caribbean under a so-called developmental franchise. That meant that McDonald's provided no field supervision of the Caribbean stores, developed no real estate, and set up no suppliers. All of that was done by Gibson and Goldstein.

After the failure in the Caribbeans, McDonald's experimented with a joint-venture approach in the Netherlands where it would replace its traditional menus with local favorites. It also changed its traditional approach of having local entrepreneurs running its stores and instead used a combination of expatriates and local partners to manage its restaurants. The result was a disaster and McDonald's decided to revise its international market entry strategy. In a second phase McDonald's focused on "changing" the local culture versus adapting to it. The example of Japan is particularly characteristic of this approach and was initiated by a Japanese joint-venture partner, Fujita. Fujita made outrageous statements to sell hamburger's properties such as " The reasons Japanese people are so short and have yellow skins is because they have eaten nothing but fish and rice for two thousand years… If we eat McDonald's hamburgers and potatoes for a thousand years, we will become taller, our skin will become white, and our hair blonde". Fujita succeeded in launching McDonald's in Japan and demonstrated that the American menu could be sold abroad without major modification. It is important to note that menu and décor modifications where initially attempted in Australia or Germany for example, and were later reversed to implement the typical U.S. look-and-feel and family positioning. The key issue faced by McDonald's was the fact that these local innovations were not following the proven operating standards tested in the U.S. and resulted in inconsistencies in quality. Inconsistency in image also resulted in moving away from the traditional family positioning, part of the core McDonald's image. In Japan, McDonald's required the Japanese stores to follow its U.S. operation procedures but due to the Japanese culture of obedience, the rules ended up being applied to the letter and suppressed all opportunity for creativity. McDonald's therefore attempted to "change" the Japanese management culture to make it work as intended. However, Fujita was allowed to localize key components of the U.S. models: he chose prominent downtown locations versus suburban locations recommended by U.S. headquarters, he localized promotional methods, running ads on TVs with a distinct Japanese flair and more importantly focused on educating the market. Love writes that "In short, Japan proved that the key to success in the international market was the same as it was at home: local control by local owner-operators". Typically McDonald's has given promotional freedom to its partners and franchisees but has always insisted in keeping their operational system intact. Since McDonald's was attempting to "change" local cultures it was critical for them to use native partners to articulate this strategy thus limiting potential rejection of a foreign entity. Steve Barnes previous Chairman of McDonald's International claimed "McDonald's is an American food system… If we go into a new country and incorporate their food products into our menu, we lose our identity. We're neither fish nor fowl".

McDonald's has also established strict standards among its U.S. suppliers and has tried to implement similar standards abroad by asking established U.S. suppliers to develop international operations. McDonald's tried to "change" local suppliers' standards but failed in some countries such as the UK. Former McDonald's UK Chairman, Bob Rhea said, "the vertical integration of McDonald's England was a result of the British food industry's refusal to give us what we wanted". In developing countries however, McDonald's was successful in imposing its standards to local suppliers and "changing" local suppliers' standards.

In his book the McDonaldization thesis Ritzer (1998) analyzes the rationality of a system such as the McDonald's system. The term McDonaldization is used to characterize highly standardized and regulated processes based on Fordist theories. The five dimensions of McDonaldization are calculability, efficiency, predictability, non-human technology, irrationality of rationality. Ritzer analyzed this model by using rationalization theories from Weber (1921/1968) and Mannheim (1929/1936). Although highly controversial, these theories have the merit to offer an analysis framework for this concept. Mannheim emphasized the importance of centralized planning as a mean to avoid chaos when dealing with recurrent situations but also warned against the dehumanization associated with functional rationalization: in other terms the ability to think intelligently. On the same line, Ritzer writes "It is clearly dehumanizing to find oneself mindlessly functioning like a robot of an automaton in a McDonaldized system." Using Mannheim's theories of rationalization, Ritzer concludes that McDonald's operating manual is a perfect example of rationalized behavior. On the same topic, Love (1986) writes about the original McDonald's procedure "Grill men…were instructed to put hamburgers down on the grill moving from left to right, creating six rows of six patties each. And because the first two rows were farthest from the heating elements, they were instructed (and still are) to flip the third row first, then the fourth, fifth, and sixth before flipping the first two". In summary McDonald's is trying to regulate recurrent situations and tries to avoid non-recurrent situations non-regulated by the system as much as possible. This explains McDonald's standard market entry strategy. The McDonald's core system is inflexible and doesn't change significantly. Therefore McDonald's tries to change the local environment but in order to function, the system needs to make tasks and outcomes as predictable as possible so that they can be regulated. Ritzer (1998) brings up an interesting point when he argues that the system not only trains the employees and the suppliers but also the customers. Ritzer writes:

> For their part, customers are not required to attend Hamburger University, (McDonald's training facility in Illinois, USA) but they are "trained" by the employees themselves, by television advertisements, and by their own children who are often diligent students, teachers and enforcers of the McDonald's way. This "training" … is oriented not only to teaching the "skills" required to be a customer at a fast-food restaurant (e.g. how to queue up in order to order food), but also the norms and values of such settings as they apply to customers (e.g. customers are expected to dispose of their own debris; they are not expected to linger after eating).

This is precisely the education method that was used by Fujita in Japan. Fujita attempted and succeeded in changing some aspects of the Japanese behavior by "educating" the customers through intensive promotional activities.

McDonaldized systems also emphasize the concept of calculability. Everything is quantified and quantity is glorified. In most cases, quality doesn't have a place in such a system. In order to work, the system needs to be built around simple tasks and outcomes, therefore creativity and innovation become a threat to the system by overcomplicating the processes and making it incontrollable and unpredictable. However, we can argue that quality may become part of a McDonaldized system. Mass-customization techniques have taken into considerations customer needs and wants and adapted the manufacturing process to accommodate those while maintaining predictability. Ritzer (1998) asks the following question "Does this mean that just as we have moved into a post-Fordist era, we will soon be entering an epoch of post-McDonaldization? To some degree we will". Ritzer points out that we could reach a point were we develop a McDonaldized system that rationalizes inefficiency and unpredictability giving the example of a chain offering different shapes of hamburgers that would be uniformly different!

3 The other way

Although Great Harvest is not a fast-food chain but a bakery it is interesting to examine its approach on uniformity. Named the "freedom" franchise, Great Harvest emphasizes creativity, generosity and entrepreneurial spirit among their franchisees. Tom McMakin, previous COO at Great Harvest states that "Great Harvest occupies the middle ground between joining a franchise and going out on your own. Our goal is to create a community of Mom and Pop operators - each free to create their stores as they please, and each contributing to a pool of expertise that is available to all - something we call a freedom franchise". Started in 1978 as a bakery store in Great Falls Montana, Great Harvest became a franchise in 1982 and currently counts over 200 franchised stores in the USA and no corporate owned stores. It is modeled after the philosophy of the founders Pete and Laura

Wakeman. Acquired in 2001, the company is still privately owned and able to manage the system according to its own rules. Great Harvest's founders advocate balance in life, for themselves, their employees and their franchisees. The organization is profitable of course but profitability is a means not the end. Great Harvest selects franchisees with similar philosophy of life and values and spends an enormous amount of time screening applicants - good screening limits the needs for monitoring -. They also choose to limit their growth in order to maintain the chain's standards of quality. Being a "freedom" franchise doesn't mean that Great Harvest doesn't have systems however. Great Harvest has developed elaborated processes that are communicated to franchisees. The difference between Great Harvest and McDonald's is that franchisees are free to choose to implement these systems or not in their organization. McMakin writes "As Great Harvest got larger, Laura and Pete focused their talent for producing bakery operating procedures on the franchise business itself, creating hiring checklists, budget checklists, bakery visit checklists and new candidate selection checklists… To this day, Great Harvest has a strong culture of checklists. "Systems make you free," we preach to new franchisees. "Without them, you are simply baking bread and training new counter people. With them, you are able to think about growing the business and taking time off with your family". It is interesting to note that Great Harvest is gently persuading their franchisees to use the systems. Since they share similar values it is certainly much easier to "sell" these concepts to their franchisees. Great Harvest is aware however of a potential flaw in its recruitment system and does not want to create a homogeneous system. Diversity in franchisee recruitment is one of their goals. Great Harvest franchisee recruiter claims that "Fit can become synonymous with "looks like me". One of my jobs is to guard against that and to seek diversity in owners, because in diversity there is strength. The efficiency of the system lay in the community of franchisees". Franchisees are seen as partners. They have absolute freedom to design and manage their store as they please but they must connect with the community of franchisees and share challenges and successes with the rest of the owners. Additionally they are required to use the Great Harvest trademark and logo but have complete freedom to develop new recipes to personalize their store, to decide on opening hours, pricing and product assortment. They market their store as they want but are provided promotional templates from Great Harvest as an option. They receive extensive training in baking, along with secret recipes but have the option to modify them. They also receive guidelines and suggestions (the systems) in bakery management and employee management but Great Harvest is not a "turnkey" franchise. Among these guidelines are the four C's principles: Coolness, Compensation, Caring and Connection. It must be fun to work in a Great Harvest bakery: employees will often use the term cool when defining their job. They are also compensated above industry average and receive frequent personalized rewards and thank you for their jobs. Owners and employees also feel connected to a bigger goal. One of the owners describes their role in the community as "We make nourishing bread that gives our customers the health and energy to lead good lives".

A "freedom" franchise model is not for everybody. It should attract mainly entrepreneurial personalities with the ability to work independently and a strong passion for life. This type of organization requires direct involvement from the owners: they work in the store; Great Harvest franchises are not available to pure investors. What keeps emerging as a key value for Great Harvest is pride. Pride in a job well done, pride in the nobility of the product. There is a passion for quality and tradition, a passion for craftsmanship, a respect for work. This pride inspires franchisor, franchisees, employees and suppliers and is felt by the customers. Shopping at Great Harvest becomes an experience. This experience is declined differently depending on the personality of the owners and employees but the key connection between these people is pride. Pete Wakeman sums it by saying "There are no secrets, baking great bread is about attention to the little things. This recipe isn't complicated. But there are thousand different ways to mess it up. My job is to be present to what I am doing and watch the bread closely. Attention to the little things sounds easy, but you won't be able to get it unless you have an honest-to-God passion for what you are doing. This is a big deal for me. It is not just bread. It's my bread". McMakin adds "Bread is the opposite of "fast food"; it is "slow food" because it takes so long and such care to produce".

4 Discussion

From our research it may appear that McDonald's and Great Harvest represent dramatically opposite view of franchising efficiency. To some extends it is true. Their focus is different, their goals are different, their size, maturity and overall global expansion are different but they both made similar choices in preserving the integrity of their core format components. Kaufmann and Eroglu (1998) reach the conclusion that peripheral elements in the franchise format can be safely modified as long as the core elements remain identical:

> It is our contention that as long as the core elements are sharply defined and uniform across franchisees, peripheral differences will be discarded along with location, and a consistent and enduring image of the franchisor's concept, invariant of time and space, will be retained." Using the example of McDonald's they argue that "As one franchisee put it, "As a McDonald's franchisee, you can do almost anything you want with design and decor--even uniforms. The only things you cannot change are the service and the food (Skenazy 1987). In other words, whereas the nearly universal familiarity with the McDonald's name has permitted more peripheral system identifiers to be relaxed, the core product/service deliverables are sacrosanct.

The key difference between McDonald's and Great Harvest lies in their definition of these core components. Great Harvest has limited the number of core components to essential elements such as trademark, logo, brand image and positioning while McDonald's has developed a complex multi-layered system of brands and "sub-brands" components as part of their core components. This complexity seems to lead to rigidity. The four tables below present a succinct comparison of Great Harvest and McDonald's using the framework developed by Kaufmann and Eroglu (1998):

Product and Service Delivery

	McDonald's	Great Harvest
Core	Branded basic menu items. A Big Mac is a Big Mac everywhere in the world. Absolute consistency in taste, ingredients and quality.	Great quality bread, great service. A welcoming atmosphere, a rewarding experience
Peripheral	Non-branded menu items such as the cheese burger can be easily adapted to local needs.	Variety in assortment in store location, hours of operation.

The key finding comparing both concepts is that McDonald's uses multiple brands: the McDonald's brand is the "umbrella" brand but certain menu items such as Big Mac or Chicken McNuggets are also branded. Great Harvest on the other hand doesn't have individual product brands. This is an essential element to take into consideration since this product branding greatly limits McDonald's overall flexibility. Branded menu items are key core components of the franchise format in the McDonald's model. It is interesting to note that menu localizations at McDonald's are only allowed for non-branded menu items such as the "generic" cheese burger. The burger could therefore be a beef burger in the U.S and a lamb burger in India without jeopardizing the McDonald's brand since "generic" menu items are peripheral components. However a "Big Mac" is a "Big Mac" anywhere in the world with similar ingredients and taste. On the other hand a Great Harvest customer expects to receive quality bread and a friendly experience - core positioning of Great Harvest - in each outlet but cannot predict the assortment provided in the store. What matters is the overall brand image of quality. The assortment is a peripheral component. Great Harvest sells an experience while McDonald's sells product features.

Benefit Communicators

	McDonald's	Great Harvest
Core	Cleanliness and food safety, family oriented.	Great quality, experience, friendliness
Peripheral	Playgrounds, kids menus, toys	Local community involvement. Style in customer service

System Identifiers

	McDonald's	Great Harvest
Core	Trademarks and Logos (Brand and sub-brands)	Trademark and logo (Brand)
Peripheral	Store layout and color schemes	Store layout and color schemes

System Facilitators

	McDonald's	Great Harvest
Core	Operating manual: very detailed. Highly monitored operating processes.	Similar values and mindset among franchisees. Self-regulated system.
Peripheral	Local promotion	Local promotion

The second key difference between Great Harvest and McDonald's is network size and growth philosophy. Great Harvest selects "like-minded" franchisees who share similar values and commitments. Therefore the system self-regulates itself with limited monitoring. The downside of this strategy is slow growth and limited size. The McDonald's system is based on unit growth. Its profitability has traditionally been fueled through expansion. A larger network with less selective criteria for common values and standards requires detailed operating procedures and monitoring.

Considering Kaufmann and Eroglu's finding (1998) that core components are not easily adaptable, what could a business-format franchise such as McDonald's with a large proportion of core components personalize without jeopardizing the brand? In order to address this question we used the Gilmore and Pine customization framework outlined above to compare McDonald's and Great Harvest. The table below reviews three of the Gilmore and Pine categories that pertain to our research.

Customization (Gilmore and Pine categories)

	McDonald's	Great Harvest
Collaborative	Could apply to basic menu items such as Cheese burger but more difficult with branded products such as the Big Mac.	Impossible to implement a "made-to-order" system in the store itself. Orders have to be taken in advance.
Cosmetic	Not really implemented but seems easy to implement by offering granular menu items such as unit-based pricing for a chicken nugget. Different packaging, plate versus box for example.	Partly implemented. Bread could be sliced or not on demand. Could provide different type of packaging or the ability to order half-bread for example.
Transparent	Relationship management systems capture customer preferences on line or in a kiosk. A smart card may be attributed to each customers	Customers could easily order on line and pick-up their made-to-order bread in the store.

Collaborative customization is the essence of mass-customization and uses a lean manufacturing, made-to-order model based on modular components selected by the customer. It appears that McDonald's could safely use this approach with non-branded menu items but could be facing difficulties with branded items such as the Big Mac. Great Harvest would face difficulties unless orders are submitted ahead of time. Cosmetic customization will be easier to implement in both cases. As an illustration we could envision a “granular” approach in McDonald’s menu items for example. By using unit price for chicken McNuggets instead of price for a box of four or six, McDonald’s could easily provide increased personalization to the customer. On the same line we could also imagine offering the opportunity of selecting a plate instead of a box for packaging. Great Harvest could provide different options for its bread. It could be sliced or not, it could be sold by unit or half unit. It could be packaged differently. In this case, we are modifying peripheral components but are still providing some room for concept variation based on consumer request and potentially resulting in higher customer satisfaction. Technology is instrumental in allowing the third type of customization, transparent customization. Using customer relationship management, organizations can capture and analyze customer preferences and automatically customize orders. We could therefore imagine McDonald’s customers entering their preferences on line or in a kiosk in the restaurant. The second time they order the same item the system would remember their preference and deliver the Big Mac without pickle, packaged on a plate instead of a box. In this case, we “safely” personalize a core component without damaging the brand. However operational issues would of course need to be considered and implementing this type of model may present significant challenges.

In conclusion, it appears that one key barrier to flexibility in limited-service restaurant chains may be their definition of core components in their business-format. By including product assortments and operating processes as part of their core components they have developed a rigid system that requires constant monitoring to function smoothly. By focusing on the overall experience, and core values, Great Harvest allows different interpretations and manifestation of this experience but its core values are very strong. The sense of pride for a job well done and respect for the individual, owners, employers, customers is the common denominator among franchisees: a concept to analyze further in regard to the current fast-food industry.

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Appendix

The 2006 Big Mac Index. The Economist.

Legend for Chart: A- Big Mac Prices in Local Currency, B- Big Mac Prices in USD, C- Implied PPP (Purchasing Power Parity) of the (U.S.) dollar, D- Actual dollar exchange rate, May 22nd 2006. E-Under (-)/ Over(+) valuation against the (U.S.) dollar.

	A	B	C	D	E
United States	**$3.10**	**3.10**	**--**	**--**	**--**
Argentina	**Peso 7.00**	**2.29**	**2.26**	**3.06**	**-26**
Australia	**A$3.25**	**2.44**	**1.05**	**1.33**	**-21**
Brazil	**Real 6.40**	**2.78**	**2.06**	**2.30**	**-10**
Britain	**£1.94**	**3.65**	**1.60(c)**	**1.88(c)**	**+18**
Canada	**C$3.52**	**3.14**	**1.14**	**1.12**	**+1**
Chile	**Peso 1,560**	**2.94**	**503**	**530**	**-5**
China	**Yuan 10.5**	**1.31**	**3.39**	**8.03**	**-58**
Czech Republic	**Koruna 59.05**	**2.67**	**19.0**	**22.1**	**-14**
Denmark	**DKr27.75**	**4.77**	**8.95**	**5.82**	**+54**
Egypt	**Pound 9.50**	**1.65**	**3.06**	**5.77**	**-47**
Euro areas	**Euros 2.94**	**3.77**	**1.05(e)**	**1.28(e)**	**+22**
Hong Kong	**HK$12**	**1.55**	**3.87**	**7.75**	**-50**
Hungary	**Forint 560**	**2.71**	**181**	**206**	**-12**
Indonesia	**Rupiah 14,600**	**1.57**	**4,710**	**9,325**	**-49**
Japan	**Yens 250**	**2.23**	**80.6**	**112**	**-28**
Malaysia	**Ringgit 5.50**	**1.52**	**1.77**	**3.63**	**-51**
Mexico	**Peso 29.00**	**2.57**	**9.35**	**11.3**	**-17**
New Zealand	**NZ$4.45**	**2.75**	**1.44**	**1.62**	**-11**
Peru	**New Sol 9.50**	**2.91**	**3.06**	**3.26**	**-6**
Philippines	**Peso 85.00**	**1.62**	**27.4**	**52.6**	**-48**
Poland	**Zloty 6.50**	**2.10**	**2.10**	**3.10**	**-32**

	A	B	C	D	E
Russia	**Rouble 48.00**	**1.77**	**15.5**	**27.1**	**-43**
Singapore	**S$3.60**	**2.27**	**1.16**	**1.59**	**-27**
South Africa	**Rand 13.95**	**2.11**	**450**	**6.60**	**-32**
South Korea	**Won 2,500**	**2.62**	**806**	**952**	**-15**
Sweden	**SK33.00**	**4.53**	**10.6**	**7.28**	**+46**
Switzerland	**SFr 6.30**	**5.21**	**2.03**	**1.21**	**+68**
Taiwan	**NT$75.00**	**2.33**	**24.2**	**32.1**	**-25**
Thailand	**Baht 60.00**	**1.56**	**19.4**	**38.4**	**-50**
Turkey	**Lire 4.20**	**2.72**	**1.35**	**1.54**	**-12**
Venezuela	**Bolivar 5,701**	**2.17**	**1,839**	**2,630**	**-30**