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Standardization and Adaptation of International Franchising in Morocco: The case of fast food franchises

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ABSTRACT

This article aims to analyze the appropriate level of standardization and adaptation that has determined the success of international franchising in Moroccan market. We propose a comparative study between two American fast food franchises: McDonald's and Subway. The success of McDonald's franchise and the failure of Subway franchise in Moroccan market, suppose that there are key factors to entry in this market. We therefore present a managerial and marketing analyze of each case to determine the appropriate level of standardization and adaptation. The results indicate that the international franchise system maintains a high level of the standardization of the business package, it is also evident to modify the methods of operations and marketing mix strategy to adapting their products to specific behavior of the Moroccan consumer. Moreover, the results suggest that the McDonald's franchise adapts a higher level of adaptation than the subway to entry Morocco.

Keywords: Franchising, Standardization, Adaptation.

INTRODUCTION

The Franchising consists of a system where by a franchisor concedes to a franchisee, through a franchise agreement: the right to use a trademark or a patent, the right of exclusive or semi-exclusive distribution of products or services; and the right to use deployment technology and business administration or operating system developed or held by the franchisor. This concession involves direct or indirect remuneration, without, however, being characterized by a working relationship between franchisor and franchisee [1].

The franchising relationship is governed by a contract between a franchisor and a franchisee in most franchise operations, this agreement provides for the reciprocal commitments and contains terms and conditions to operating system. It include the clauses of right to use the franchisor's business model and determining responsibilities of each of the parties, financial, confidentiality and exclusivity clauses. Both the franchisor and franchisee must fulfill their obligations under the contract.

In addition, the key elements of the international franchising include a particular format and mode of entry, in accordance with the objective of rapid growth into new markets. Global franchisors "are those looking for homogenous consumer groups and replicating the same format in foreign countries, (standardisation) making only peripheral changes (adaptations) to suit local trading circumstances or national preferences but recognisably maintaining the

original concept". The successful replication in foreign markets is challenging, as the franchise agreement (under contract) requires control over the quality of each store, leaving the franchisee with little scope to tailor his/her offer to suit local trading circumstances [2].

Franchising is an attractive investment, but success is not always guaranteed, a several franchises are failed in Morocco (for example Nectar, Subway, Benetton, NafNaf, Télé Pizza), these failures are mainly due to the difficulties of adapting to the specificities of the Moroccan market and to the absence of market studies. In this context, the Moroccan brands are emerging because they have a very important competitive advantage which manifests in the high knowledge of the local market, which facilitates the adaptation of concepts to the demand and needs of Moroccan consumers [3]. Although, in this study, we aim to identify the degree of standardization and adaptation of international franchising to entry and success in Moroccan market .

EVOLUTION OF FAST FOOD SECTOR IN MOROCCO

Morocco is characterized by a large population (estimated at over 36 million inhabitants. 2019), with a large urban population, estimated to 63 % of the total population (according to the World Bank 2019). Labor force estimated at more than 12 million inhabitants in 2019, with a significant female labor participation (24 % of total labor force) [4].

The Moroccan consumer has limited purchasing power, with a nominal GDP per capita of 3,204 $ in 2019, with a rapidly emerging middle-class in large cities. The lifestyle of the Moroccan consumer is changing. The current generation of young adults and affluent Moroccans have a good level of disposable income and are more likely to accept and appreciate western-style foods, including convenient packaged food and foods with health and wellness benefits [5].

Morocco has a rich culture that is a mixture of Arab, Berber and other African and European influences. In Morocco, Arabs and Berbers account for 99.1% of the population. Also, Moroccan culture is a distinctive blend of indigenous Berber customs with influences from Arab, Jewish, and European cultures. The major religion is Islam.

Table 1. Key socio-demographic indicators of Morocco from 2000 to 2019

	2000	2004	2008	2012	2016	2019
Population, total	28.793.679	30.115.214	31.536.811	33.241.898	35.126.296	36.471.769
Population ages 15-64 (% of total population)	61,2	63,1	64,7	65,8	65,8	65,7
Labor force, total	9.566.346	10.459.942	11.089.710	11.760.785	11.780.964	12.067.484
Labor force, female (% of total labor force)	24,9	26,7	26,5	25,9	24,5	24,2
Wage and salaried workers, total (% of total employment)	41,0	39,6	45,5	46,5	48,1	49,8
Urban population (% of total population)	53,3	54,6	56,9	59,1	61,4	63,0
GDP per capita (current US$)	1.334,9	1.952,9	2.890,4	2.912,7	2.896,7	3.204,1
Households and NPISHs Final consumption expenditure per capita growth (annual %)	0,6	3,2	6,3	2,7	2,3	2,0

Source: author

With its young population, increasing urbanization, and steady GDP growth, Morocco is already seeing growth fast-food restaurants, such as McDonald's, Domino's, and Pizza Hut. Representing 55% of Morocco's population, young people under the age of 25 are the key market segment driving demand for Western culture and foods [5].

In recent years, the fast food market in Morocco experienced rapid development; it is marked by the establishment of a large number of international chains. According to statistics of Moroccan Ministry of Industry, Trade and New Technologies, in 2007 the fast food franchises represent 7% of the franchise sector, and 10% in 2010, but in 2018, this percent is multiplied to 20%. In 2021, the fast food market has more than 8000 points of sale and generates an important turnover that exceeds 16 billion dirhams. The international chain McDonald's was the first group in Morocco to introduce the franchising concept in the country.

Moroccan consumer behavior

Moroccan families rarely eat ready-made foods; they prefer to buy fresh ingredients to produce their meals at home, however, among young adults, Western influences are evident, they are more likely to count on fast food.

Changing lifestyles

Moroccans living in the larger cities have increasingly less time to eat at home, especially at lunchtime during the week. Moreover, with the increased acceptability of consuming meals outside of the domestic sphere, it is becoming increasingly common to eat out with family members, friends, and even business relations [6].

Strong growth of healthy foods

Many Moroccan consumers are becoming more and more health conscious and experiencing Healthy lifestyles. Health and convenience are the two major trends emerging in the Morocco food market.

International Franchising System

McDonald's and Subway are an American multinational fast food companies. McDonald's founded in 1940, it is the largest restaurant chain in the world in the terms of turnover [7].The international chain has registered more than 38 695 restaurants in more than 119 countries, serving more than 69 million customers daily. Subway founded in 1965, it was the fastest-growing franchise in the world in 2015 with 42,227 outlets located in more than 110 countries and territories [8].

Table2. Franchising system

	Mcdonald's	Subway
Creation	1940	1965
Origin	American brand	American brand
Product	Hamburgers	Submarine sandwiches
Slogan	"I'm lovin' it"	"Eat Fresh"
Number of restaurants (2019)	38 695	43405
Number of franchisees	-	20000
Area served (countries)	119	110
Number of employees	2,5 millions	-
Number of customer	69millioncustomers	-

Source: author

The financial conditions for investing in McDonald's Franchising are very high compared to those of the Subway Franchising, also, the total investment is estimated to 750 000€, franchisee fee is 45 000€, franchise royalties represent 10%, and 5% for advertising fee. However, to invest in Subway franchise, the total investment is estimated at 330 000€, and the franchisees pay 12.5% every week including 8% is the franchise royalties and 4.5% for advertising fee [9].

Table 3. Financial indicators of franchising system

	Mcdonald's	Subway
Franchisee fee	45 000€	10 000 €
Franchise royalties	10%	8%
Advertising fee	5%	4,50%
capital investment fee	190 000€	100 000€
Total investment	750 000€	330 000€
Duration of the contract	20 years	-

Source: author

McDonald's franchise is the first international fast food system entered Moroccan market in 1992. This franchising system records more than 56 restaurants in 21 Moroccan cities, and become the most popular international fast food restaurant in Morocco in 2022. Subway franchise was implemented in Morocco in 1997 but this investment was failed, in 2022, after 25 years, Subway re-entered Moroccan market.

Table4. Franchising system in Morocco

	Mcdonald's	Subway
Number of restaurant (2020)	52	2
Number of failures	0	2
Date of the first implantation	1992	1997
Number of cities	21	2
Number of employees	2600	-
First implantation	Casablanca	Casablanca

Source: author

Comparative study: McDonald's and Subway franchise system

The comparative study is based on the analysis of the marketing mix framework which covers the 4Ps (Product, Price, Place, Promotion) for each franchising system.

Product

Mcdonald's and Subway's menu varies by countries, their restaurants in Morocco must serve halal food, and offer food and non-alcoholic beverages, because the main religion is Islam.

Subway's specific product is submarine sandwiches. Additionally, the chain sells wraps, salad, paninis, and baked goods. McDonald's specially sells hamburgers, various types of chicken, chicken sandwiches, French fries, soft drinks, breakfast items, and desserts.

Both franchising system serves variety of products, a special menu and a children's menu. However, subway offers healthy foods, low fat and gluten free.

Price: Subway serves its products at a higher price than Mcdonald's. Moroccan consumer has limited purchasing power, so, Mcdonald's offer products at a lower selling price than that of its competitor.

Place: Mcdonald's outlets are located in premium places, they are located at airports, malls, commercial areas, rest areas, LGV station, and cornice and tourist areas. The failed subway outlet was located on cornice Casablanca.

Promotion: Mcdonald's uses various promotional activities to promote its products in Morocco. The chain use the slogan "I'm lovin' it" to promote their products, most of their promotions are directed at the children. In addition, the chain celebrates Moroccan events and religious holiday and festivals (Organize the Achoura festival for Children, the celebration of the "night of Al kadr", the Eid al-Fitr festival, etc.). It modified the menu during Ramadan and introduced a special "Ftour Ramadan". However, subway uses their 'Eat fresh' slogan to promote the freshness and high quality of the food they make. Most of their promotions are aimed to adults between the ages of 18 and 35.

Table 5. Marketing Mix of Franchising system

		Mcdonald's	**Subway**
Product	Menu variations	-Hamburgers various types of chicken, chicken sandwiches, soft drinks, breakfast items, and desserts. -French fries -Sauces	-Submarine sandwich, wraps, salad, paninis, and baked goods. -No fries -Sauce 35% low Fat -Foods and Drinks low Fat gluten-free bread (introduced in 2011) Healthy foods
	Special menu	« Mabrouk Famila » Menu « Duo Mabrouk » Menu	Halal menu -
	Children's menu	Happy Meal kids	KIDS'Pakintroduced in 2013
Price	Selling price	between 2.5$ to 7$	between 4$ to 8$
	Payment arrangement	Card and cash payment	Card and cash payment
Place	Location	Shopping mall and commercial areas Rest areas, LGV station Cornice and tourist areas	Cornice Casablanca
	Distribution channels	Counter service Drive-through service Electronic kiosks Delivery	Counter service
	Logistics	Glovo Jumia food	-

Promotion	Advertising	Organize Achoura festival for Children. Organize Ramadan Ftour Celebrate "Al kadr night" and organize festival before "Ftour" Organize Eid al-Fitr festival Organize Women's Day party	-
	Distribution channels	TV Website McDonalds Apps	Facebook and Instagram pages
	Children's advertising	Ronald McDonald (clown)	-

Source: author

Competitive advantages of franchising system

Competitive advantage refers to the factors that allow a franchise system to produce products better than its competitors, which are the success factors in Moroccan market.

Supply strategy: McDonalds, imports 50 % of its products (potatoes from Egypt, pickled cucumbers and cheese from France and meat from Spain and Argentina), other 50% of products are local supply from Morocco, which Morocco Buns Industries (MBI) provides the flour for the bread-burger, Foodipex provides fresh vegetables and Real Food Industries (RFI) provides the preparation and packaging of the salads. All Mcdonald's partners are located at Nouaceur-Casablanca.

Quality standards: The vegetables used in Mcdonald's products are produced on farms in Morocco according to GlobalGAP (Good Agriculture Practices) quality reference and HACCP (Hazard Analysis Critical Control Point) hygiene standards, and the meat is IMANOR halal certified. In addition, Subway products comply with the Gustino National Nutrition Program.

Table 6. Competitive advantages of franchising system

	Mcdonald's	**Subway**
Supply strategy	Mcdonald's Morocco imports 50% of supplies and products: - imports potatoes from Egypt - pickled cucumbers and cheese from France - meat halal certified from Spain and Argentina 50% of products are local supply from Morocco: - Morocco Buns Industries (MBI) provides the flour for the bread-burger - Real Food Industries (RFI) ensures the preparation and packaging of the salads.	Subway imports 99% of its ingredients from abroad
Quality standards	The vegetables produced on farms in Morocco according to GlobalGAP (Good Agriculture Practices) quality reference and HACCP (Hazard Analysis Critical Control Point) hygiene standards. The meat isIMANOR halal certified	Subway respect "Gustino" National Nutrition Program
	introduce healthier options, and removed artificial preservatives	Healthy foods, Freshly baked bread Nutrition information and calculator available

Source: author

RESULTS AND CONCLUSIONS

The study aims to identify the appropriate level of standardization and adaptation that determined the success of international franchise in Moroccan market. First, the results indicate that the international franchise system maintains a high level of standardization of the business package. Second, they have modified the operating methods to adapt their products to specific behavior of the Moroccan consumer. The results show that the two franchising system (Mcdonald's and Subway) standardized their branded trademark in Moroccan cities, the visual façade restaurants and their signage brand name. Also, the financial and legal conditions to invest in each franchise system are respected, such as: franchise fee and investment, location, royalties, trademark and signage and duration.

To achieve the successful replication of franchise system in morocco, it is important to make technical modifications to adapt the products to the Moroccan market, which is a specific, Because Morocco is a Muslim country and all food purchased is halal, the Moroccan consumer has limited purchasing power, the middle-class is dominated and Moroccans prefer to eat traditional meals at home.

The modifications to Mcdonald's branding were evident in the methods of operations and marketing mix strategy, the chain offer products at a lower selling price than subway, and all products are halal certificated, it changed the menu during Ramadan and introduced a special “Ftour Ramadan”. In addition, it celebrates Moroccan events and religious festivals (organizing the Achoura festival for children, the celebration of the "night of Al kadr", the Eid al-Fitr festival, etc.). Finally, we conclude that McDonald's franchise adapts a higher level of adaptation than subway to entry and success in Moroccan market.

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