

What's All the Fizz About?
**A Teaching Case Study on the Use of Coca-Cola® Freestyle®
Machines in Quick-Service Restaurants**

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This case focuses on the issues surrounding whether the Coca-Cola® Freestyle® machine should be installed at specific quick-service restaurants (QSR). The case explores how to quantify the service performance of the Freestyle® compared to traditional fountain drink dispensers. Also, the nature of specific QSR processes (ordering, food preparation and delivery) could impact whether a Freestyle® is appropriate. The case is designed for use in upper-division undergraduate courses in operations, consumer behavior and strategy. As part of the case, a link to a simulation has been provide: [HERE](https://drive.google.com/open?id=0B9gWLxcVUszrYmFjd3JQTW9tRFU) or visit <https://drive.google.com/open?id=0B9gWLxcVUszrYmFjd3JQTW9tRFU>. Students will use the simulation to answer case questions.

INTRODUCTION

Taylor thought opening up a restaurant franchise would be simple. After all, the ordering processes were set, ingredients were shipped straight to the restaurant and customers knew what to expect when they walked through the door. Her decision to invest in bringing a new Subway franchise to her hometown had seemed easy enough at the time. Three months later, though, she had to admit she was stressed.

“I had no idea how many decisions I would have to make,” Taylor said, exhaling deeply and shaking her head. “This has been more complicated than I initially realized.”

“Of course it’s hard work,” said her friend Jon from where he sat on the other side of the table. The two were meeting at a local pizza place for their standing weekly dinner.

“It’s not that I’m afraid of work,” she replied. “You know better than that. I just have so many decisions to make. Take the drink machine, for example. That should be simple, right?”

“Yeah,” said Jon. “I would think so. Don’t you just have one of those machines that give you ice and a few soft drink options, with that little tab you press down when you want water? I thought that’s what all Subway locations offer.”

“Not anymore,” Taylor said, picking up the slice of pizza in front of her. “I have an option to add a Coca-Cola® Freestyle® machine, and I’m really thinking about it. People love the opportunity to customize. Look at me and this pizza. I ordered no olives and extra mushrooms—just because I can.”

Jon nodded in understanding as Taylor reached into the tote bag at her feet. She pulled out a folder filled with papers, shuffling through them until she found the right one.

“Here’s some information on the machines,” she said, beginning to read aloud.

“The Freestyle® soft-drink machine allows customers to customize their beverage experience. The touch-screen machines provide customers with access to more than 100 regular and low-calorie beverage brands—including more than 70 diet offerings, 90 caffeine-free beverages and over 80 unique brands offered nowhere else, as well as many varieties of water, sports drinks, lemonades and sparkling beverages” (Coca-Cola Freestyle, 2015).

“I didn’t realize they offered so many options,” said Jon. “I might get a cherry Coke from a Freestyle® sometimes, but that’s about as adventurous as I get.”

“The operating system is the result of a partnership with Microsoft®,” Taylor said, continuing to read aloud. (Coca-Cola Freestyle, 2015). “The sleek design of the machine’s exterior stems from designers at Pininfarina, the Italian design engineers who work with Ferrari and Maserati (Pininfarina, 2015). The Freestyle® was designed with freshness in mind. Most restaurants use 5-gallon containers of premixed syrups, but the Freestyle® stores an array of concentrated syrups and sweeteners in cartridges under the display, similar to an ink-jet printer. When a customer selects the beverage he or she wants, the machine adds the syrup and desired sweetener and then carbonates the beverage in seconds” (Coca-Cola Freestyle, 2015).

“But what about—” Jon stated to speak.

“Wait. Listen to this,” Taylor said as she continued reading. “The Freestyle® machine also delivers valuable data to Coca-Cola® by using wireless technology to send feedback to headquarters. This allows us to see which beverage has the highest sales in a particular area or at a specific time of day” (Coca-Cola Freestyle, 2015).

“What’s the downside to offering the Freestyle® then?” asked Jon, picking up his fork to take a bite of his salad. “That all sounds great to me.”

“Wait time,” said Taylor with a sigh. “At a Subway location, customers move through the line, selecting their bread, meats and toppings before coming to a stop at the cash register where they pay and receive a cup for their drink. I’m concerned that standing in line at the Freestyle® will sometimes cause customers to grow impatient since they already have their food in-hand. It’s not like the machine creates positive wait time for them while they wait for their food.”

“So you have to decide if a Freestyle® will work in a restaurant set-up like yours?” asked Jon. “How are you going to do that?”

“Research,” she said. “It’s the only way I’ll ever make any of these decisions.” Taylor reached back inside her folder, pulling out a brochure labeled Quick Service Restaurant Operations Analysis: Process Flow and Time Data and began reading the material in front of her as her pizza grew cold on her plate.

“Who knew,” said Jon as he stared at Taylor’s glass of water. “So much to consider, and you don’t even like soft drinks.”

QUICK SERVICE RESTAURANT OPERATIONS ANALYSIS: PROCESS FLOW AND TIME DATA

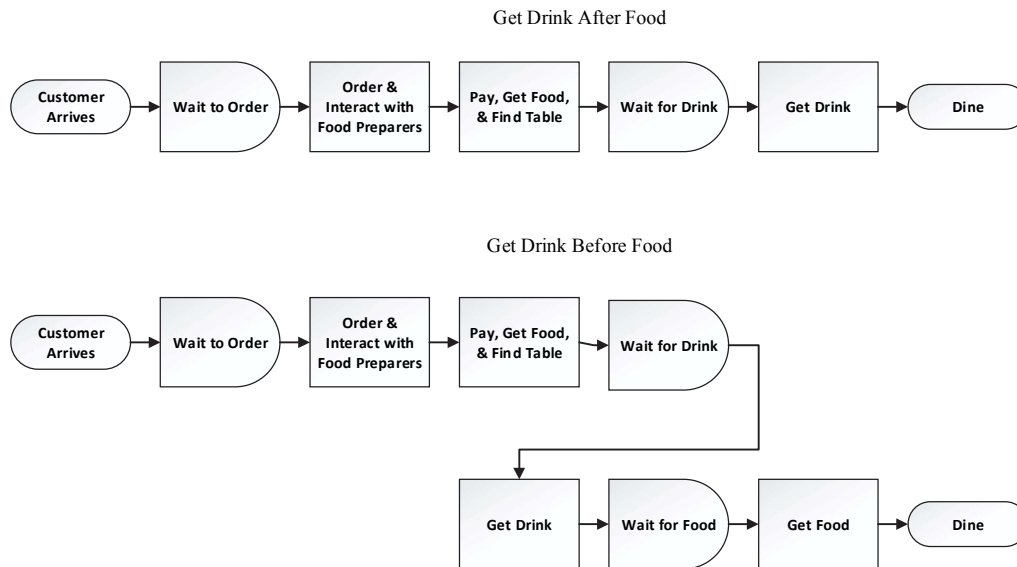
Table 1 provides fill time data for traditional drink machines and for the Coca-Cola® Freestyle®. Figure 1 illustrates the process flow for two types of restaurants: customers who receive their drink (1) after their food and (2) before their food. The first process in Figure 1 shows restaurants where the customer is involved with their food preparation. The customer moves through a series of food

preparation stations and answers questions from the food preparers, creating a “customized” dish or meal. After the food is prepared, customers pay, receiving the completed food order and an empty drink cup. Then the customers self-serve their drinks.

TABLE 1
FILL TIMES (SECONDS)

Type of Filling Machine	Average	Standard Deviation
Traditional	6	20% of average
Freestyle®	15	20% of average

FIGURE 1
RESTAURANT CUSTOMER PROCESS FLOW

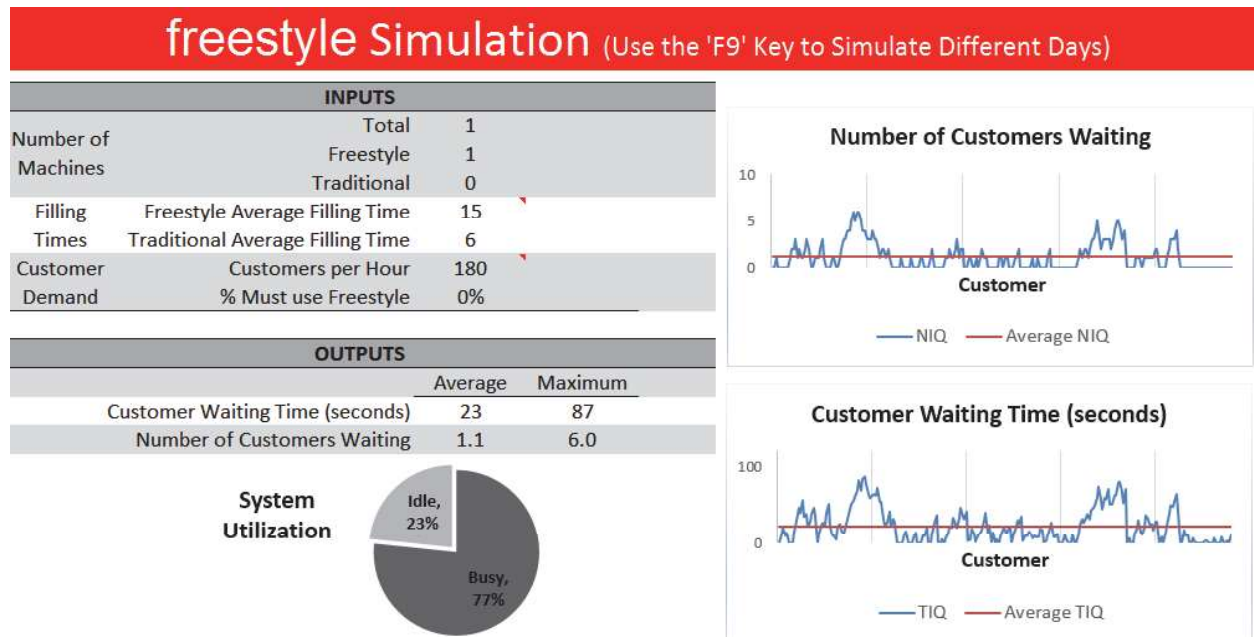


In restaurants that follow the second process, customers order, pay, and receive a drink cup before receiving their order. While waiting for their order, customers self-serve their drinks.

After reviewing the time data and process flow charts, Taylor realized she needed some help. She called a friend who had just finished a course in operations management. Her friend used simulation to model systems where waiting occurred and decided to develop a simulation model in Microsoft® Excel®.

Figure 2 shows the model, which you can access [HERE](https://drive.google.com/open?id=0B9gWLxcVUszrYmFjd3JQTW9tRFU) or visit <https://drive.google.com/open?id=0B9gWLxcVUszrYmFjd3JQTW9tRFU>.

FIGURE 2
TAYLOR'S MS EXCEL® SPREADSHEET SIMULATION MODEL



As she studied the spreadsheet model, Taylor also realized that the question of whether or not Coca-Cola Freestyle® would be a good investment for her Subway franchise boiled down to whether the Freestyle® fit with that restaurant’s strategic focus. Pausing from her spreadsheet work, she flipped through the material in her folder until she found the section entitled ‘Quick Service Restaurant Industry Strategic Analysis’. After reading this section, she had a better understanding of the industry and felt that she could better determine which restaurant locations were best suited to the Freestyle® machine.

QUICK SERVICE RESTAURANT INDUSTRY STRATEGIC ANALYSIS: GENERAL INDUSTRY INFORMATION AND STRUCTURE

The Quick Service Restaurant Industry (QSR) is the largest segment of the Fast Food and Quick Service Restaurant Industry. QSR sales account for approximately 80 percent of Fast Food sales each year, with annual revenue in the United States of approximately \$190 billion (Hoovers, 2017). QSRs are restaurants that provide full meals but where table service (e.g., wait staff) is not offered. QSR Industry revenue in the United States grew by approximately 11 percent in 2015 (Marketline, 2012), which is a healthy rate of growth for a mature industry.

The QSR Industry is hypercompetitive, with a few large, multinational firms holding significant shares of the QSR market competing with hundreds of smaller regional or local firms. It is relatively easy and inexpensive to start a QSR, so the industry faces a significant threat from new entrants. This is despite the fact that the QSR Industry includes many strong, well-known brands and that the large, multinational firms enjoy cost advantages due to the large scale of their operations compared with the small and mid-sized firms in the industry.

Firms in the QSR Industry are at a moderate disadvantage relative to consumers because of a lack of switching costs. Within a given price range, a consumer's choice of QSR is purely a matter of personal taste and can vary from one day to the next. QSR customers have little loyalty to a given restaurant over time. In addition, consumers in the QSR Industry tend to be price sensitive and are able and willing to shop for the best price. This tends to keep profit margins in the industry thin. On the other hand,

investment in brand building has been shown to improve customer loyalty, and the convenience of QSRs makes them more appealing to consumers than many other sources of food (Marketline, 2012).

The QSR Industry is labor intensive. Wages are a significant fraction of operating costs at around 25-30 percent of total operating costs. Workers, like customers, can choose among QSR employers and tend to exhibit little loyalty to a given QSR company over time. It is obviously important to maintain reliable suppliers who can provide food and other raw materials of marketable quality. Since the QSR Industry is generally a high volume/low margin business, keeping material costs down is also important. Suppliers to the QSR Industry often have customers in other foodservice industry sectors. This decreases their dependence on companies in the QSR Industry and strengthens supplier power (Marketline, 2012).

The threat of substitute products faced by the QSR Industry is moderate. Frozen prepared food competes strongly against QSRs. This substitute product is convenient and cheap and offers quality meals on a scale that matches the QSR Industry. QSR food has been criticized as unhealthy, while food retail offers consumers greater freedom to control their diet. However, the market for healthier forms of QSR food is increasing. Congress passed regulation in March 2010 requiring restaurants with 20 or more outlets to put the calorie content of items on their menus. For the calorie conscious consumer, the main substitute for QSRs is preparing a home-cooked meal where the switching cost is the opportunity cost of time spent in the kitchen (Marketline, 2012).

Rivalry among QSR firms is strong. Firms of all sizes in this industry tend to be highly focused on fast food, which means that they rely on high turnover/low margin operations to maintain profitability. Price competition is prevalent among industry firms, especially between so-called "value meals". In particular, the value meals within the \$1-\$2 range are a reaction to shifting consumer preferences and an increased focus on competition among industry firms. Branding, however, is the greatest dimension for competition in the fast food market. McDonalds®, for example, spends hundreds of millions of dollars annually on global advertising to increase brand awareness and power.

CASE QUESTIONS

1. From the time data in Table 1, the Coca-Cola Freestyle® takes more time than the traditional 8-valve machine. Is the extra time to fill a drink using the Freestyle® worth it? Why or why not?
2. Using the simulation model, prepare an analysis for the following customer demand rates: 60/hour, 120/hour, 180/hour, 240/hour. Plot the average waiting time for the following configurations: (1) one Freestyle®; (2) one traditional; and (3) two Freestyles®.
3. Based on Figure 1:
 - a. Which type of restaurant appears best suited for a Coca-Cola Freestyle® machine instead of a traditional 8-valve drink machine? Explain your answer.
 - b. Explain the difference between 'good waiting' and 'bad waiting'. Provide examples of some service systems that provide 'good waiting'.
 - c. Are you missing any data that would make this question easier to answer?
4. How could Coca-Cola Freestyle® machines increase drink consumption to those who do not find soft drinks appealing, like Taylor?
5. Do the Coca-Cola Freestyle® machines influence consumers' perceived value since they are more involved in customization of their drink? If yes, then how so? If no, why not?
6. How would consumers' perceived value of the drinks generated from the Coca Cola Freestyle® machines be influenced by the type of restaurants where the machines are located?
7. Does having one of these drink machines create a competitive advantage among the QSR in an area?
8. Do you believe the introduction of a Coca-Cola® Freestyle® machine could be used as a promotional tool to bring new customers into a business? Why or why not?
9. What other types of businesses or event venues might benefit from a Coca-Cola® Freestyle® machine? Explain your reasoning.

10. Based on the data that the machine generates, what product decisions could be made by Coca-Cola®?

11. Consider the restaurant chain, Wendy's®. Based on what you know about Wendy's, would the Coca-Cola Freestyle® increase competitive advantage? Does the use of the Coca-Cola® Freestyle® fit with what you know about Wendy's strategy?

12. Consider the restaurant chain, Pizza Hut®. Based on what you know about Pizza Hut®, would the Coca-Cola Freestyle® increase competitive advantage? Does the use of the Coca-Cola Freestyle® fit with what you know about Pizza Hut's® strategy?

13. Pizza Hut® and Taco Bell® are owned by the same parent corporation. Does the use of the Coca-Cola® Freestyle® fit better with Pizza Hut's® strategy than with Taco Bell's® strategy? Why? Does the fact that the same corporation owns both firms matter when considering their operations strategies? Does the fact that the same corporation owns both firms matter when considering whether or not to use Coca-Cola® Freestyle® in either restaurant?

TEACHING NOTES

Questions and Possible Solutions

This case could be used in at least three different courses: operations management, consumer behavior and strategy. Therefore, we have written questions for each type of course. Questions 1 – 3 are operations management related. Question 2 relies on use of the simulation provided. Questions 4 – 10 are for a consumer behavior course; and the final questions, 11 – 13, are designed for a broader strategic context usually taught in a business policy or strategy (or marketing strategy) course.

Operations Management

From an operational effectiveness viewpoint, the theme of this case is that tradeoffs exist between choices and service performance, specifically queueing statistics. The first three questions lead the student into understanding that despite the seemingly insignificant times of using both a traditional drink dispenser and the Coca-Cola® Freestyle®, significant queueing performance degradations exist as customer volume increases for the Coca-Cola® Freestyle®.

The case is introduced after a section on modeling queueing systems. Although queueing formulae can be introduced, spreadsheet simulation provides more visual output. Additionally, the lecture can also be extended to a manufacturing setting. Specifically, the consequences of SKU proliferation on increase setup times can be discussed. I often use Henry Ford's famous quote, "Any customer can have a car painted any color that he wants so long as it is black" (Ford, 1923).

1. From the time data in Table 1, the Coca-Cola Freestyle® takes more time than the traditional 8-value machine. Is the extra time to fill a drink using the Freestyle® worth it? Why or why not?

This is an interesting question that should generate a variety of personal opinion answers. For students who like variety or unique flavors (cherry flavored Barq's® root beer), the Freestyle® is wonderful. For those who always get the same common drink (Diet Coke®, water, or tea), the Freestyle® is not as interesting. Although the Freestyle® average filling time is almost three times that of a traditional filling machine, the actual times for both are short. Therefore, some may say that either is fine. However, as seen in question 3, for high volume periods (lunch), queue time and length can be significant for the Freestyle®.

2. Using the simulation model, prepare an analysis for the following customer demand rates: 60/hour, 120/hour, 180/hour, 240/hour. Plot the average waiting time for the following configurations: (1) one Freestyle®; (2) one traditional; and (3) two Freestyles®.

The simulation model is an Excel® protected spreadsheet. Some cells are open for editing. Specifically, rates (C9), filling times (C7:C8) and configurations (cells C4:C5) are inputs. The average waiting time is in cell C14. After entering a specific rate (e.g., 240 in cell C9) and configuration (e.g., 1 in cell C4 and 1 in cell C5), the waiting time in cell C14 can be copied to another spreadsheet. The output below shows a sample graph (Graph 1). As the graph shows, for higher demand rates (180+), waiting

times are significant, with extremely high waiting times when demand rates approach 240 per hour. Having either two Freestyle® machines or a traditional filling machine do not have waiting time issues.

FIGURE 3
QUESTION 2: POSSIBLE ANSWER



3. Based on Figure 1,
 - a. Which type of restaurant appears best suited for a Coca-Cola® Freestyle® machine instead of a traditional 8-valve drink machine? Explain your answer.
 - b. Explain the difference between ‘good waiting’ and ‘bad waiting’. Provide examples of some service systems that provide ‘good waiting’.
 - c. Are you missing any data that would make this question easier to answer?

This question can be modified to emphasize different topics. For example, one topic is the difference between good waiting and bad waiting. In the process shown on the left in Figure 1, patrons only fill their drink after receiving their food. ANY delay creates a bad experience because delays keep patrons from beginning their meal. In this situation, patrons are more critical. For example, if a child is in front of them and continually emptying his/her cup and beginning again, patrons will classify this as a bad experience. In the process on the right in Figure 1, patrons can fill their drink while waiting for their meal. They can sample different flavors; thus, the waiting time is a good experience provided they can fill their drink before their meal is ready.

In many systems, waiting is difficult or very costly to remove. Rather than attempting to eliminate, waiting can be designed to provide a positive experience. A great example is waiting in line for rides at Disney World. Waiting is often experienced as part of the ride based on clever design choices.

Additional data could be costs or reliability/maintenance requirements. Since the traditional machine has eight valves, choices exist if some do not work. However, the Freestyle® has a single dispenser and, therefore, a single point-of-failure. If the Freestyle® single dispenser is being repaired, no alternative choices exist.

Consumer Behavior

From a Consumer Behavior viewpoint, this case allows students to think about how product decisions affect the consumer’s experience. The Question 4 considers utilitarian versus hedonic value derived from the use of the Coca-Cola Freestyle® machines. Questions 5 and 6 analyze perceived value and how the consumer’s customization of the drink affects their value proposition. Questions 7 and 8 asked students to consider whether the machine creates a competitive advantage for the QRS and, thus, could be a

promotional benefit. Question 9 asked the students to reflect on the operational issues to determine the best placement for a machine. Question 10 considers the data received from the machines in creating new packaged beverages.

4. How could Coca-Cola Freestyle® machines increase drink consumption to those who do not find soft drinks appealing, like Taylor?

The Coca-Cola Freestyle® machines offer non-soda drinkers a flavorful alternative to carbonated sodas. Non-soda drinkers could be enticed to use the Coca-Cola Freestyle® machines to create beverages, such as juice combinations, and flavored water, sports drinks and tea. For some people, drinking non-carbonated sugar drinks provides a utilitarian value due to health issues that may limit the consumers' sugar intake. The Freestyle® could introduce hedonic value to their drink purchase by allowing creativity in a healthy, non-carbonated alternative.

5. Do the Coca-Cola Freestyle® machines influence consumers' perceived value since they are more involved in customization of their drink? If yes, then how so? If no, why not?

Students' opinions may differ. Some consumers would not perceive higher value from the use of Freestyle® machines. Also, students might mention that other competitors that provide drink customization with even more variety than the Freestyle®. For example, Sonic not only provides drink customization but also offers slushes and the option to add real fruit. Accordingly, allowing customers to customize their drink may or may not be seen as providing additional value. Waiting in line while someone decides on their drink combination might be a source of frustration for other customers.

On the other hand, consumers may find that the Freestyle® machines offer convenience when they want a specialty drink. Instead of going to Sonic for a customized beverage, consumers can easily make their own drink at the restaurant where they are dining. Customers also have the convenience of trying a variety of different combinations without having to purchase an additional drink (or three or four). This empowers the consumers to really get involved with the product and increases the hedonic benefit of the dining experience. Customers might also see a benefit from the self-service aspect of refills.

6. How would consumers' perceived value of the drinks generated from the Coca-Cola Freestyle® machines be influenced by the type of restaurants where the machines are located?

This question is intended to prompt the student to consider the perceived quality of the product based on its surroundings. If these machines are typically found in fast food restaurants that are focused on quick food service and not the overall dining experience, like Wendy's and McDonald's, then the consumer will most likely discount the value placed on the Freestyle® machines. If these machines are found in fast casual restaurants (such as Moe's and Panda Express), the perceived value will be increased. The value of the Freestyle® will be relative to the cost of the overall meal.

7. Does having one of these drink machines create a competitive advantage among the QSR in an area?

The Coca Cola Freestyle® machine provides a competitive advantage for fast casual restaurants by allowing customers to customize their drink flavors. Restaurants like Moe's Southwest Grill, Firehouse Subs, Five Guys and Zaxby's are examples of casual restaurants that not only have quality fast service for food but also have creative soft drink options. Traditional sit down restaurants do not offer expansive drink customization, rather a limited number and a small selection. Installation of Freestyle® machines for sustainable competitive advantage is unlikely as they can be easily duplicated.

8. Do you believe the introduction of a Coca-Cola® Freestyle® machine could be used as a promotional tool to bring new customers into a business? Why or why not?

This question prompts students to think of the Freestyle® as a promotional tool, attracting patrons that might otherwise go somewhere else. Coca-Cola® has created an app that locates the Freestyle® machines within an area as well as remembers your favorite drink combination.

9. What other types of businesses or event venues might benefit from a Coca-Cola® Freestyle® machine? Explain your reasoning.

Students usually think of restaurants in their area that do not have Coca-Cola® Freestyle®. If restaurants provide a drink prior to providing the meal, they are likely candidates. Additionally, for many full service restaurants (sit down and order) that have poor drink service, students often suggest replacing

the servers with Freestyle®. Further, these machines are being used in amusement parks and other venues where customers have more leisure time to experiment.

10. Based on the machine generated data, what product decisions could be made by Coco-Cola®?

The Freestyle® machine provides data to Coco-Cola in real time. Data can be gleaned from the machines to track taste preferences as well as timing of purchases. Information regarding customers' preferred flavor combinations can be used to introduce new flavors for their packaged sodas as well as decide in which market they would be preferred.

Business Policy or Strategy

At the business-unit level, a firm's strategy attempts to provide sustainable competitive advantage through lower cost, differentiation or some combination of these basic sources of advantage. The Freestyle® is best viewed as a factor providing differentiation to firms in the Quick Service Restaurant industry; firms in the QSR Industry adopt the Freestyle® mainly because they believe it makes them different from most of their competitors in a way that customers value.

The case provides information on factors impacting the nature and level of competition in the QSR Industry (see the section labeled, "Quick Service Restaurant Industry Strategic Analysis: General Industry Information and Structure"). The very fact that the industry is called "quick service restaurant" provides insight into a key component of their product – convenience. All QSR firms rely upon convenience to some extent, so service cycle-times must be kept relatively low. However, customer expectations for service cycle-time does vary from one firm to another, and firms in the QSR Industry manage these expectations (1) through menu choices that are compatible with fast cycle-times and (2) by building brand identities that signal a certain level of "quickness" or relative "slowness". Brand identity is managed through such factors as layout and décor choices, the presence or absence of drive-through service, advertising and promotion that emphasizes (or de-emphasizes) service speed, and so on.

The case provides examples of leading industry firms that should be familiar to most students. Instructors may introduce other firms (perhaps regional or local QSRs). Of the four firms discussed in the case, two rely heavily upon fast service cycle-time as an integral part of their product offering and brand identity. These are Wendy's and Taco Bell. One firm has largely de-emphasized service cycle-time in its product offering and brand identity (Pizza Hut) and one firm (KFC) falls between the fast cycle-time and slower cycle-time firms in its product offerings and branding.

Students are asked to evaluate these four QSR firms with regard to the relative "fit" of the Freestyle® (which creates longer service cycle-times than the older 8-valve drink machines) with each firm's relative emphasis on speed-of-service as part of an overall strategic approach. Management choices that impact operations should be congruent with the broader business-unit-level strategy the firm is pursuing. While the adoption of the Freestyle® would not, by itself, mean the abandonment of a fast service cycle-time approach, adoption would be a better fit with firms whose strategy is less reliant on fast service cycle-times. Therefore, the instructor should generally look for student responses to questions 9 through 12 that recognize the need for congruence between the firm's broad strategy and choices that impact operations and for responses that favor the use of the Freestyle® in firms such as Pizza Hut over its use in firms such as Wendy's and Taco Bell.

11. Consider the restaurant chain, Wendy's® or Taco Bell®. Based on what you know about Wendy's or (Taco Bell), would the Coca-Cola Freestyle® add value? Does the use of the Coca-Cola® Freestyle® fit with what you know about Wendy's (or Taco Bell's) strategy?

Wendy's has adopted a strategy that depends heavily upon fast service cycle-time. The relative fit between this strategy and the Freestyle® is poor because its use increases the time required for customers to obtain their meals and drinks. In addition, Wendy's makes use of drive-through service, and this services makes up a significant fraction of its daily volume. Drive-through customers cannot make use of the Freestyle® so the existence of this option provides no value to these customers. (The analysis and comments above apply equally well to Taco Bell.)

12. Consider the restaurant chain, Pizza Hut®. Based on what you know about Pizza Hut®, would the Coca-Cola Freestyle® increase competitive advantage? Does the use of the Coca-Cola Freestyle® fit with what you know about Pizza Hut's® strategy?

Pizza Hut's strategy de-emphasizes service cycle-time, so the Freestyle® fits well with its current strategy. Few Pizza Hut locations offer drive-through service, although most do offer delivery service. The delivery service option precludes customer use of the Freestyle®, but customers who use delivery are arguably purchasing a very different product than those who dine in – for the delivery customer, convenience is the most important factor in their purchase decision while those who choose to dine in are after a more full-service-restaurant experience and one that differs from the dine-in experience available from competitors such as Wendy's and Taco Bell. Pizza Hut's dine-in experience is closer to that of full-service restaurants (where wait staff takes the order, etc.) than the experience at Wendy's and Taco Bell.

13. Pizza Hut® and Taco Bell® are owned by the same parent corporation. Does the use of the Coca-Cola® Freestyle® fit better with Pizza Hut's® strategy than with Taco Bell's® strategy? Why? Does the fact that the same corporation owns both firms matter when considering their operations strategies? Does the fact that the same corporation owns both firms matter when considering whether or not to use Coca-Cola® Freestyle® in either restaurant?

The “fit” between the Freestyle® and each of these firms has been discussed above. While Pizza Hut and Taco Bell are owned by the same parent corporation (YUM! Brands), the two firms pursue slightly different business-unit-level strategies. The question regarding whether the fact that YUM! Brands owns both firms matters asks students to consider whether a single corporate owner can (or should) own different firms with somewhat different business-unit-level strategies operating in the same industry. This question ultimately revolves around the parent corporation's willingness to allow each firm to fully and independently pursue its own strategy and to make decisions that impact their strategy such as whether or not to adopt a system such as the Freestyle®. If the owner of two such firms forces the adoption of any resource on its subsidiaries regardless of the “fit” with the subsidiaries' strategies, then this could be considered bad corporate management. In short, the ownership of the two firms by one owner does matter, but whether this is good or bad boils down to whether the corporate parent allows firm managers to make such decisions on their own or not.

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