



THE PIZZA PUBLIC COMPANY LIMITED, THAILAND (A)

Elizabeth O'Neil prepared this case under the supervision of Professors Michael R. Pearce and Kathleen Slaughter solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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It was November 16, 1999, and Paul Kenny, chief operating officer (COO) of The Pizza Public Company Limited (PPCL) in Bangkok, Thailand, had just returned to his office following a meeting with some of his senior staff members.

After months of negotiating with Tricon (USA) for the renewal of PPCL's license to operate Pizza Hut in Thailand, relations were becoming strained, and the two parties had yet to achieve mutually acceptable terms. Given PPCL's 20-year history of managing the brand and the 85 per cent market share it had achieved, Kenny's concern was practically unthinkable: "What if our negotiations are unsuccessful and we lose this brand?" Kenny had met with his senior executives to discuss this possibility, but even today, after two such meetings, his concerns were met with incredulity, and the team did not seem able to take the matter seriously.

Kenny wondered how he would enlist their help and plan for such an eventuality.

WILLIAM HEINECKE AND THE MINOR GROUP OF COMPANIES

William (Bill) Heinecke, chairman and chief executive officer (CEO) of The Minor Group of Companies (The Minor Group), was born in Virginia, United States and arrived in Bangkok in 1963 with his expatriate parents. In 1967, at the age of 18, rather than return to the United States to attend university, he persuaded his parents to co-sign a US\$1,200 bank loan. With these funds, he incorporated his

first two companies, “Inter-Asian Enterprise,” a cleaning service and “Inter-Asian Publicity,” through which he wrote English radio and print ads for the local expatriate community. Within three years, his companies employed 400 employees and earned US\$2.5 million in sales. In 1974, he sold the cleaning business to a large conglomerate for \$400,000 and sold the advertising business to global agency Ogilvy & Mather for \$300,000, where he stayed on as managing director. By the time he was 21 years of age, he had made his first million dollars and had established himself in the Thai business community.

With the emergence of a western-oriented Thai middle class, Heinecke saw potential in the food and leisure segments, which prompted him to move into franchise agreements with major American and European names, such as Parker pens, Titleist golf equipment, and Benetton and Esprit clothing. Under his umbrella company, The Minor Group of Companies, so named because he was still a minor when he opened his first companies, he then moved into larger projects, such as hotel development, retail property and entertainment.

By the late 1990s, Heinecke was known as the most successful foreign businessman in Thailand. His talent for spotting an opportunity and his aggressive, but transparent and fair business practices were well-respected in the Thai business community. He was also known for his work hard, play hard philosophy; he pursued such passions as racing cars (he once competed in the Macau Grand Prix) and flying planes, piloting himself around Thailand in his Piper Malibu aircraft. In 1991, Heinecke gave up his American citizenship in favor of a Thai passport. This showed his commitment to Thailand and facilitated The Minor Group’s entry into the Vietnamese market at a time when, American citizens were forbidden from investing in Vietnam under the Trading with the Enemy Act.

In 1999, The Minor Group of Companies was still a Thai-based business group focusing on the consumer and leisure sectors in the Asia-Pacific region. The Minor Group had three companies listed on the Stock Exchange of Thailand:

1. The Pizza Public Company Limited (PPCL), which focused on the management and operation of multiple-outlet food-service concepts through 350 outlets under four international brands: Pizza Hut, Swensen’s, Sizzler and Dairy Queen, with a fifth and sixth concept, Chicken Treat and Burger King, set to begin operations in 2000.
2. Royal Garden Resorts Public Company Limited was one of Thailand’s leading hotel and property groups with interests in seven hotels in key resort areas of Thailand and Vietnam, offering more than 1,650 hotel rooms under the Royal Garden, Regent and Marriott brands.
3. The Minor Corporation Public Company Limited operated and invested in consumer lifestyle brands, contract manufacturers and service providers. The company was the Thai distributor for well-known brands, such as Esprit, Red Earth, Henckels, Ping and Spalding golf equipment, Schaeffer pens and Piper

aircraft. It also owned one of Thailand's largest contract manufacturers of cosmetic and household products for leading global brands, such as Unilever, Colgate and Johnson & Johnson (see Exhibit 1).

PPCL

The restaurant brands that PPCL franchised were western-oriented and leaders in their respective sectors. In addition to operating these restaurants, PPCL also had its own ice cream and cheese factories to assure a consistent supply of high-quality products for its restaurants (see Exhibit 2).

PPCL's largest revenues (53.5 per cent) came from pizza sales through its Pizza Hut franchise. Since Pizza Hut represented 85 per cent of the Thai pizza market and growth in the pizza segment had slowed down over the past two years, growth opportunities were limited. As a result, PPCL was actively seeking out alternative revenue streams, and in late 1999 entered into a franchise agreement with Chicken Treat of Australia, to open 20 retail locations beginning in 2000 and another franchise agreement to open Burger King restaurants, also in 2000. In 1999, PPCL held approximately 17.3 per cent of the total Thai Quick-Serve Restaurant (QSR) sector.

Bill Heinecke was the chairman and CEO of the company, and the key members of his management team (see Exhibit 3) involved in this issue in late 1999 included:

- Paul Kenny, executive director and chief operating officer;
- Anek Wongsebundit, executive director and chief financial officer;
- Richard Neville, director of corporate planning and investor relations;
- Patamawalai Ratanapol, chief people officer;
- Kullavat Vichailak, general manager of Burger King and Chicken Treat; and
- Veena Oncharit, marketing manager of Pizza Hut.

Company Values

PPCL executive management team set the culture for the entire company. They were a lean, progressive, solution-oriented group. Their attitudes and work practices reflected the overall company values, which were:

1. To maintain a customer focus;
2. To be results-oriented;
3. To continuously focus on people development; and
4. To remain creative and innovative in decision-making and product development.

Kenny explained:

Whenever you examine the decisions made by this group, you can trace the results back to the core company values. These are values we believe in and use to guide our everyday actions. Even at a higher level, you can see the values at work. Minor is a company that has been innovative in its evolution ever since it was founded. This is largely Bill's influence. Most of the executive management team has been trained and grown from within. Our people are our key strength.

THAI EATING AND RESTAURANT HABITS

Food was a very important part of the Thai culture. Upon meeting, Thais would often greet each other with "Where are you going?" closely followed by, "Have you eaten?" Thailand had a plentiful supply of natural food resources, and as a result, Thais were accustomed to having plenty of choice in foods and flavor combinations at each meal. Dining was a communal activity, and dishes would be shared so that each diner could experience a variety of aromas and flavors.

Like Asians in general, Thais tended to prefer intensely flavorful food, often finding western foods to be bland. Thai cuisine featured a number of signature ingredients, such as hot Thai chili peppers, sweet coconut milk, crunchy peanuts, galangal (from the ginger family) and the citrus flavors of lemon grass and Kaffir lime leaves. These ingredients were often included in soups, salads, rice and noodle dishes, as well as in the sauces that were used for dipping freshly grilled meats and fish. Often a Thai table would include a broad range of hot, spicy, sour and sweet sauces.

Thai meals were served all at once, not course by course, so that diners could enjoy the complementary flavors of their different dishes. In general, Thai meals consisted of a soup, a curry dish with condiments and fragrant jasmine rice or a spicy salad, a dip with accompanying fish and vegetables, and fresh fruit. Thai meals were intended to represent harmonious combinations and aromas and be equally appealing to the eyes, the nose and the palate.¹ Most food was still prepared in the home, and with its population of approximately 61 million people, Thailand had ample labor supply with middle and upper classes able to afford domestic help.

PPCL staff noted the consistencies between these general traits and the specific consumer behavior in their Pizza Hut restaurants. It had become commonplace for the Thai public to add ketchup to their pizza to add more flavor. The notion of communal eating was evident in the priority Thai customers placed on service of

¹Source: www.thailand.com, tourismthailand.org, July 31, 2003.

both in-store and delivery orders (whether their food arrived on time and was hot). In addition, PPCL staff noted that unlike typical western consumers, Thai consumers preferred to order their pizzas from the selection of pre-determined topping combinations rather than designing their own pizza from the list of available toppings.

THE PIZZA BUSINESS

The pizza segment in Thailand was essentially started by PPCL when it opened its first Pizza Hut outlet in 1981. The pizza segment, like the sandwich, chicken and other western food-service sectors, began to prosper and aggressively expand in the late 1980s and early 1990s when the Thai economy experienced dramatic economic growth. During this period, the expanding middle class showed an interest in sampling western food concepts, such as pizza outlets. Pizza, in particular, was well-received because it is traditionally a communal meal in which the food is shared, a practice compatible with Thai and Asian dining habits.

Growth was driven by an expanding middle class with disposable income and openness to new products and dining options. Thailand lacked a strong tradition of bread consumption; therefore, pizza had been introduced only in recent years by companies such as PPCL with the commercial skills and resources to build the necessary supply infrastructure and systems to support this new business. Given the need to attract and to retain talented people in different skill areas such as operations, marketing, finance and human resources, most traditional family companies fell short in this area and it was better suited to companies operating on modern, western business practices.

There were small independent pizza and Italian restaurants in Thailand owned by individual expatriates, but these were small in scale and more expensive in pricing. Larger operators were better suited for new markets such as Thailand because the equipment, ingredients and knowledge were all imported.

Pizza was traditionally one of the more profitable segments of the chain restaurant sector. It enjoyed net profit margins that were five per cent to seven per cent higher than chicken and sandwiches with delivery adding another distribution channel not enjoyed on the same scale by other food service concepts.

PIZZA HUT IN THAILAND

Pizza Hut, the American pizza giant, had been introduced in Thailand in 1980 when PPCL first obtained franchise rights from then-owner of the brand, PepsiCo. In 1999, after nearly 20 years in operation, Pizza Hut dominated the pizza market in Thailand, enjoying approximately 85 per cent market share. Its closest

competition was from Domino's Pizza (10 per cent) and Narai Pizzeria (five per cent). However, Domino's was experiencing serious financial problems and closed soon thereafter, while Narai was limited to Bangkok only, with neither the plans nor resources to expand. Any new entrant to the pizza segment faced an uphill battle with Pizza Hut holding the brand equity, a strong balance sheet and key locations in this marketplace.

Within the overall Thai fast-food market, Pizza Hut had a 12 per cent market share, ranking it third behind Kentucky Fried Chicken (KFC) at 27 per cent and McDonald's at 18 per cent. The number of Pizza Hut outlets had steadily grown to 116 by the end of 1999, and sales had been increasing steadily (see Exhibit 4).

Not only had PPCL introduced Thailand to a new type of food, it had also introduced the country to a new distribution mechanism — at-home delivery — in 1989. In 1995, Pizza Hut evolved its delivery channel by introducing a “one-call” number that could be used throughout all of greater Bangkok with three satellite call centers handling other parts of Thailand. This one number became well-known throughout Bangkok and boosted delivery sales to 48 per cent of Pizza Hut's sales, up from 15 to 20 per cent before the common Bangkok number was introduced.

Thailand's QSR segment suffered in the recession of 1997 and 1998, which caused companies such as PPCL to increase their focus on the delivery channel. This distribution mechanism had originated with pizza; however, given the difficult financial and market circumstances, other QSR players, including KFC, McDonald's and MK Suki, a local hot pot restaurant, began delivery operations.

Since Pizza Hut already owned most of the market, one question that was always at the forefront of Paul Kenny's mind was how to grow the pizza category.

Market Positioning and Brand Communication

Kenny hired Veena Ongcharit as marketing manager for Pizza Hut in late 1997. Ongcharit was responsible for liaising with her Tricon counterparts to understand the overall brand planning that had been done for Pizza Hut worldwide. She also directly created and managed the marketing and advertising activities in Thailand with minimal input from Pizza Hut internationally.

Pizza Hut's image was that of a traditional family restaurant. Its historical target audience was in the 15 to 39 age group, with the core audience being in the 25 to 39 age group. Customers were primarily working adults and young families, with a 60 per cent female skew. There was some thought in the marketplace that teenagers were making up a significant portion of the audience base and that perhaps more promotions should be targeted toward them, but there was no data to back this up.

All communications efforts focused on mass advertising, primarily radio and television advertising. All customers (dine-in and delivery) were offered the same promotions. Pizza Hut did not offer heavy discounting in its promotions, and Internet and direct marketing channels were not a part of the marketing mix.

In early 1999, Tricon announced that Pizza Hut would be introducing a new brand image, which would mean new signage, menus, in-store communication and advertising. The direction had been determined in the United States, but Kenny and Ongcharit would be responsible for rolling it out in Thailand. Kenny had committed to launching the new brand image in 30 of PPCL's 116 Pizza Hut outlets in 2000, and by the end of 1999, the rollout plan was well underway with over 14 outlets re-imaged.

Consumer Perception of the Brand

PPCL received consumer feedback about Pizza Hut from the three pieces of research that Tricon required to be conducted in each local market by international research company AC Nielsen. This research benchmarked Pizza Hut against other fast-food restaurants in the market, including other Tricon brands (in Thailand, this meant Kentucky Fried Chicken (KFC)). Results for the three pieces of research — Brand Image Tracking Study (BITS), Customer Experience Monitor (CEM) and Mystery Shopper — were tabulated on a quarterly basis.

BITS — “Brand Image Tracking Study”

BITS was a continuous fast-food monitor, conducted in Thai homes 52 weeks of the year. It tracked brand awareness and trial, eating frequency, type of service used at last purchase (i.e., delivery versus dine-in), advertising share of voice, awareness and perception of promotions, and brand share.

The two main categories tracked were “heavy fast food”, which compared the Pizza Hut, Kentucky Fried Chicken and McDonald's brands, among others, and “light fast food,” which compared Swensen's, Dunkin' Donuts, Mister Donut and Dairy Queen, among others.

In 1999, BITS research for Bangkok showed that Pizza Hut ranked consistently behind KFC and often behind McDonald's in terms of brand awareness, brand trial and average number of times eaten in the past three months. Specific answers for Pizza Hut revealed that among those who had eaten at Pizza Hut in the past three months, the majority had used Pizza Hut's delivery or take-away services versus having eaten in a restaurant (see Exhibit 5).

CEM — “Customer Experience Monitor”

CEM research compared the operational performance among the different fast-food restaurants by capturing the experiences and levels of satisfaction of consumers who had eaten in at least two of the tracked restaurants (Pizza Hut, KFC, McDonald's and Domino's Pizza) and had ordered delivery food from at least two of the restaurants in the past three months. Information was collected through individual interviews. The CEM research was designed to help identify specific threats or address weaknesses perceived by customers, as well as to help assess Pizza Hut's and KFC's performances against their competitors.

The overall results of the 1999 CEM research were separated by dine-in and delivery customers and indicated that Pizza Hut dine-in generally performed marginally better than KFC for overall satisfaction, value for money, overall food quality and overall atmosphere. Considering that Pizza Hut was a sit-down restaurant and KFC was a quick-serve fast-food outlet, Kenny and Ongcharit were surprised by these results. From a delivery standpoint, Pizza Hut generally scored lower than KFC; customers perceived prices to be higher than Domino's Pizza, but the staff were generally considered to be more courteous and friendly.

When compared to Narai Pizza (a local chain), Pizza Hut ranked higher in terms of overall satisfaction levels and “likeliness to buy again in the next three month,” but scored lower in most other categories.

All results were marked on a five-point scale and there were no major profile differences between dine-in and delivery consumers (see Exhibit 6).

“Mystery Shopper”

“Mystery Shopper” was more like an operations check for every food-service operator. Every quarter, a mystery shopper was sent to a selection of stores and given a checklist of items to monitor and score, once again on a five-point scale. The items monitored included whether or not food was received within seven minutes, whether or not the food was hot enough; it also included the courtesy level of the staff, among other parameters. In 1998, results of this research indicated that overall customer satisfaction was at 91 per cent among its then 246 outlets, up from 90 per cent in 1997, among 211 outlets.

Although overall results were good, Ongcharit expressed some concerns about the research:

We never think of Pizza Hut as “fast food”, we think of it as “fast casual” because we deliver food to the table. Since Tricon is involved with other brands [KFC and Taco Bell], they tend to take

one approach and to use the same research system for all brands. This means that research leans more toward the fast food, which doesn't always help us with Pizza Hut.

I get the impression that KFC is out-performing Pizza Hut in some of the parameters measured, which seems counter-intuitive to me because they are truly a fast food outlet, whereas we deliver fresh food and offer table service.

Although we have access to one of the finest research houses in the world, the information we receive is only comparing us to restaurants we don't really consider to be a part of our same restaurant category, we don't seem to be getting at what really motivates consumers and what might help us develop a brand leader. What do customers really want? How can we service them better?

One of the areas I think of as being a huge opportunity is the delivery side of our business. I would like to explore the differences between dine-in and delivery, but our research doesn't cover this. I've noticed that our promotions perform differently in the restaurant versus our delivery sales, and I'm not sure why. There is some evidence to suggest that our delivery experience is not satisfactory, but I don't have good information to determine what, if anything, is the problem. My hunch is that there is a different need among these groups for different price points and different food combinations. If we had the chance to modify our research, I'd like to explore this area.

As a result, Ongcharit and Kenny relied on the learning from PPCL's 20 years with the brand to determine what people liked and didn't like about Pizza Hut. They knew from past focus groups that customers thought that Pizza Hut pizza was a bit bland, evidenced by their refusal to eat pizza without ketchup. As a result Pizza Hut now placed bottles of ketchup on each table.

They also knew that the most popular menu items were the pre-determined pizza combinations, such as Super Supreme, Chicken Pizza, Hawaiian Pizza and Seafood Pizza, versus "create your own" topping combinations that were so popular in the United States.

PPCL AND THE PIZZA HUT FRANCHISE

In 1981, PPCL (then called "The Pizza Co. Thailand") entered into a franchise agreement with PepsiCo, Pizza Hut's parent company in the United States at that

time. The agreement between the companies grew increasingly complex over the years and comprised several separate agreements, which were consolidated into one franchise agreement in January of 1990. The initial term of the agreement was to last until January of 2000 with the right to renew for five more years.

In 1997, however, PepsiCo spun off its restaurant businesses (Pizza Hut, Taco Bell and KFC), thereby creating a new company called Tricon Restaurants International Inc. (Tricon) and transferring the PPCL relationship with Pizza Hut to the Tricon management team.

Tricon first presented a new “Current International Agreement” for Pizza Hut to PPCL in September of 1998, in light of its upcoming option in 2000 to renew the Pizza Hut franchise for five years. Both parties desired a longer term relationship and discussions began on a new 20-year Pizza Hut agreement instead of the five-year renewal stated in the current agreement. In the agreement, Tricon stipulated that it would not compromise on a newly added broad “non-compete” clause that stipulated that even though PPCL was only operating Pizza Hut, it could not, going forward, enter into any new business selling pizza, pasta, ready-to-eat chicken, Mexican food or beef burgers without receiving written approval from Tricon. Such approval would only be given so long as none of the products listed above constituted more than 20 per cent of the food products sold by the new business.

This new clause came as a shock to the management of PPCL, who were expecting the non-compete terms would be similar to those in the existing agreement and the agreement then being offered by Tricon to prospective Pizza Hut franchisees in the United States. In 1998 they expressed their refusal to execute this aspect of the proposed new agreement. This began contract renewal negotiations between Pizza Hut and PPCL.

As a franchisee, PPCL owned all of the assets and liabilities of the business. This included owning or leasing all of the Pizza Hut outlets in Thailand, owning all of the fixtures (signs, furniture, etc.) in the outlets and directly employing all of the Pizza Hut personnel in Thailand. The franchise provided PPCL with use of the Pizza Hut brand, some training and tutoring, and the use of Pizza Hut’s operating systems (store design, menus, marketing ideas, etc.). It also included many provisions for the way in which PPCL was to operate and liaise with Tricon.

TRICON RESTAURANTS INTERNATIONAL INC.

At the time when it was spun off from PepsiCo, Tricon’s restaurant business had approximately US\$10 billion in annual revenues and included the global Pizza Hut, KFC and Taco Bell brands. Tricon’s head office was in Louisville, Kentucky.

KFC

KFC was founded in 1939 and acquired by PepsiCo in 1986. By 1997, it operated in over 60 countries around the world. KFC was a fast-food restaurant that specialized in fried chicken products, as well as some non-fried chicken-on-the-bone products. Side dishes, including biscuits, mashed potatoes and gravy, cole slaw and corn, were also offered.

Pizza Hut

Pizza Hut was founded in Wichita, Kansas, in 1958 and was acquired by PepsiCo in 1977. By 1997, Pizza Hut franchises were in operation all over the world. Pizza Hut was a dine-in restaurant but it also offered delivery and take-away. Its main entrée offerings were pizzas with different toppings, including a signature deep-dish “pan pizza,” pastas and salads. January 1997 Consumer Reports named Pizza Hut as the “best pizza restaurant in America.”

Taco Bell

Taco Bell was another fast-food restaurant that specialized in Mexican food products, especially tacos and burritos and side dishes, such as salads and nacho chips. Taco Bell first opened in California in 1962 and was acquired by PepsiCo in 1978. By 1997, Taco Bell operated in more than 17 countries worldwide.

Tricon's Activities in Thailand

Tricon's representation in Thailand was based on PPCL's Pizza Hut franchises as well as its 230 franchised and equity KFC units. While PPCL was the exclusive operator of the Pizza Hut concept, there were currently two different franchised operators of KFC, in addition to Tricon owning its own equity outlets. KFC entered the Thai market in the mid-1980s and had grown to be the largest single concept in terms of sales and number of outlets, albeit split between three different operators.

GROWING DISCOMFORT

By the fall of 1999, a new long-term (20-year) Pizza Hut franchise agreement between PPCL and Tricon was still being negotiated. The existing contract would expire at the end of January 2000. PPCL did have the option to exercise its right to renew the existing franchise agreement for five additional years but Tricon-Pizza Hut remained adamant that the new broad non-compete clause would be applicable

for the renewal term of five years as well as for any new longer term agreement. Lawyers were called upon to determine the meaning of the word “renewal.”

Kenny carried on in good faith with the negotiations, explaining, “At the back of my mind, I thought, well yes, it’s going to come down to the wire, but at the end of the day we’ll end up shaking hands, signing the agreement, and life will go on.”

At the same time, PPCL was spending money on rolling out the new Pizza Hut positioning that Tricon had introduced earlier that year in order to complete the 30 re-branded restaurants in 2000. PPCL had millions of Thai baht worth of more new signage and fixtures on order and in warehouses ready to be installed.

Kenny recalled his relationship with Tricon executives during the fall of 1999:

There were times at meetings when Tricon requested certain information that made me think: “Well, why do they need that? What do they need that information for?” I had the distinct feeling that Tricon was collecting information but I didn’t understand why. I didn’t think there should be any mysteries between us if we’re all on the same team and at one point I told them, “Listen, I just don’t trust you guys any more” — and they all got upset.

Somewhere in October of 1999, I began to feel uncomfortable. I just didn’t like the feeling that was coming from Tricon. There was this feeling I got from some of their senior people — in their body language, their references — it was aggression, actually. During one of our negotiation meetings, one guy actually punched me in the chest and said “you’ll never do this . . .” — I put it down as an ego situation.

During this time, PPCL was also exploring the chicken market, and there had been talk about bringing KFC and Pizza Hut together. Both parties (PPCL and Tricon) wanted to have controlling interest in any joint restaurant effort. In PPCL’s opinion, it was best suited to manage the business given its extensive knowledge of the marketplace and its superior financial performance in recent years. However, the disagreement over management control stalled discussions for a time, and then Kenny recalled hearing about it again at a meeting held between the two parties in Singapore:

On a coffee break, one of the Tricon executives told me: “By the way, we’ve appointed PTT [local gas stations] as one of our franchisees for KFC.” Now, the particular deal they had struck was not for the main KFC outlets — it was for the small kiosk operations only — but it was still a blow for us, since they had blocked our move to essentially do the same thing. As their long-

term partner, I just didn't feel this was right. It was a signal to me that the relationship was going nowhere.

Still interested in the chicken market, PPCL entered into an agreement with Australia-based "Chicken Treat" — a chicken fast-food restaurant that successfully competed directly with KFC — to operate Chicken Treat franchises in Thailand. Tricon viewed this as an advance violation to the non-competition clause it was insisting be included in the new Tricon-PPCL contract.

Kenny saw that communication and the relationship with Tricon, in general, was breaking down:

All of a sudden I started to think: "What happens if we lose the brand? What are we going to do? We're just a company — we have 116 stores and four and a half thousand employees tied up on the Pizza Hut business. There's a good chance that the company could go under."

"JUST IN CASE"

With the possibility that PPCL might lose the Pizza Hut brand, Kenny decided that an alternative plan of action for the company was needed:

We need two pathways — one path that moves the Pizza Hut brand forward should negotiations end in a signed contract, but also another one to see us through if negotiations should fail.

In a first attempt to convey that all was not well with Tricon, Kenny held a meeting with some of his senior Pizza Hut staff in late October 1999. At that meeting he set up a scenario exploring the "what ifs" of losing the Pizza Hut brand. Most of the people present did not believe that this situation would become a reality. One of the executives present said:

For Paul [Kenny] to have called the meeting, something must be up, but the whole thing seems a bit over the top. We spent the whole day going through "what ifs" but basically I kept thinking to myself "what are you wasting everybody's time for?" Here we were — the most senior Pizza Hut executives in the country, with the usual share of day-to-day management problems to attend to, and Paul was asking us to spend a day brainstorming ideas that were never going to happen. The thought that we might convert all of our stores to chicken restaurants seemed preposterous, although the suggestion did come up. I kept thinking about my counterparts at Tricon who were waiting to hear from me about other matters. We

were all on the same team — they would have rolled their eyes if they could have heard the conversation in our meeting room.

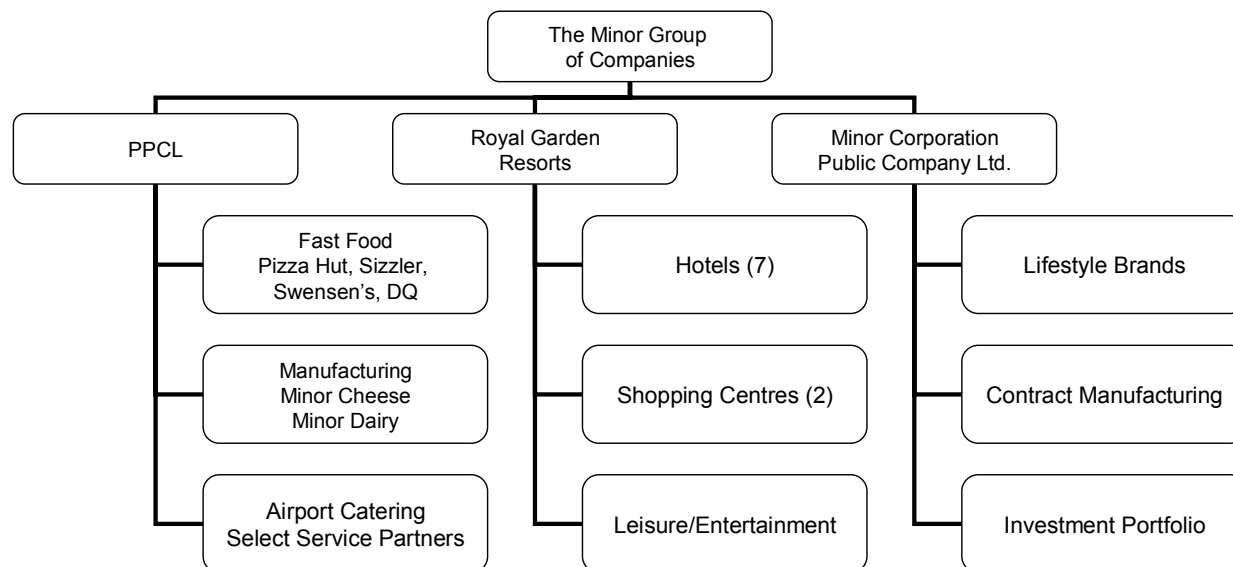
On November 16, 1999, a follow-up meeting was held. At this meeting, Kenny tried to increase the urgency in his message that negotiations were not proceeding smoothly. Again, he was met with only a certain amount of concern.

He wondered how he could convince his team that there was a real concern and, consequently, what planning steps should be taken with regard to the Pizza Hut brand, or the loss thereof.

The Richard Ivey School of Business gratefully acknowledges the generous support of the Lee Foundation in the development of this case as part of The Lee Foundation Asian Case Series.

Exhibit 1

THE MINOR GROUP CORPORATE STRUCTURE



Source: Corporate files.

Exhibit 2

PPCL REVENUE STRUCTURE OF PRODUCTS AND SERVICES
1999

Product/Service	Million Baht (Bht)*	%	# Outlets
Sales of:			
Pizza "Pizza Hut"	1,651.6	53.5	116
Ice cream "Swensen's"	595.0	19.3	69
Steak and salad "Sizzler"	336.0	10.9	11
Soft ice cream/hot dog "Dairy Queen"	230.6	7.5	82
Donut and soft drink	6.0	0.2	-
Cheese**	26.1	0.8	-
Ice cream and product from milk**	4.5	0.1	-
Chicken "Chicken Treat"***	-	-	-
Various restaurants at international airports	121.5	3.9	-
Food and hospitality service	111.5	3.6	-
Real estate rental	4.8	0.2	-
Total sales	3,087.6	100.0	278

* On November 16, 1999, US\$1 = 38.75 Bht.

** Inter-company sales were eliminated.

*** Franchise acquired in 1999 but operations did not commence until 2000.

Source: PPCL Annual Report.

Exhibit 3**PPCL KEY MANAGEMENT TEAM BIOGRAPHIES****Paul Kenny**

Executive director and COO, an Australian, had studied management in England. He had been involved with the food industry since 1971, and with PPCL since 1994. Prior to joining PPCL, Kenny was operations manager for Jardine Restaurants in Australia then managing director for Jardine Pacific Restaurants in Taiwan.

Anek Wongsebundit

Executive director and chief financial officer, a Thai, had graduated from a Thai university. He had been with PPCL since 1991 and was responsible for finance and administration.

Richard Neville

Director of corporate planning and investor relations, a Canadian, was a graduate of the Royal Military College of Canada and had an MBA from the Richard Ivey School of Business. He had been with PPCL and the Minor Group since 1998. Prior to PPCL, Neville was the director of finance, marketing and planning for SMD International Ltd. (Singapore) and executive director of corporate finance for Kerry Securities Ltd. (Hong Kong).

Patamawalai Ratanapol

Chief people officer, a Thai, held an MBA from Emporia State University in the United States. She had been involved with PPCL since 1985, running Swensen's before taking over all human resources responsibilities group wide.

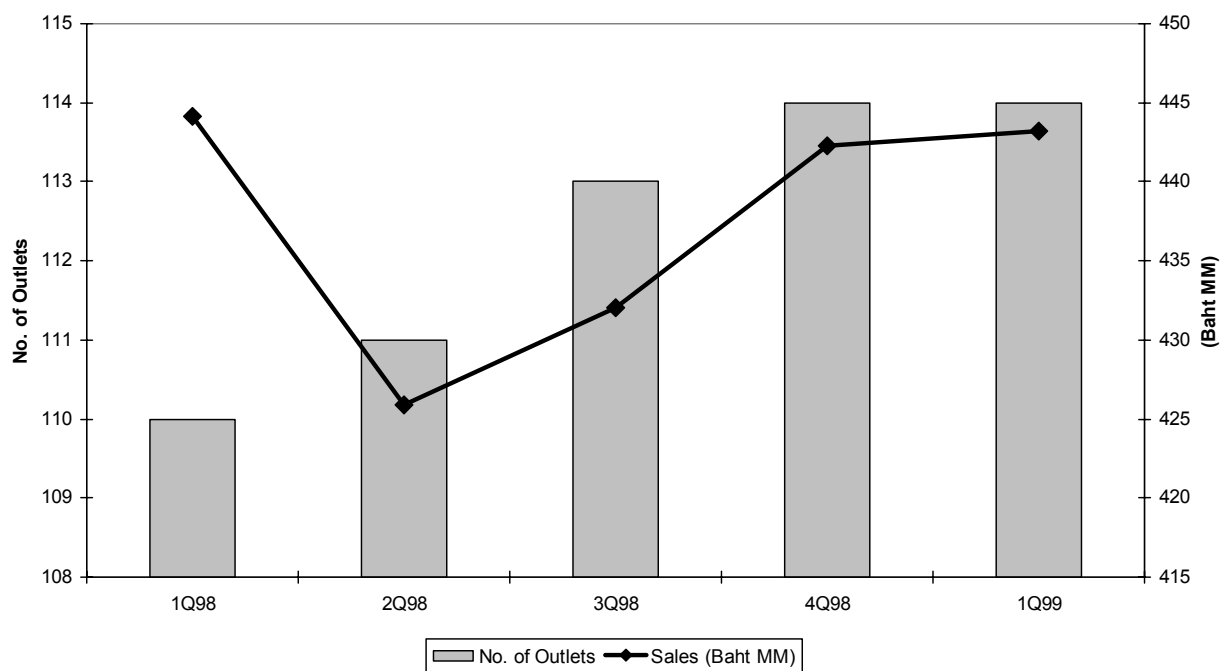
Kullavat Vichailak

General manager of Burger King and Chicken Treat operations, a Thai, was a graduate from university in Thailand and hotel school in Switzerland. He had been involved with PPCL since 1988, but had also spent two years during this period running Popeye's Chicken Asian franchise operations.

Veena Oncharit

Marketing manager of Pizza Hut. A Thai national, she graduated from Thailand's leading university and also held an MBA from its prestigious business school. Prior to joining PPCL, she was the marketing manager at rival Domino's for two years.

Exhibit 4

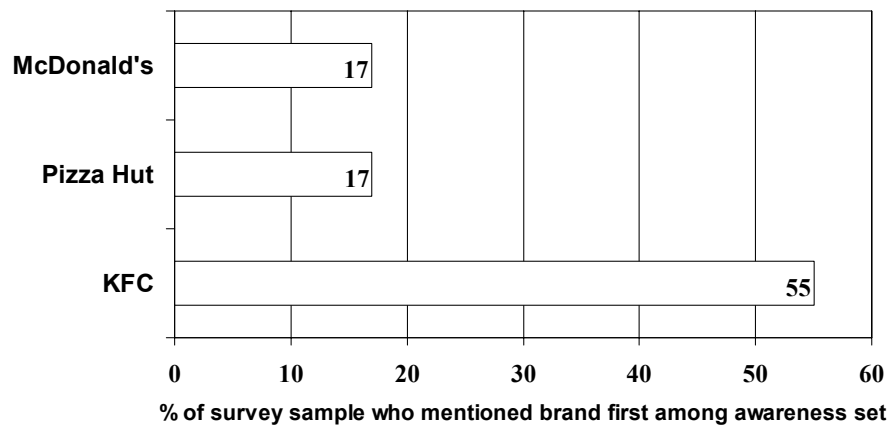
PIZZA HUT PERFORMANCE
1998 to 1999

Source: Company files.

Exhibit 5

SELECTED HIGHLIGHTS OF 1999 BITS RESEARCH FOR BANGKOK

Spontaneous Brand Awareness — First Mention, Average Scores of Two Rounds



Brand Ever Tried — Heavy Fast Food

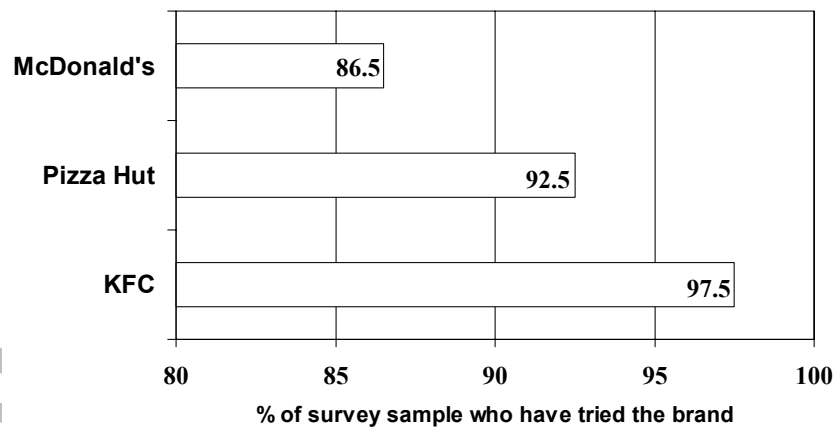
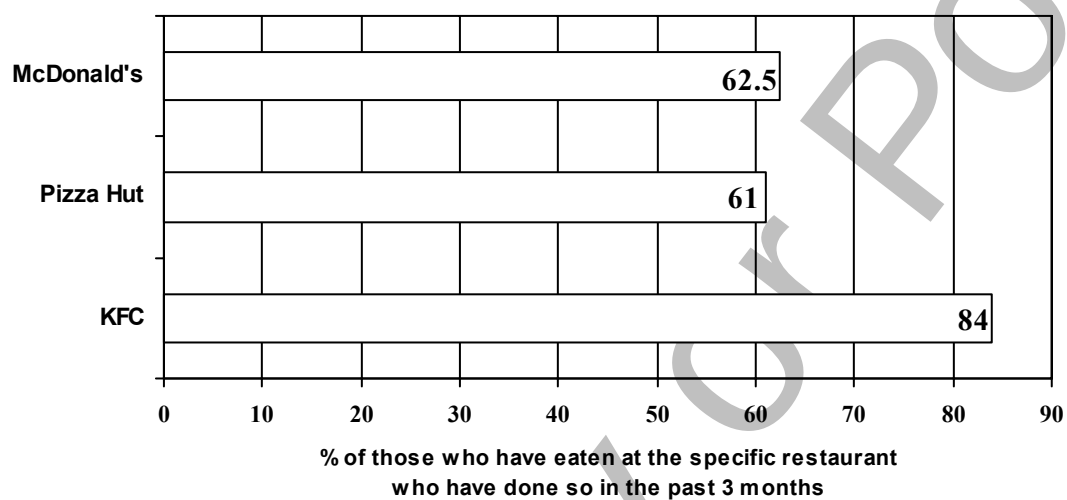


Exhibit 5 (continued)



Eating Frequency — Heavy Fast Food, Average # Times in Past 3 months

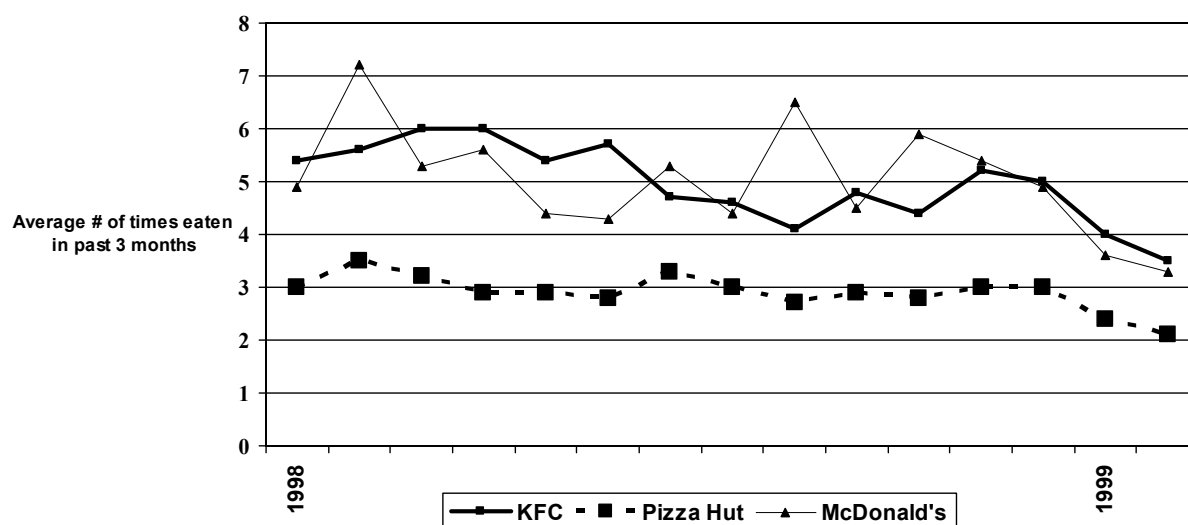
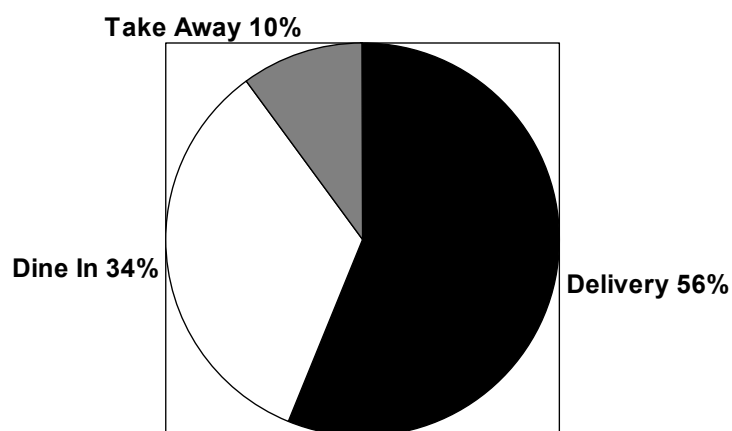


Exhibit 5 (continued)

Pizza Hut — Type of Service Used at Last Purchase (based on consumers who ate at Pizza Hut in the last three months)

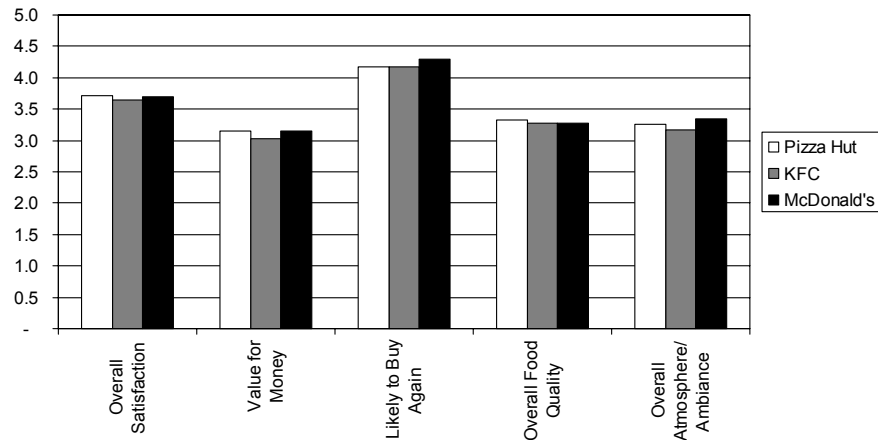


Source: Company files.

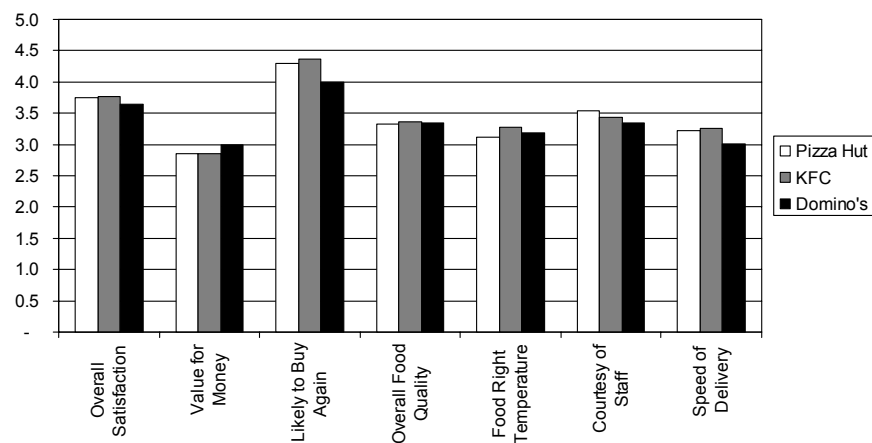
Exhibit 6

SELECTED HIGHLIGHTS OF 1999 CEM RESEARCH

Dine-In Scores Comparing Pizza Hut with KFC and McDonald's



Delivery Scores Comparing Pizza Hut with KFC and Domino's Pizza



Dine-In Scores Comparing Pizza Hut with Narai Pizza

