

## **Hard Rock Cafe's Global Strategy**

Hard Rock is bringing the concept of the “experience economy” to its cafe operation. The strategy is to incorporate a unique “experience” into its operations. This innovation is somewhat akin to mass customization in manufacturing. At Hard Rock, the experience concept is to provide not only a custom meal from the menu, but a dining event that includes a unique visual and sound experience not duplicated anywhere in the world. This strategy is succeeding. Other theme restaurants have come and gone while Hard Rock continues to grow. As Professor C. Markides of the London Business School says, “The trick is not to play the game better than the competition, but to develop and play an altogether different game.” At Hard Rock, the different game is the experience game.

From the opening of its first cafe in London in 1971, during the British rock music explosion, Hard Rock has been serving food and rock music with equal enthusiasm. Hard Rock Cafe has 40 U.S. locations, about a dozen in Europe, and the remainder scattered throughout the world, from Bangkok and Beijing to Beirut. New construction, leases, and investment in remodeling are long term, so a global strategy means special consideration of political risk, currency risk, and social norms in a context of a brand fit. While Hard Rock is one of the most recognized brands in the world, this does not mean its cafe is a natural everywhere. Special consideration must be given to the supply chain for the restaurant and its accompanying retail store. About 48% of a typical cafe's sales are from merchandise.

The Hard Rock Cafe business model is well defined, but because of various risk factors and differences in business practices and employment law, Hard Rock elects to franchise about half of its cafes. Social norms and preferences often suggest some tweaking of menus for local taste. For instance, Europeans, particularly the British, still have some fear of mad cow disease; therefore, Hard Rock is focusing less on hamburgers and beef and more on fish and lobster in its British cafes.

Because 70% of Hard Rock's guests are tourists, recent years have found it expanding to "destination" cities. While this has been a winning strategy for decades, allowing the firm to grow from 1 London cafe to 110 facilities in 41 countries, it has made Hard Rock susceptible to economic fluctuations that hit the tourist business hardest. So Hard Rock is signing a long-term lease for a new location in Nottingham, England, to join recently opened cafes in Manchester and Birmingham—cities that are not standard tourist destinations. At the same time, menus are being upgraded. Hopefully, repeat business from locals in these cities will smooth demand make Hard Rock less dependent on tourists.

### ***Discussion Questions***

- 1. Identify the strategy changes that have taken place at Hard Rock Cafe since its founding in 1971.*
- 2. As Hard Rock Cafe has changed its strategy, how has its responses to some of the 10 decisions of OM changed?*