

Regiocentric orientation strategy in fast food chain

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Abstract: *Fast food restaurants usually have a seating area in which customers can eat the food on the premises, orders are designed to be taken away, and traditional table service is rare. Orders are generally taken and paid for at a wide counter, with the customer waiting by the counter for a tray or container for their food. A "drive-through" service can allow customers to order and pick up food from their cars. Nearly from its inception, fast food has been designed to be eaten "on the go" and often does not require traditional tableware and is eaten as a finger food. Common menu items at fast food outlets include fish and chips, sandwiches, pitas, hamburgers, fried chicken, french fries, chicken nuggets, tacos, pizza, and ice cream, although many fast food restaurants offer "slower" foods like chili, mashed potatoes, and salads. McDonald's in the United States will have the same experience as someone visiting a McDonald's in Japan. The interior design, the menu, the speed of service, and the taste of the food will all be very similar. However, some differences do exist to modify to particular cultural differences.*

I. Introduction Mcdonald's & Its Global Strategies

The purpose of this document is to analyze the existence of McDonald's Corporation and its Global Strategies. This paper will discuss the history and background plus the strengths and weaknesses of the company. In addition, the document will define the differences of global strategies of McDonald's in different countries. McDonald's is the world's leading global food service retailer with over 36,000 locations serving approximately 69 million customers in over 100 countries each day. More than 80% of McDonald's restaurants worldwide are owned and operated by independent local business men and women. McDonald's "play to win" strategy helps the company gain customer confidence as well as revenue growth. As per the USA, in the U.S., where McDonald's has almost 14,000 of its more than 32,000 restaurants, operating income in July 2010, climbed 7% to \$895.1 million. Revenue in the U.S. rose 2% to \$2.08 billion while rising 5.2% in Europe and 4.6% elsewhere around the globe. The \$15.15 billion company has increased its market profit share by offering healthy menu items such as salads, milk, and sandwiches, wide range of beverages, ice creams, fries, new breakfast dollar menu, kids' meal, and last but not the least the everyday dollar menu items. In addition, nearly 50% of McDonald restaurants have included the play area for children which help the corporation attract the younger crowd tremendously.

II. McDonald's Mission Statement

McDonald's brand mission statement is "to be our customers' favorite place and way to eat and improve our operations and enhance our customers' experience" (mcdonalds.com).

III. History & Background

The journey of McDonald Corporation actually began in 1930's by two brothers, Richard and Maurice. Both the brothers opened up a carhop drive-in restaurant in San Bernardino, California in 1930. By the 1950's, the restaurant was replaced into self-service car hop with simplified menu to offer just hamburgers, cheeseburgers, French fries, milkshakes, soft drinks, and apple pie; and ran like an assembly line operation (Hill and Jones, 2010, p. C147). Both Richard and Maurice believed in the concept of providing quick and simple service. The idea was to prepare a model that could be learned quickly from anyone stepping into the restaurant kitchen for the first time. As per John Love, the McDonald's historian; "typically, there were three grill men, who did nothing but grill hamburgers, two shake men, who did nothing but make milkshakes, two fries men who specialized in making French fries, two dressers, who dressed and wrapped the ham burgers, and three counter men who did nothing but fill order at the two customer windows". The resulting labor cost savings, combined with the increases volume of sales, allowed the McDonald brother to cut the price of hamburger from 30 to 15cents (Hill and Jones, 2010, p. C147). By the 1954, the restaurant working model of the McDonald brothers was doing amazingly good. The restaurant revenue was growing by leaps and bounds and caught the eyes of Ray Kroc, who supplied milkshake mixer machines to the brothers. After observing the concept of their restaurant, Kroc knew that this was the formula to the business success in the food industry. He bought the rights from the McDonald brothers to open a restaurant franchise across the nation. On April 15, 1955; Kroc opened up his first McDonald fast food chain in Des Plain, IL; featuring the same concept of using limited workforce, low price, quick and efficient service as San Bernardino.

McDonald Corporation has grown rapidly at home as well as globally. A McDonald's restaurant is operated by either a franchisee, an affiliate, or the actual corporation itself. The McDonald's Corporation revenues come from the rent, royalties, and fees paid by the franchisees, as well as sales in company-operated restaurants. In 2012, the company had annual revenues of \$27.5 billion and profits of \$5.5 billion. According to a 2012 BBC report, McDonald's is the world's second largest private employer—behind Walmart—with 1.9 million employees, 1.5 million of whom work for franchises, the company had to face many criticisms publically as well as politically. Although the world's largest food chain has been attacked several times and gone through several litigations yet, the company is still able to grow and challenge its competitors on the world's platform of food industry. Today, the McDonald Corporation is maintaining its reputation by being environmentally responsible, offering healthy and high quality food options, providing quality service, supporting and giving back to the community, and finally; practicing McDonald values of being responsible towards the community, business, and corporate world.

3.1. McDonald's Strengths and Weaknesses: Strengths and weaknesses are the internal factors that are used to analyze the company's organizational and environmental issues. Below are the McDonald Corporation's strengths and weaknesses which play a key role in company's operations. McDonald's is the well-known food chain at home as well as internationally.

There are various aspects that are aligned under McDonald's strength factor such as:

- Strong name brand and mascot
- Huge market share nationwide as well as globally
- Well trained managers and employees from the McDonald's hamburger university
- Customer focused
- Introduce new products
- Committed Suppliers base
- Exceptional positive financial and revenue growth, and
- Kids friendly reputation

Although McDonald Corporation has various strength factors, the company also has some weaknesses that have become the road blocks for the organization's success such as:

- Negative publicity and image
- Strong competitors like Burger King and Wendy's
- Legal actions and lawsuits, and
- High management turnover

IV. Global Strategies Adopt By McDONALDS

First, with a franchise business model that allows its franchisee-members, management and shareholders to share the risks and rewards from the discovery and exploitation of new business opportunities—McDonald's model has become the norm for other franchise organizations.

Second, by adaptation and innovation, coming up with fresh products and services to address the needs of a diverse consumer market—as shaped by demographic, economic and local factors around the world

In the 1990s and early 2000s, McDonald's made successful efforts to restore its corporate image by launching the "Fast and Convenient" campaign that involved the radical adjustment of the company's product portfolio to emerging food industry trends—the re-furbish of McDonald's restaurants to achieve a banded, updated, and more natural dining environment. The "fast" and "convenient" elements of the McDonald's concept were augmented by the "healthy" and "more natural" element, by adding salads, fruits, and carrot sticks to the menu.

Since the start of the company in 1973, McDonald's Corporation began spreading domestically throughout the United States thus establishing its brand recognition. Its initial strategy began by advertising directly to the middle and upper class citizens, as can be seen in countries such as India and China. However, with its many bargain deals on several of its food items, McDonald's began to cater to several people belonging to the lower class.

In fact, through globalization and internationalization, McDonald's was able to develop marketing strategies, while at the same time customizing them for different regions in accordance to the cultural and national variations in order to serve specific target markets. The company conducts heavy research in regions where it desires to open locations based upon a few elements, including social, cultural, technological, political, and economic situations. McDonald's key to success is its business mantra of "think global, act local" (Vignali, 2001)

But how can McDonald's sell its food to people of different cultures with different values and tastes? They frame its practices local specialization to cater to its local markets. Like French like to take their time when they are eating. McDonald's started with fancy restaurants in which people can sit down and enjoy their meals. They also use French potatoes and French cheese for their products to appeal local culture.

For the Chileans they wouldn't like to have a fancy restaurants with fancy French cheese and potatoes. They wants fast food as well as variety of sandwiches that appeal to their South American tastes. McDonalds offers them a burger with mayo, tomato, bacon and avocado!!

China was McDonald's first global country in which it researched heavily before opening up restaurants. McDonald's created the express window which offers a limited menu. They can order in seconds and not to have to wait in long lines. McDonald's also offers more chicken products to appeal to local tastes. Price of its items are also slight more expensive than other foods in china.

Internationally, McDonald's earns high revenues is India. India is one of the toughest markets to enter for foreign businesses, due to the governmental hardships imposed upon by the Indian government. The reason behind such hardships is solely based on the Indian government seeking to protect its domestic businesses, and employment for its citizens. Vasant Vihar, a prosperous residential area in New Delhi, was the initial location that McDonald's opened up its first store in India in 1996. Since then, almost 60 McDonald's restaurants have been opened. One of the most successive strategies that McDonald's uses before opening up its stores is research and development of its foods. Tastes and preferences vary across the globe, therefore, the company thoroughly analyzes the preferred tastes, especially to not offend local cultures. For example, India is a nation where beef is highly unpopular due to religious Journal of Business Case Studies – Third Quarter 2007 Volume 3, Number 3 58 purposes; therefore, the company had to come up with burgers that were not made with beef, but rather with chicken or lamb. Furthermore, the company had to create flavors that were spicy in order to meet the general taste preferences. In order to further emphasize the globalization element incorporated by the company, The Indian Big Mac is made of lamb. In Israel, the locally owned McDonald's purchases over 80 percent of its ingredients from local producers, including 100 percent kosher hamburger meat, potatoes, lettuce, buns, and milkshake mix. There are no cheeseburgers in Israel's McDonald's because dairy products cannot be eaten together with meat. The success strategies include:

- 4.1. **Emphasis on Local Management:** Throughout the world, McDonald's prides itself in hiring locals, specifically management in order to gain acceptance into the country by its citizens. The emphasis is based on the "think global, act local" theme of the company. For instance, the company decided to establish two joint ventures with two local entrepreneurs in New Delhi, who were selected to manage the fast food restaurant.
- 4.2. **Politically Sensitive Strategy:** One of the company's major concerns was to develop ways to avoid political confrontation with the Indian government. The other major concern was to be careful of the religious sensitivities in India. Almost 80% of Indians do not eat beef, and over 150 million Indian Muslims do not eat pork, therefore, instead of supplying the normal Big Mac, which consists of beef, the company developed the Maharaja Mac that is made of two lamb patties. Other foods were also added to the non-standardized menu including McAloo Tiki Burger, and other common Indian dishes.
- 4.3. **Environmental Friendliness:** In order to achieve a positive reputation, as well as follow local and national policies of a country, McDonald's tries to establish services that are environmentally friendly. India is an example where the company provides financial contributions and sponsors several community related activities in order to promote environmental protection. This is primarily seen within schools; thus indicating that the company also supports local schools.

V. Conclusion

All in all, McDonald's corporation is the leading brand name company in the food industry. The birth of McDonald Corporation created a revolution in the fast food market at home as well as globally. In today's world of globalization and competition, the corporation is doing a marvelous job in keeping their customers, suppliers, and shareholders satisfy while meeting it sales revenue. The strong foundation that Ray Kroc built continues today with McDonald's vision and the commitment of their talented executives to keep the shine on McDonald's Arches for years to come. The company focuses on delivering simple, easy and enjoyable restaurant experiences for customers and creating superior value for shareholders (mcdonalds.com). Starting from the Hamburger University, advertising campaign of corporate mascot, quality customer service, cost cutting technique, global expansion, and introduction of new menu items; to "play to win" strategy, the company have had many successes. Although in the past there have been few negative publicity critics that company had to deal with but today the \$15 billion dollar corporation is able to gain customer confidence, consumer praise, and children admiration by offering healthier food choices, good customer service, and innovative products at their stores. McDonald Corporation believes in being socially responsible by giving back to the community and environmentally responsible by eliminating waste and going green.

McDonald Corporation is the leading fast-food industry. The company's key to success is its name brand, healthy food, quality customer service, and the focus on "play to win" strategy. Follows regiocentric orientation, the firms treats the region as a uniform cultural segment & adopts a similar business strategy within the region but not across the region.

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