McDonald's Going International

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ALL YOU WANTED TO KNOW ABOUT McDonald's
History

• McDonald's Corporation - is the world's largest chain of fast-food restaurants, primarily selling hamburgers, chicken, French fries, milkshakes and soft drinks.
• More recently, it also offers salads, fruit and carrot sticks.
• The business began in 1940, with a restaurant opened by Dick and Mac McDonald in San Bernardino, California. Their introduction of the "Speedee Service System" in 1948 established the principles of the modern fast-food restaurant.
• The present corporation dates its founding to the opening of a franchised restaurant by Ray Kroc, in Illinois on April 15, 1955, the ninth McDonald's restaurant overall.
• Kroc later purchased the McDonald brothers' equity in the company and led its worldwide expansion.

What are the advantages and disadvantages of adaptation strategy used by McDonald's?
1. Advantages and Disadvantages of adaptation strategy

**Advantages:**

- Different cultures have different consumer needs and tastes
- Political and legal environment of the international market that they plan to enter
- Differences among nations in terms of cultures, religious beliefs, political and legal systems, customer values and lifestyles, and stages of economic and market development
- Differences in the advancement of technology
- Competition plays a major role in determining if a company will adopt a product adaptation scheme

**Disadvantages:**

- The costs associated with adaptation can also play a major role in determining whether or not a firm chooses to standardize their product
1. Advantages and Disadvantages of adaptation strategy

- Cross any boarder and you will find multiple variations from price to product, starting with the presentation.

- Misconception that McDonalds is the same everywhere. Country teams have considerable autonomy to develop and market new product lines.

- Menu differences:
  - Netherlands and Austria – Beer
  - Germany – Chinese Week
  - Canada – Mc Pizza
  - India – Goat and lamb burgers half of menu vegetarian
  - Japan – ingredients such as cabbage and Teriyaki
  - USA – Barbecue bacon Burgers, sausage breakfast burritos

Are there examples of truly global brands that never customized?
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**Truly global Brands:**

- In general we can say that straight extension (=standardization) has been implemented and already been successful with cameras, consumer electronics, and many machine tools.
  - Stihl (machinery and chainsaw producer)
  - Nikon, Olympus, Canon (camera producers)
  - Kitchen Aid (consumer electronics)
  - Caterpillar (trucks, bulldozers)

What have been the key factors that have led to McDonald’s global success?
2. What have been the key factors that have led McDonalds to global success?

- Fast service enabled by a limited menu, focus on cleanliness, family friendly facilities, good value for money
- Emergence of cash-rich, time-poor lifestyle
- Societal acceptance of a more casual approach to eating on the run underscored the emergence of McDonalds
- Innovations in food preparation technology and service delivery providing a fast-service format that customers appreciate as well as a cost base that competitors found hard to match
- Waiter labor cost savings passed on directly to the consumers through lower prices
- McDonalds was the leader to introduce franchising in the global marketplace, augmenting the organic restaurant growth by harnessing the management, cultural and entrepreneurial capabilities and capital of local businesspeople around the world.
- Expanding across the globe Increasing restaurant penetration in already existing markets

Key Faktors:

- Economies of scale in production and distribution
- Power and scope
- Brand image was country suited
- Ability to leverage ideas quickly and efficiently
- Uniformity of marketing practices
- Pervasiveness of McDonalds brand
2. What have been the key factors that have led McDonalds to global success?

- McDonald's is seen as the number one representative of the all American lifestyle, which at the time when the expansion began was very popular. In some countries it is still a status symbol to go and have a meal at McDonald's.
- Generally the cooperation is at pains to offer a selection of standardized core products (Big Mac, Soft drinks, French Fries) in addition to locally accepted alternatives.
- Giving the multinational cooperation a local Face (thinking of Salzburg's restaurant)
- In order to use synergies on the one hand and reduce national competences on the other a supranational administrative department had been set up in Europe.
- McDonald's has always been supported by US foreign policy

Sources: [http://de.wikipedia.org/wiki/McDonald's](http://de.wikipedia.org/wiki/McDonald's); Kotler/Keller Marketing Management

What are the risks and benefits of choosing the franchising system for franchisor?
3. Risks and Benefits of franchise system

**Benefits for franchisor:**

- The franchisor profits from the strongly motivated franchisee as a self-dependent entrepreneur
- The franchising as a way to overcome the resource scarcity through the direct market access
- The ability to overcome the high costs of arranging the new distribution network through using the well tailored network of franchisor
- Low capital investments for the product placement and region marketing through the franchisee
- The benefits from using a recognized brand name and trade marks through the reputation of the franchisor
- Extended expansion possibility through franchising

**Risks for franchisor:**

- The existence of multiple, geographically dispersed owner-managers makes the control difficult
- Possible high costs of training development, promotional and support activities of franchisee
- Service delivery may be inconsistent because of geographically dispersed franchisees
What are the key issues by setting up a McDonald’s Franchisee?

4. Risks and Benefits of franchise system

*Benefits for the franchisee:*
- Your business is based on a *proven idea*. You can check how successful other franchises are before committing yourself.
- You can use a recognized *brand name* and *trade marks*. You benefit from any advertising or promotion by the owner of the franchise - the “franchisor”.
- The franchisor gives you *support* - usually including training, help setting up the business, a manual telling you how to run the business and ongoing advice.
- *Financing* the business may be easier. Banks are sometimes more likely to lend money to buy a franchise with a good reputation.
- *Risk is reduced* and is shared by the franchisor.
- If you have an existing *customer base* you will not have to invest time looking to set one up.
- Relationships with *suppliers* have already been established.
- The ability to overcome the *resource* constrains.
4. Risks and Benefits of franchise system

Risks for franchisee:

- **Costs** may be higher than you expect. As well as the initial costs of buying the franchise, you pay continuing royalties and you may have to agree to buy products from the franchisor.
- The franchise agreement usually includes **restrictions** on how you run the business. You might not be able to make changes to suit your local market.
- The franchisor might go **out of business**, or **change** the way they do things.
- Other franchisees could give the brand a **bad reputation**.
- You may find it difficult to **sell** your franchise - you can only sell it to someone approved by the franchisor.

4. Costs and Restrictions

**Costs:**

**Financial Requirements/Down Payment:**

Initial down payment for opening (40% of the total cost) or an existing restaurant (25% of the total cost) about 200,000 $ non-borrowed resources

**Financing:**

McDonald’s does not offer financing; McDonald’s Owner/Operators enjoy the benefits of our established relationships with many national lending institutions
4. Costs and Restrictions

Restrictions:
During the term of the franchise, you pay McDonald's the following fees:

- **Service fee**: a monthly fee based upon the restaurant's sales performance (currently a service fee of 4.0% of monthly sales).
- **Rent**: a monthly based rent or percentage rent that is a percentage of monthly sales.
- **Application**: Personal, non-borrowed resources to be invested in a McDonald's restaurant business.
- Business experience in the market where they are seeking a franchise.

What strategy would you adopt to ensure a great exposure for McDonald’s to a growing trend towards healthier eating?
5. Healthier eating at McDonald’s

Currently:

• Low fat products in UK outlet
• Canadian light choices of Menu with a Soya bean McVeggie Burger, salads with a fat free dressing and a granola topped fruit yoghurt
• On packaging calorie and fat content information for the first time as it tries to counter the obesity lobby

Future perspectives:

• Using biologically grown resources
• Fat reduced meals
• Healthier ways of processing the food (eg.: don’t fry chips but bake them, less white bread burgers, regular vegetarian dishes,)
• Healthy, freshly squeezed Mc Shakes etc.
• Healthier Drinks not only Sodas
• To ensure high-quality, fresh ingredients, farms are set up in order to supply restaurants
Sources:
- www.McDonalds.com
- www.freeforessays.com/show_essay/55461.html
- D. Jobber “Principles and Practice of Marketing”
- Sources: http://de.wikipedia.org/wiki/McDonald’s
- Kotler/Keller Marketing Management

THANK YOU FOR YOUR ATTENTION