

McDonalds in india - case study

Food & Diet, Junk Food



WALMART Group GMITE — Batch 6 Abhishek Agrawal Ajit Varghese Brijesh Chauhan Karthikeyan Palani Manendra Jain Nalukurthy Rajeshbabu Satish kumar Dosapati Sushma GN McDonald's India A Locally Owned Company: McDonald's is the world's leading global foodservice retailer with more than 33, 000 locations serving approximately 64 million customers in 118 countries each day. More than 80% of McDonald's restaurants worldwide are owned and operated by independent local men and women. In India, McDonald's is managed by two Indian entrepreneurs. Amit Jatia, Vice Chairman, Hardcastle Restaurants Pvt. Ltd. owns and spearheads McDonald's operations in West & South India. Hardcastle Restaurants was appointed Development Licensee for McDonald's in India in 2010, a progression from Joint Venture partner. Vikram Bakshi, MD and Joint Venture Partner, Connaught Plaza Restaurants Private Limited, owns and operates McDonald's in North and East India. Celebrating over 15 years of leadership in food service retailing in India, McDonald's now has a network of over 235 restaurants across the country. Local Sourcing Is Key for Truly Indian Products: McDonald's India is committed to sourcing almost all of its products from within the country. Prior to its launch, the company invested six years to develop its unique cold chain, which has brought about a veritable revolution in food handling, immensely benefiting the farmers at one end and enabling customers to get the highest quality food products, absolutely fresh and at a great value. McDonald's India today has developed local Indian businesses, which can supply the highest quality products required for its Indian operations. Respect for Indian Customs and Culture: McDonald's worldwide is well known for the high degree of respect to the

local culture of each market it operates in. In line with this respect for local culture, India is the first country in the world where McDonald's does not offer any beef or pork items. McDonald's has developed a menu especially for India with vegetarian selections to suit the Indian palate and has also re-engineered its operations to address the special requirements of vegetarians. Special care is taken to ensure that all vegetable products are prepared separately, using dedicated equipment and utensils. This separation of vegetarian and non-vegetarian food products is maintained throughout the various stages of procurement, cooking and serving. So much so that the mayonnaise and soft serves are also 100% vegetarian and McDonald's uses only vegetable oil as a cooking medium in India.

Employer of Opportunity: McDonald's India is an employer of opportunity, providing quality employment and long-term careers to professionals across the country. The average McDonald's restaurant employs 60-80 people from crew to restaurant manager. McDonald's invests in its employees, leveraging world class-training inputs to create ambassadors of the brand and creating food service professionals with global attitudes. The brand currently has over 8000 employees in India. Quality, Service, Cleanliness & Value McDonald's is driven by the philosophy of Quality, Service, and Cleanliness & Value for Money. This translates into a commitment to provide customers high quality products, served quickly with a smile, in a clean and pleasant environment at an affordable price. This effectively means that the McDonald's menu is priced at a value that the largest segment of the Indian consumers can afford while at the same time ensuring that quality is not sacrificed for value - rather McDonald's leverages economies to minimise costs while maximizing

value to customers. Major issues

âžł NUTRITION

Type of high fat, low fiber diet promoted by McDonald's is linked to serious diseases such as heart disease, obesity and diabetes. The sort of diseases that are now responsible for nearly three-quarters of premature deaths in the western world.

McDonald's respond that the scientific evidence is not conclusive and that their food can be a valuable part of a balanced diet. Some people say McDonald's are entitled to sell junk food in exactly the same way that chocolate or cream cake manufacturers do: if people want to buy it that's their decision. But should McDonald's be allowed to advertise their products as nutritious? Why do they sponsor sports events when they sell unhealthy products? And what on earth are they doing opening restaurants in hospitals?

âžł Ecological Sustainability Vegetarians and animal welfare

campaigners aren't too keen on McDonald's - for obvious reasons. As the world's largest user of beef they are responsible for the slaughter of hundreds of thousands of cows per year. In Europe alone they use half a million chickens every week, all from windowless factory farms. Is it acceptable for the food industry to exploit animals at all? Again, McDonald's argue that they stick to the letter of the law and if there are any problems it is a matter for government. They also claim to be concerned with animal welfare.

âžł Deep Market Penetration

In order to grow McDonald's needs to expand to other cities and towns in India rather than concentrating in Delhi, Mumbai & few other cities, For expansion to succeed, McDonald's can no longer depends on its processing & distributions centers in and around Delhi & Mumbai, Given India's poor transportation and road facilities, the logistic bottleneck of transporting food item from one place to other will add to the

cost of its products, it needs to build new processing & distribution centers in other cities for operational efficiency, this would require additional investment and cost can not be easily passed on to the consumers. Price increase is the last thing that McDonald's can afford if it wants to succeed in India, Already for most of the people McDonald's is associated with high prices. ¶ Adaptability of portfolio towards local needs Given India's fragmented regional culture where no single food preference predominates, McDonald's need to develop new product on regular basis. Developing new products adds complexity & cost and raises the risks of errors. It also runs counter to McDonald's culture and history. Yet if McDonald's does not do it on regular basis, Company's popularity will be short lived. It will be difficult for company to meet the range of different competitors, most notably the homegrown food chains which offers a variety of products at reasonable prices. ¶ CULTURAL SENSITIVITY(I feel this is a major issue) India is country with varying cultural diversity. The diversity reflects in eating habits with majority of population is vegetarian still a section of people with non-vegetarian food preference. India is land of spices. Indians like spicy food and prefer satellite joints as roadside food stalls. Usually home cooked food is preferred and dining out option is primarily reserved for special occasions. The food habits are also driven by the religious sentiments. In May 2001, a class action lawsuit¹ was filed against the world's largest fast-food chain McDonald's, in Seattle, US. The lawsuit alleged that the company had, for over a decade, duped vegetarian customers into eating French fries² that contained beef extracts. Minor issues ¶ ADVERTISING McDonald's spend over two billion dollars each year on advertising: Using collectable toys,

television adverts, promotional schemes in schools and figures such as Ronald McDonald the company bombards their main target group: children. Many parents object strongly to the influence this has over their own children. McDonald's argue that their advertising is no worse than anyone else's and that they adhere to all the advertising codes in each country. But others argue it still amounts to cynical exploitation of children - some consumer organizations are calling for a ban on advertising to children. Why do McDonald's sponsor so many school events and learning programs? Is their Children's Charities genuine philanthropy or is there a more explicit publicity and profit motive? ENVIRONMENT One of the well-known and sensitive question about McDonald's is: are they responsible for the destruction of tropical forests to make way for cattle ranching? McDonald's say no. Many people say yes. So McDonald's sue them. Not so many people say yes anymore, but does this mean McDonald's aren't responsible? They annually produce over a million tons of packaging, used for just a few minutes before being discarded. What environmental effect does the production and disposal of all this have? Is their record on recycling and recycled products as green as they make out? Are they responsible for litter on the streets, or is that the fault of the customer who drops it? Can any multinational company operating on McDonald's scale not contribute to global warming, ozone destruction, depletion of mineral resources and the destruction of natural habitats? Recommendation for Growth New Business Channels — Home Delivery, breakfast, extended hours and Drive-Troughs. As per estimates, home delivery can increase store sales about 15% and drive troughs by 50%. Attract College Crowd (Youth) — Similar to KFC “

StreetWise" menu, which offers products to college students at affordable price. Employees and Customers - In India, McDonald's employ 5, 000 people and serves half a million customers a day via its 169 family restaurants. McDonald's has 85, 000 employees and serves 2. 5 million customers a day in the UK. Local Vegetarian Menu: In India, McDonald's does not offer pork or beef-based products. Its menu is more than 50 per cent vegetarian. The fast food retail chain has separate production lines and processes for its vegetarian and non-vegetarian offerings. McDelivery Online — In India, McDonald's first launched home delivery of meals in Mumbai in 2004. McDonald's now has plans to launch web-based delivery service in India (across 75 McDelivery cities) in 2010, a pilot for which has already been tested by it in Hyderabad. The company hopes to add 5 per cent to sales via Web delivery. McDonald's web-based delivery model will be based on serving the customer quickly wherein the drive time does not exceed seven minutes because its food has to be eaten within ten minutes of preparation. The footfalls in India are amongst the highest in the world, but the average bill is amongst the lowest. At present (March 2010), Domino's Pizza (operated by Bhartia Group-promoted Jubilant Foodworks under a master franchise agreement) has a 65% market share in the home delivery segment. MFY (Made for You) food preparation platform — MFY is a unique concept (cooking method) where the food is prepared as the customer places its order. All new upcoming McDonald's restaurants are based on MFY. This cooking method has helped McDonald's further strengthen its food safety, hygiene and quality standards. McDonald's has around 10 MFY restaurants in its portfolio.