

# The new entry of mcdonalds into sri lanka



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The barriers to entry are pretty high for new entrants, in fast food industry McDonald's they have achieved high economies of scale and have better access to raw materials and distribution channels. so new entrants may find that a high cost of investment is required in securing plant and machinery. So these factors will be threats of new entries for new entrants. But in fast food industry is gaining and presenting an increase in sales at the mean time because of their affordable prices with credit crunch, it makes it attractive to new business.

## **BARGAINING POWER OF BUYERS**

In fast food industry McDonalds is maintain the quite low bargaining power of buyers. In this case perceived to be pretty low risk for McDonald's as consumers have little control over the variations in the product offerings, price, and place of distribution. However, Mother company should always take place and any necessary adaptation made. The company should keep customers satisfied, as switching cost is quite low and the chances of switching to another brand in case of dissatisfaction is relatively low. But for that possibilities are very low because McDonald has created its image among the consumers through brand name, differentiation, quality, quantity, environment, customer care, promotions and uniqueness.

## **BARGAINING POWER OF SUPLIERS**

In this case Supplier power is quite high in this fast food industry because there is lesser number of suppliers, and customers cannot switch to other brands because every brand has created its own image in the consumer's mind, that's why consumer cannot switch to other brands. On the other hand, McDonald has established long term relations with its suppliers and

McDonalds has a great deal of influence over their suppliers, due to the fact that it supports them and trains them, the threats from suppliers are quite low. Due to the scale of McDonald's operations, suppliers are keen to maintain their contracts with company. McDonald's internationalization could also mean greater sales potential for suppliers.

## **THREATS FROM SUBSTIUTE PRODUCTS**

Substitutes product means, which can do the similar function as the original product can do. In this area It could be argued that the threat of substitutes to McDonald's comes from pizza hut, KFC, Din more, burger's king and other domestic fast food firms. However, most of the above firms do not have the same stranded of convenience that McDonald's provide, and People going to McDonald's for eating and entertainment. This makes the list of substitute products quite long specially ENTERTAINMENT & ADMOSFIER.

## **INDUSTRY FOR RIVALRY AMONG EXISTING COMPETITORS**

Every firms looking for competitive advantage. It is the forces that holds their company above others in their business and gives them strength of survive in market. Among the every organization's competition is based on the nature of business. The concentration of firms within the fast food business is low due to the established presence of McDonald's, Burger King, Pizza Hut, Dine More and KFC. However, in certain markets, McDonald's will face competition from established competitor fast food outlets. for example McDonald's and KFC, and they provide equally attractive products and services, If buyers don't get customer satisfaction from McDonald's, they'll go to KFC or somewhere else so they should to be continually satisfied and

also they should be very innovative and unique in the products at regular intervals to attract and maintain the customers.

## **RELATIVE POWER OF OTHER STAKEHOLDERS**

In every business firms or industry has stakeholders. It is very important that multinational companies highly consider and value their general public or stakeholders.

Stakeholder for McDonald's Sri Lanka includes.

Customers

Franchise Holders

Employee

Suppliers

Community groups

Share holders

Investors- since McDonalds is a public company, our shareholders are key stakeholders. Shareholders, it's a one of the main category. Shareholders can be individuals, firms, pension funds, mutual funds, etc. Every investor is managed on their own and with company support as well. McDonald's guarantee the investors or shareholders an income that is better than what they could get it from any other place in fast food industry.

Employees- , McDonald's employees rely on us for income and benefits , The employees produce and sell the products and services to the external

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consumers. Basically, employees are selling a big part of their lives and must receive reasonable pay and especially Managers are assured a good salary if they can develop the firm and make it profitable. They regularly work for 50 to 60 hours in a week.

Community- McDonalds needs the community to survive in competitive market. Because the community builds path way, provides electricity, security, communication and technology and all. In turn, firm are obliged to keep the community's environment clean and green.

Suppliers- if any firms that cannot survive without good suppliers.

McDonald's must work with their suppliers with good relationship and pay them a fair price for their products and services. And also already McDonald has established long term relations with its suppliers and McDonalds has a great deal of influence over their suppliers.

Customers- consumers are one of the important stakeholders, McDonalds should provide fast, efficient, good food and customer services on a consistent basis. Then only firm can successfully survive.