

Global business strategy of mcdonald essay sample

[Business](#), [Branding](#)



The McDonald's Corporation is the world's largest chain of hamburger fast food restaurants, serving around 68 million customers daily in 119 countries across 35, 000 outlets. Headquarters: Oak Brook, IL, United States of America

CEO: Donald Thompson

Founded: May 15, 1940, San Bernardino, California, United States Founders: Maurice McDonald, Richard McDonald, Ray Kroc

Introduction

What is Global Business Strategy?

A plan established by the firms / companies to target growth on a global level for sales of product or services. It covers 3 areas Global, Multinational, and International strategies. Essentially, these 3 areas refer to those strategies designed to enable an organization to achieve its objectives of international expansion. Furthermore, International expansion provides the opportunity for new sales and profits. What are the benefits of Global Business Strategy?

Global brand recognition: the benefit that derives from having a brand that is recognized throughout the world – for example, McDonald. Global customer satisfaction: multinational customers who demand the same product, service and quality at various locations around the world. For example, customers of McDonalds will like to order from the usual menu offered, due to not being comfortable in eating foreign food. Economies of scale: the extra cost savings that occur when higher volume production allows unit costs to be reduced. For example, the greater the quantity of a good produced by

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McDonald, the lower the per-unit fixed cost because these costs are shared over a larger number of goods.

Economies of scope: the cost savings developed by a group when it shares activities or transfers capabilities and competencies from one part of the group to another. For example, McDonalds can produce both hamburgers and French fries at a lower average cost than what it would cost two separate firms to produce the same goods. This is because McDonald hamburgers and French fries share the use of food storage, preparation facilities, and so forth during production. There are many more benefits on going global. The firm will gain enormously in the process, they will greatly increase their sales revenues and will surely be profited from it. In contrast, if it's not planned or developed by the firms accurately, it might go wrong for the firm, and that will surely hurt the business.

McDonald's Corporation

The McDonald's Corporation is the world's largest chain of hamburger fast food restaurants, serving around 68 million customers daily in 118 countries. Headquartered in the United States, the company began in 1940 as a barbecue restaurant operated by Richard and Maurice McDonald; in 1948 they reorganized their business as a hamburger stand using production line principles. Businessman Ray Kroc joined the company as a franchise agent in 1955. He then purchased the chain from the McDonald brothers and oversaw its worldwide growth. A McDonald's restaurant is operated by a franchisee, a member, or the corporation itself. 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, McDonald's Corporation had annual revenues of \$27.5 billion, and profits of \$5.5 billion. McDonald's primarily sells hamburgers, cheeseburgers, chicken, french fries, breakfast items, soft drinks, milkshakes, and desserts. In response to changing consumer tastes, the company has expanded its menu to include salads, fish, wraps, smoothies, and fruit. McDonald's restaurants are found in 118 countries and territories around the world and serve 68 million customers each day. McDonald's operates over 32,000 restaurants worldwide, employing more than 1.7 million people. Business Strategy Implemented by McDonald

MCD has expanded its locations by operating over 32,500 restaurants in 118 countries, which decreases the company's experience to the extremely competitive fast food industry in the United States. MCD currently divides its revenues into four segments: the United States, Europe, the APMEA (Asia, Pacific, Middle East, and Africa segment), and other countries (i. e. Canada and Latin America and corporate sales). Almost 69% of MCD sales are from international market. MCD focuses both on penetrating emerging markets and expanding in developed markets.

Being just McDonald's is not enough; it's doing a lot, domestically and globally, to stay ahead. Here are 8 strategies that are keeping McDonald's pushing forward in the markets: 1. Focusing heavily on emerging markets

McDonald's may seem like it's already everywhere, but it hasn't quite positioned itself world yet. Over the past few years, McDonald's has made a heavy push toward emerging markets. And not just trendy markets like China and India, but places previously devoid of the Golden Arches, like some African nations. Sales are up 8.1% from last year in Asia/Pacific, Africa and the Middle East. Still, China is McDonald's most important international front, where it's battling Yum brands whole heartedly. It plans to have a whopping 2,000 stores there by 2014. 2. McCafé has been a big win

The McCafé has been demolishing expectations ever since the company started revving up its marketing machine for it in 2002. Now, there are 1,300 McCafés worldwide in dozens of countries, and it just keeps growing. Its latest moves have been to Ukraine, along with a national rollout in Canada. The McCafé menu has been growing as well, adding non-coffee items like smoothies over the past couple years. 3. Offering a wider variety of food to attract more customers McDonald's is trying to get more consumer segments to chomp up its offerings by expanding non-traditional menu items, while keeping its core base of burgers-and-fries eaters. Many of the new items help combat McDonald's ever-present negative image of unhealthiness, though it will likely never shake it fully. For instance, oatmeal has been a big hit for McDonald's, serving as a replacement for high-calorie breakfast sandwiches. Additional types of salads have worked too, for people looking for a somewhat healthier option. 4. Delivering food to customers in places that demand it

Though not traditional in the US, McDonald's delivers in many markets around the world, and the company cites it as one of the reasons it has been so successful in those markets. Delivery is a common practice, even for fancy restaurants, in many Asian and Middle Eastern cities, so McDonald's is just meeting the cultural norms of its surroundings. 5. Making its stores more attractive to get customers in McDonald's is improving its physical locations to make them more appealing to customers, and it seems to be working. In China, it's trying out a "Less is More" concept design, which goes with softer colors and cushioned seats. Also, over 95% of McDonald's locations have extended their hours now, and it has several thousand stores that are open 24/7. Free Wi-Fi is now available in McDonald's restaurants across the world, and lately it has made a big push to get flat screen TVs in the stores. It's even starting up its own TV channel with original programming, called McTV. 6. Increasing its offering of snack items

Americans love to snack on stuff, and McDonald's has recognized that demand and answered with a plethora of new products. Smaller items like wraps, along with an expansion into desserts (which it plans to ramp up soon), have made their way onto the menu and have done well. 7.

Shortening its menu cycle

The most prominent example of this is the McRib, making an unprecedented second national appearance in two years. It took front and center this fall and was incredibly successful, driving a 4.9% gain in same store sales. Special edition McFlurries have been in and out of menus too, along with limited time smoothies. This sort of menu cycle is a move toward a more

European model, which swaps out new menu items every six-to-eight weeks, reports Nation's Restaurant News.

8. And it hasn't been scared to take anybody on

Many of these expansions drew looks from brand new competitors, because McDonald's was encroaching on their territory. In most cases, McDonald's leveraged its size and brand to attack head on. McCafé is the most obvious example, and it has performed admirably against Starbucks and Dunkin' Donuts. Its upcoming expansion into desserts is likely to concern Dunkin' even more, along with niche dessert chains like Dairy Queen. But there's plenty of risk in doing this. As it opens itself to more fronts than ever, it has more big, powerful brands breathing down its neck, and even more complexity to worry about in its internal operations. How did McDonald reach every corner of the world

McDonald's utilizes a variety of international market entry modes for rapid expansion: sole ventures, franchising, master franchising and joint ventures. 15% of McDonald's branded restaurants are operated as sole ventures. Franchising has also allowed McDonald's to benefit from local knowledge, demonstrated by the menu differences by country. The combination of the master franchisee's local knowledge and McDonald's brand and model has been a successful formula, allowing expansion whilst maintaining significant control. McDonald's has also expanded internationally through joint ventures. Using the 7P's of marketing mix, McDonald earned business success at every part of the globe;

1. Product

McDonald's strives to offer a standardized service worldwide. However, the company is embedded with an 'entrepreneurial spirit' giving franchisees some local control and creativity, providing the service offering is of a high standard. Some of the most famous products including the Fillet o' Fish, the Egg McMuffin and the Big Mac were created through franchisee innovation. Franchisees are given autonomy to adapt the products whilst the corporation maintains a high degree of standardization through quality control. The majority of well-known products are usually offered in all markets unless they do not suit local customs and religion. For instance, Big Macs are not sold in Indian outlets as the population is primarily Hindu. However, even 'iconic' products are adjusted to local taste such as providing spicier food in most Asian countries, allowing the company to overcome a variety of cross-cultural barriers.

2. Price

McDonald's has positioned itself as a fast-food outlet offering low-cost food and drink. The affordable menu has been adapted worldwide whilst maintaining their core goal of quality assurance. Ongoing innovation has allowed new pricing strategies such as the 'Dollar Menu' or its equivalent 'Saver menu' in the UK. In response to increasing food costs, McDonald's opted to increase prices by less than 1%, adopting the change gradually to the menu in order to retain price-sensitive customers (Lockyer, 2011).

3.

Place (International Distribution and Supply Chain)

Although McDonald's product offerings differ between countries, they operate a standardized global supply chain. This lean operation is 100%

outsourced with no back-up system. The chain comprises of two tiers. Tier 2 suppliers are primarily food producers, whilst Tier 1 suppliers are processors. For example, a Tier 2 potato farm supplies a Tier 1 processing firm who turn the potatoes into French-fries and potato wedges. Produce is transported to distribution centers before allocation and delivery to individual restaurants. The success of the supply chain is attributed primarily to their commitment to outsourcing non-core activities to expert firms. McDonald's supplier terms are rigorous; suppliers are expected to be accountable until the food is consumed and the end customer is satisfied.

Legally-signed contracts with suppliers are not used; all deals are made on a handshake because they operate a 'one supplier – one product' policy and maintain long-term relationships regardless of the external environmental conditions. McDonald's has 30 – 35 stock-keeping units at the supply side, creating a streamlined operation. Sole distribution partners are responsible for the entire logistics process in designated geographical areas, whether it be the daily hamburger order, or a replacement appliance. McDonald's continuously scrutinizes these partners to ensure they are meeting goals and benchmarks to improve efficiency. The 'pull strategy' allows individual restaurants to place orders with distribution centers, which then re-issue orders to suppliers who only produce the quantities ordered. This means suppliers hold little surplus stock, optimizing efficiency. 4. Promotion

McDonald's achieved 6th position on "Best Global Brands 2011" as a result of continuous promotional activities. The iconic "Golden Arches" are used in promotions globally. The "i'm lovin' it" campaign, launched in 2003 used

celebrity endorsement to increase their appeal to younger consumers. Justin Timberlake was used for vocals and the campaign was launched in 86 English-speaking countries and was adapted for non-English speaking countries. Recently, the “ what we’re made of” campaign increased transparency and was used to fight against negative publicity regarding ingredients. 5. People

At McDonald’s, service employees represent the brand at the frontline where customers have their first interaction with the organization. It is important that staff give a good impression and therefore, training is of paramount importance. Employees undergo rigorous on-the-job training in customer service, food handling and preparation. In addition, McDonald’s provides opportunities for managers and would-be franchisees to develop and hone their management skills through a dedicated facility – the Hamburger University (HU). HU has campuses worldwide and provides training for employees to improve their proficiency in managing the restaurant. McDonald’s aim is to create a vibrant working environment for staff and managers. This creates a chain effect whereby customers are positively influenced and are more likely to return. To re-create this chain effect in different markets, the recruitment and training processes are standardized globally. McDonald’s is always on the look-out for lively team players who are trained according to guidelines. 6. Process

McDonald’s prepares and serves food rapidly. Strict guidelines and regulations are followed in food preparation to ensure high standards of hygiene and food safety. Customers can usually see the kitchen while being

served, allowing transparency, so customers can eat in confidence. Food is mass-cooked and hot-held until service. However, due to the continual stream of customers, it does not deteriorate before consumption. To maintain its foothold as market leader, McDonald's maintains a high degree of process standardization across all outlets to increase efficiency. This ensures that they have high standards of hygiene and food safety in all outlets.

7. Physical Evidence

McDonald's has a homogenous 'look' across their outlets from décor to staff uniform. Their global re-branding strategy furthers standardization, allowing consumers to areas, there are indoor playgrounds to satisfy customers. The company ensures that all franchisees comply with regulation regarding hygiene to maintain their reputation for cleanliness. Staff training is standardized globally to ensure customers are treated consistently.

Advantages of a franchise business and its impact on McDonald

Franchising requires less capital than other growth methods

Franchising permits your company to grow with capital invested by individual franchise owners. For the majority of clients, the investment required to franchise their business is recovered through the sale of the first two to three franchises.

Rapid Expansion

In today's marketplace, the window of opportunity for a new or unique business concept closes very quickly. Franchising permits multiple units to be opened simultaneously, gaining a position over would-be competitors.

Market Dominance

Multiple locations increase the company's competitive advantage over similar type businesses. Franchising puts a "business owner" in charge. Franchising ensures that qualified "managers" are operating additional locations rather than employees. A new business demands a great deal of time, effort and sacrifice. Franchisees are motivated by their ownership of the business and the capital they have invested. Franchise locations may operate better and more profitably than "company owned" units. Once again, this is due to the fact that a highly motivated owner is running the business rather than an employee. With their capital at risk, franchisees are much more motivated than employees to perform at their highest levels.

Greater Buying Power

Franchisors that purchase products and services for their franchise network can often negotiate volume discounts from vendors and suppliers. Sharing a portion of the saving with franchisees provides higher operating margins and a competitive advantage over other similar businesses.

Increased Name Recognition

As additional locations are opened, name recognition increases. In the United States, customer loyalty towards recognized brands is at an all-time high. Consumers typically feel more secure frequenting a business they recognize by name. Franchising permits an individual to benefit from the collective power and growth of the franchise network, which in turn leads to greater name recognition and competitive advantages for each individual franchisee.

Increased Advertising and Marketing Budget

Franchisees may be required to contribute a percentage of their gross sales (or a set fee) to an advertising fund administered by the franchisor. This enables the franchisor to advertise in regional and/or national media for the benefit of the franchise network. New revenue streams are created

Franchisors earn revenue from many sources, including:

- Franchise Fees
- Franchise Royalty Fees
- Advertising and Marketing Administrative Fees
- Services provided to Franchises
- Sales of Products & Supplies
- Training Fees
- Sales of Promotional Items
- Rebates from Suppliers

Conclusion

McDonald is one of most successful franchise/companies in the world. With its quick embracement of globalization, the firm has able to expand and maintain a fast pace growth, as well as continuing to explore with its growth potential in the coming years. From the beginning of the company's development in the USA, to spreading worldwide and offering a variety of food chooses like hamburger and other foods to its multicultural consumers. Through heavy research and development, McDonald implemented efficient strategies depending upon the base of the restaurant around the globe for the selection of food for the consumers to purchase.

MCD's Management established prices worldwide in all types of currencies, making its foods affordable for customers of all classes. Regarding differentiation, the firm attempts to be different from its competitors by adding something to its product that will provide a unique value to its customers, achieved through well designed and managed marketing activities resulting in a superior quality product and high brand image recognition.

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