

Example of report on mcdonald's corporation expansion in china

[Business](#), [Company](#)



\n[toc title="Table of Contents"]\n

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1. [Abstract](#) \n \t
2. [An overview of the company](#) \n \t
3. [Introduction](#) \n \t
4. [Global Expansion in China](#) \n \t
5. [Standardization](#) \n \t
6. [Multi-domestic Strategies in China](#) \n \t
7. [The Ethical Problems Facing McDonald's in China](#) \n \t
8. [Conclusion](#) \n \t
9. [References](#) \n

\n[/toc]\n \n

Abstract

The McDonald's company specializes in the provision of quality restaurant services globally by establishing branches worldwide which are interconnected with the main head branch based in the United Kingdom. Global expansion is one of the main goals of the company. However, the move to globalization is one countered with various crisis; these crisis range from economic perspectives, legal requirements, social cultural interferences, and effective market strategies. China is one of the most populated countries all around the world, therefore, making it a possible ground for the establishment of a fast food market to suit the fast growing population and drastic increase in economic development. Therefore, it is exceedingly important for the business to analyze the market status before

opening up branches of the fast food company. This will enable McDonalds to minimize its exposure to potential risks that exist within the Chinese market. This document is an analysis of various businesses factors that can pose as an obstacle to expansion of fast food industries especially in china.

An overview of the company

McDonalds is a corporate that is headquartered in Oak Brook Illinois. It is the most efficient fast food chain operator worldwide, attending to an estimated 49 million customers on a day to day basis. The corporate operates and certificates more than 31, 000 cafeterias in about 120 countries, which generate an estimated \$19. 06 million in revenue as from the fiduciary year 2004. Most of the McDonalds's cafeterias operate under joint business ventures and franchises. At the end of March, 2005 there were over 18, 091 franchised restaurants which generated 60% of the company's total sale, 4111 affiliated cafeterias responsible for 13% sale volume, and 8, 091 company operated restaurants which contributes a 27% of the total sales.

Introduction

Jim skinner, the contemporary CEO of McDonald's company, requires an evaluation and analysis of the Chinese market before deciding on whether to invest in the country. The firm has to overcome many obstacles in its pursuit to be regarded as a valued commercial partner in each of its operational regions. The future seems optimistic, but this mission can be terminated by various political based, economic centered, customer oriented, and cultural hindrances. However, this document is an analysis of the china market

regarding the various market factors that might affect the expansion of the business in china and recommendations to remedy the situation.

Global Expansion in China

In accordance with the high growth levels, the business sort to introduce the American recipe in china. To enter the new market, McDonald's should make use of the marketing strategy which has proved to be successful over the years in other countries. The company's marketing strategy of entering the overseas market was centered on the philosophy of, one realm, solitary flavor. This means that they stick to the main menu served in America and use it to attend the Chinese people. However, this strategy can't be one hundred percent effective in China since the country's society is quite diverse. McDonald believes that if they incorporate their food with the Chinese home grown food, they will lose their identity of uniqueness. The top management underrated the influence of their cafeterias on the cultures of the China country.

This leaves the corporation susceptible to antipathy. The novel American appeal eventually will wear off, and concerns will rise apropos the diets offered. As evident in 2003, there was an increasing anti-American sentiment strengthening the negative image of the company as a worldwide oppressor. Moreover, there were operational complications with implementing a standardized approach. The corporation was developing faster than the substructures compulsory to support the cafeterias in china. Careful study and administration of the overseas operations seems difficult since most of the established operations are joint ventures. Often the company operations

in China didn't have an expert or rather qualified supplier necessary to ensure standardization. As a result, foreign restaurants were less profitable than on average than their domestic equivalents.

The corporate also took decided on actions intended at becoming an appreciated member of its local communities. For instance, McDonald's in France hosted an open door community occasion after one of their stores was demolished by protestors. Currently this policy has been used in other countries where consumers get to take the kitchen excursions and meet managers and dealers.

Standardization

One of McDonald's utmost perceptions has been their stern devotion to operational standards. The china government is known to regulate the operating standards of overseas companies. The Chinese government usually imposes some standard that is defined by the letters QSC & V. These letters are abbreviations for qualities such as superiority, service, cleanliness, and value. The standardization process is to ascertain that the company is worth the position of providing restaurant services in china. Failure to comply with the required standard can result into the breakdown of the company. The corporate is expected to provide uniform products, ensure hygiene in restrooms and restaurants, and comply with the state price control laws.

However, the reported records concerning the key component, supplier relationship, have been negatively contributing to the standardization of product and complying with QSC & V in China. Each supplier's progression is

analyzed for acquiescence with the corporate's standardized measures. For instance, each burger must weigh must be of the same weight and have exact undistinguishable proportions of beef and fat to enable the automatic cooking procedures. However, this procedure seems stressful, tiring and costly to various suppliers all around China. Regardless of the fact that the procedure is long and expensive it is the compulsory role of the company to ensure production of standardized products as required by the government. Therefore, lack of standard products can result to the closure of the company by the government.

This hindrance can be counted by the through training procedures meant educate the suppliers on standardization rules. McDonald's company developed unique clamshell style griddles were developed to cook both side of the burger at once and create a perfectly cooked burger with minimum time as probable. A non- standard burger would be either half cooked or overcooked. The procedure of standardization is premeditated to be foolproof by eradicating variations in products.

However, the standardization of products is affected by various aspects. Although the company has achieved obtainment of cooking tools with dissimilar temperatures and cooking times, it also faces capricious results. Some of these unpredictable results may include the unreliable potato supply; this pushed the company to pioneer a potato which can be harvested all year round and ecologically controlled warehouse process. The other issue is the idea of the filet of fish, which were originally cut, battered, and fried by hand in every restaurant. The original process to filet of a variety of type's fish and filet patties were not uniform. The filleting procedure is rather

too lengthy hence taking a lot of time to prepare and moreover it resulted to mottled replicate in the required mass and volume. McDonald faces a challenge to obtain the weighty standard volume and mass of a lone type of fish, and develop a strategy which repeatedly generates a consistent filet mass and shape.

Standardization process also touches the formulation of a fixed menu to serve China. The original menu used to serve United Kingdom consists of too many variations. This menu when applied in China considering the various social cultural backgrounds and government involvement in the company operations, it would cause distraction in the supply chain, erratic quality, expenditures as per inefficiencies, and vagueness in the minds of the customers. The government sternly restrains pricing so as to manage demand and maintain fairness in the operation of franchises. So as, to achieve continued growth levels, McDonald's require adopt their recipe in accordance to standardized price, and maintain the QS & V standards that have been set out by the government and the society in China.

Standardization and QS & V are the primary efforts that were established to maintain consumer loyalty in China. Detailed market research is required to evaluate consumer priorities in the fast food sector. Therefore, the company must have the capabilities to control service aspects that are invisible to the consumer, sparing the consumer the desire to deal with a complicated process. No matter how difficult it seems, it is the duty of the company to make a customer feel safe in terms of service and product delivery. Every customer should be given maximum attentiveness and in some ways incorporate customer in problem solving issues.

Multi-domestic Strategies in China

The Chinese market also poses a challenge for McDonald's company in terms of real estate. McDonald's site selection in China was centered on China's inner cities. These cities were the principle target market for the company.

McDonald's also definite that the most effective method to expand the company in China is through building numerous stores simultaneously, thereby realizing economies of scale in sourcing, construction, training, and distribution. They also safeguarded location in fast developing areas that are probable for becoming major real estate in the prospect. Similar to experience in Russia, they are taking a risk to buy low valued estates and retain the property as it continues to appreciate over the years.

However, expansion in china is experiencing some difficulties due to remarkable monetary growth and subsequently more, and more Chinese residents are driving cars making it hard for the company to set up a suitable location to realize maximum market potential. McDonald was the first company to provide the fast food in a drive up lane in China amidst the existence of various challenges. For example, the company had a difficult time getting into a deal with the Chinese National owned Oil Company so as to be permitted to establish fast food stores at gas stations. However, the required capital was not readily available to apply this initiative.

In China, McDonald's is regarded to as one of the most expensive restaurant. McDonald's pricing is tiered by district relating to the affluence of the consumer. Upholding affordability is vital to the triumph of the firm. The principal prospect issue in China is food security. Providing safe food largely

relies on suppliers. Therefore, the company ought to provide strict inspection to ensure food served is safe to the consumers.

The Ethical Problems Facing McDonald's in China

Though McDonald's makes exertions to support programs that assist people suffering from life threatening diseases, the meals they offer has often been questioned on the basis of the contribution to the increase cases of people suffering from illnesses such as mad cow disease, heart disease, and asthma. Statistics in China show that out of at least 200 patients in hospitals 59 patients are affected by consistently taking fast food from restaurants. Therefore, the rapid promotion of fast food through advertisement is followed by resentment by various people who are conscious about their health. This myth can be spread over a wide ground and cause abrupt failure of the company. The company is also faced with environmental challenges in its day to day activities. Contrary to the meat sold at an ordinary butchery a fast food restaurant serves burger prepared from only a particular portion of meat from cow and consequently leads to a lot waste. The other issue arises from the use of genetically modified potatoes. The company doesn't rely on local potatoes since their production and supply has often been irregular, and, therefore, unreliable for business. Unfortunately, the corporate engages in production of genetically modified potatoes, which is a, practice to a large extent destroy the countries ecological conditions. More so, genetic potatoes and use of beef destroy the environment slowly and gradually in an untraceable manner.

The company is also viewed as the destroyer of China's culture by a

substantial number of individuals. Detractors claim that the fast spread of McDonald's and its fast-food competitors undermines homegrown cuisines and assists in the creation of a homogenous worldwide culture. Chinese parents want their progenies to connect with the outside world of China, so they usually take them for a trip to McDonald's, in doing, so they are slowly eroding their culture. Anthropologist generally believes that in twenty years to come the young generation in Beijing will not care about the foreign origin of McDonald's which will be providing fast food to people more attentive to fast meals than their cultural values. Additionally, McDonald's have achieved changing of festivities such as a birthday celebration in china through the introduction of market party packages to the youngster who wants to celebrate the occasion. Therefore, it would be appropriate to say that McDonald's in various way is responsible for cultural changes in china. Overtime, the citizen might realize the gradual erosion of their culture, which may raise awareness and bring resentments to the company. So, the company should accept the moral responsibility and take the initiative to adapt to the Chinese culture.

Conclusion

As evident in discussion above, it would be appropriate to conclude that McDonald's is a fast food company that is faced by numerous obstacles in its efforts to enter the Chinese market. The company is faced by numerous challenges which hinder it from achieving its main goal of domineering China market. Though the analysis shows that McDonald's remains the premier player in the market, it is certain hindrances to the continued improvement

of service and product. Standardization of the product is the main obstacle to entry in China market due to various standards set by the government and policies governing them. The corporate faces some struggles in adapting to the market to suit culture and religion differences not only in China but also in other countries. McDonald is also faced with several social responsibilities such as environmental sustainability and being a part of community developments. The company is continually in a move to rebuild the global brand to suit the changing economic and cultural aspects in the society.

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