

McDonalds critical thinking example

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



For the purpose of the assignment, the companies selected are China and Germany.

Analysis of environmental factors

The external environmental factors that can be analysed to evaluate the similarities and differences between China and Germany are as below.

Political/ legal environment:

Political environment in China and Germany is considerably stable. The legal regulations, tax structure and competitive tax rates of Germany for foreign companies are highly favorable. Restrictions on capital transactions, currency transfers, investment in property, repatriation of profits is minimal. (Germany Trade & Invest 2011) In Germany, the foreign companies also have options to get financial assistance from the government as well as private instruments.

Economic environment:

China is a booming economy. Developed infrastructure, transportation and logistics facilities, availability of supplies, availability of labor, labor skills, low transaction costs and productivity are important factors why companies choose China market. The domestic demand for goods and services attracts companies to set up operations in China to explore the opportunities in local market as well as export to foreign markets and earn significant profits.

Considering this fact McDonald's has the largest outlet globally in China.

Similarly, Germany is the largest consumer goods market of Europe.

Germany with a population of 82 million, is in itself a huge domestic market (Germany Trade & Invest 2011). Germany is the largest consumer goods

market of Europe. Germany with a population of 82 million, is in itself a huge domestic market (Germany Trade & Invest 2011). Cost of labor is highly competitive.

Technological environment:

Both Germany and China has adequate technology to support the business of Mc Donald's.

Socio cultural environment:

The culture of China is relationship driven (Country Profile: China 2008).

Diversity marks the culture of China as the population of China is comprised of different ethnic groups. China does not have common cultural values shared across the population which makes it difficult to standardise their marketing communication. People of different religious belief form a part of german population and the food habits vary significantly from one religion to another s(Germany Trade & Invest 2011).

Competitive environment:

McDonalds commands only 16 percent of market share of Chinese fast food industry (Euromonitor International, 2013). It had maintained its standard menu as in United States. As the Chinese people preferred pork and chicken over beef and mutton, KFC got a product advantage over McDonalds. In Germany McDonald's remains the leader in consumer foodservice(Euromonitor International, 2012). Moreover with increasing network of McCafes, the company has moved out of niche positioning (Euromonitor International, 2012).

Analysis of the company operations dealing with international business and

practices. In the process of internationalizing one major aspect of concern is whether to standardize the operations and marketing mix of the company or vary it depending on the differences. In the process of expansion, McDonald's has adopted a 'glocal' strategy in terms of by adapting best practices and gaining competitive advantage (Euromonitor International, 2013). For instance, the stores in China are designed in a way to attract the local people. The international growth opportunities for McDonald's are different market conditions prevailing in different markets. So based on that, the company decides on its global growth strategy. For instance, from a legal perspective, governments of different countries allow different modes of entry. Considering China, Chinese government facilitates market infrastructure and encourages new businesses by providing tax benefits (Samadi, 2011). But Chinese government has strict and complicated business regulations for foreigners. It is not that comfortable as in Germany. In China, the process of registration of new company is a time consuming and complicated process unlike in Germany. Food and beverage industry is highly regulated in China. The additional licenses for a restaurant or fresh food retail establishment are e. g. "Health and Food Hygiene License," an "Environmental Impact Assessment Report" and a "Fire Protection Opinion" (Hopper, 2012). Accordingly the company plans its entry strategy. The distribution strategy of McDonald's is rightly adapted based on the market opportunities in different countries (Euromonitor International, 2013). Full-service restaurant industry has annually grown by 16.5% in the five years through 2012 to \$287.8 billion. For instance, there is a huge potential for the Chain restaurant business to grow according new research

report by the accounting and consultancy firm Deloitte Touche Tohmatsu (Samadi, 2011).

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