

McDonald adaptation in india marketing essay



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McDonalds is a multinational fast food company present in 120 countries with 31, 000 restaurants across these countries handling more than 47 million customer's day.

McDonald's entry strategy in India is a major reason in the way its success came about McDonald has studied Economic, demographic, sociocultural and the competitive environment very well before entering into Indian market.

The company was faced with many different possibilities, but encouraged by previous failings from rival companies in KFC and a vast amount of research into India and its markets. This can only be attributed to the fact that

McDonald's management style and strategies are extremely effective when faced with the vast amount of issues it has in its sixty plus years of history.

This success in global growth is exemplified in its achievement in infiltrating the Indian food market. This infiltration has been made famous due to management and strategic issues encountered by McDonald's from the macroeconomic environment, particularly in the economic, demographic, and sociocultural and the competitive environment.

Study of McDonald entry in India is a very relevant topic as it is a classic example of overcoming macroeconomic environment to customise their marketing controllable environment, to overcome Indian ethnocentrism and self-reference criterion.

The issue being studied in this particular case is adaptation of McDonald marketing strategy to the Indian context and keeping in mind of various microenvironment road blocks ahead. This case mainly focuses on various adaptability of McDonald in the entry stage where it adapts itself to the

Indian scenario. This case will give an insight about how to overcome various cultural, social, economic, demographical and competitive environments while entering any country.

. Link to International Marketing - how does this topic relate to international marketing (cite relevant theory being addressed) (5pts)

The attractiveness of the Indian market was a key issue McDonald's management needed to consider before entering. The Indian economy was seen as an attractive emerging economy to enter, ranking fifth-largest in the world (Hanson, 2005). From Figure 1. 0 (refer to Appendix), consumer expenditure on food and non-alcoholic beverages was growing substantially and peaked in 1995, the year of McDonald's initial entry, despite low per capita income levels. McDonald's management took advantage of growth, implementing the increased consumer expenditure into their strategic planning of the Indian market entry. This was achieved by positioning themselves as a family restaurant, targeting the low to middle class market. To capture this market, McDonald's adjusted their pricing strategies to provide prices lower than their equivalent in the United States. McDonald's management used rival multinational corporations (MNC) as benchmarks for determining appropriate pricing strategies. This was to abolish the premium image amongst the Indian public.

Despite the Government removing barriers for MNC by adopting a democratic political system, McDonald's were faced with the vocal resistance from health activists and environmentalists that were specifically against fast-food giant entrants. Regardless of the activists small size, the negative

Publicity and opposition to McDonald's infiltration into the Indian market was an issue strategic management had to consider as part of their long-term strategic plan. To address these issues, McDonald's used corporate social responsibility (CSR) techniques to change the negative perception being spread amongst the Indian public and associate their brand name with several community welfare projects, which according to Dess, Lumpkin & Eisner (2008), implies that the company's Existence improves society.

Demography within India is highly diverse where over 20 major languages are spoken throughout the country and more than 200 dialects. This proved to be a major issue for management as the communication barrier was of great intensity especially that between McDonald's and the Indian public. To address this issue, at least eight languages were used for national launches, decreasing the risk of miscommunication and the inability to connect with their target market; a primary concern from a strategic perspective. On top of the high language barrier, approximately 50 per cent of the nation was considered to be illiterate. The lack of affluence posed another communication issue for management which was addressed through high usage of audio-visuals and billboards. This would have required McDonald's management to review their strategic planning and develop a marketing plan of a different nature. This presented a strategic issue as McDonald's core competency was their marketing function, which required a significant amount of adaption for the above factors.

Sociocultural differences between McDonald's home country, the United States, to India is substantial. According to Hofstede, India is a high-context culture as opposed to US's low-context culture (Fletcher & Brown, 2008).

These strong differences in culture were an issue for strategic planning as different forms of communication and business practices were required when interacting with Indians. Although the differences in culture contexts were significant, the key sociocultural difference that caused great concern for McDonald's management was the differences in religion. Hindus represented 80 per cent of the population whilst Muslims were 12 per cent. Due to their religious sensibilities of eating beef and pork and general pressure for local responsiveness, McDonald's had to re-design their core products, thus core competencies to cater for the religious needs of the market by reviewing their strategies. The adaptation involved using a localization strategy as opposed to a global standardisation strategy (Hill, 2007)

Prior to entering the market, management needed to consider their competitive strategy to consider who to attack and avoid in the Indian food market. At the time, whilst the size of the 'eating out' market was of a high degree (Hanson, 2005), a large proportion of market share was held by roadside stalls. This issue required McDonald's strategic management to understand where to position themselves and what focus strategies were required to overcome this problem of market dominance. According to Porter's Five Forces, a low-cost positioning focus provides leverage against industry competitors (Porter, 1979). Although McDonald's pricing was considered rather expensive in the low to middle class market, their constant price cutting and special promotions allowed a competitive advantage over competing MNC's within the industry such as KFC. Also, from this, some McDonald's products were able to match the roadside stall prices which were

coupled with a hygienic eating environment, a core competency the stalls could not meet.

A joint venture structure limits the equity exposure of McDonalds providing rapid entry into the Indian market with local knowledge of consumer tastes and preferences (Fletcher et al., 2008). Through horizontal direct foreign investment, McDonalds India was incorporated as a wholly owned subsidiary in 1993 (Hill, 2007). In 1995, further changes in organisational structure are reflected through the two 50: 50 joint ventures entered into with local businessmen Mr Bakshi and Mr Jatia to own and operate the Delhi and Mumbai restaurants respectively emphasising the strategic commitment of McDonalds International to the growing Indian market. In contrast, McDonald's has always been a franchising company with 70% of McDonald's businesses owned or operated as independent franchises (McDonalds, 2009). In addition, gaining exposure from partnerships can help develop core competencies that can lead to competitive advantages (Dess, et al., 2008). Management know how and the brand value of McDonalds is key core competencies of McDonalds. According to Business Week (2008), McDonalds is listed as the 8th most valuable brand globally. Licensing on the other hand would involve giving away technological knowhow, a loss of quality control and forgoing of revenues and profits, which could potentially reduce McDonalds' competitive advantage.

Initial entry into the Indian fast food marketplace occurred in metro areas such as Mumbai and Delhi due to the higher incomes and greater exposure to Western foods and culture. As a result, McDonalds India was faced with high pressures to be locally responsive and low pressures for cost reductions.

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This led to a multi domestic or localisation strategy to be pursued (Dess et al., 2007).

McDonalds India faced significantly greater pressures to be locally responsive to the Indian market than previous international expansion strategies and had to customise its product offering specifically to India. This is evidenced through the development of a special Indian menu through a re-formulation of common products using spices favoured by the Indian population (Stone house, Hamill, Campbell & Purdie, 2000) and, as mentioned previously, meats that cater for religious needs.

McDonalds replaced the core product, the Big Mac with the Maharaja Mac as a respect for the local culture as Hindus and Muslims represent 92% of the Indian population. Further product adaptation was needed for vegetarians who make up 40% of the market, with the McAloo, salad and kebab sandwiches and a vegetarian pizza McPuff dominating the new Indian menu. Changes are further evident in the restaurant management system with different menu boards- green for vegetarian and purple for non-vegetarian products. Similarly, separate restaurant kitchens for meat and non-meat were established with kitchen employees wearing different uniforms to distinguish their roles (Hanson, 2050). Conversely, McDonalds International pursues an international strategy worldwide which is evidenced through low pressures for cost reductions and local responsiveness. Core competencies are transferred to foreign markets with a centralised tight controlled manufacturing and marketing divisions established abroad (Meyer, Wright & Pruthi, 2009). By 2001, 75% of the menu in India was localised vs. 33% for other Asian countries (Hanson, 2005). In addition, the global integrative <https://assignbuster.com/mcdonald-adaptation-in-india-marketing-essay/>

strategy of McDonalds emphasises a customer driven, goal orientated approach to achieve sustainable profitable growth, to increase brand loyalty, to increase restaurant visits and build financial strength (McDonalds, 2009). Similarly, the corporate strategy for McDonalds India emphasises the same key elements.

In order to have any success in India it was critical that McDonalds developed a local low cost supply chain. Before the first restaurant was opened McDonalds had spent approximately US\$12 million in setting up a supply network, distribution centres and logistics support. McDonalds identified its suppliers and helped them improve their quality in an effort to meet the restaurant chains stringent quality and hygiene standards. The lettuce supplier, for example, was given advice on seed selection and farming practices. McDonalds' supply network ended up being quite geographically diverse with the buns coming from the north, the chicken and cheese from the west, and the fish lettuce and pickles from the south. By 1999 it was sourcing 98 per cent of the ingredient and paper products from India.

The operations of McDonalds in India have been very different than that of other countries around the globe. A perfect example, as discussed previously, is the clear segregation between vegetarian and non-vegetarian foods in the restaurants. Two different menu boards are displayed in each store: a green one for vegetarian products and a purple one for non-vegetarian products. Also, the different preparation areas for meat and non-meat products with each chef only being responsible for either meat or non-

meat products on the one day. These measures were taken to respect certain