

Case study and swot analysis: ronald mcdonald's goes to china

[Business](#)



**ASSIGN
BUSTER**

This study focuses on the multinational fast food giant McDonald's Corporation, with particular attention paid to the corporation's situation in China.

Given the disparity in cultural foods between Western countries like the United States, and China, and that McDonald's food very much reflects food preferences in the U. S., it is very interesting to see how McDonald's works to capture China's attention and takes hold in the Chinese market. This case study includes: a company profile of McDonald's; a situational analysis; a SWOT analysis that performs an investigation on internal and external circumstances of the fast food chain in China and Hong Kong; an identification of some of the problems that the chain is facing in China; possible solutions to the identified problems.

McDonald's: Company Profile

McDonald's Corporation was established in 1955 in the state of Illinois.

The corporation franchises, operates and develops a global network of restaurants, that each sells a limited menu of value foods. McDonald's is the most popular 'fast food' service retailer in the world, with more than 30, 000 restaurants in over 119 countries serving approximately 50 million people every day (McDonald's, 2005). Popular menu options include the Quarter Pounder, Big Mac, Happy Meal, Egg McMuffin and Chicken McNuggets, as well as a large range of other menu options including fries, chicken sandwiches, salads and sundaes at reasonable prices that the majority of people can afford. The corporation is well known for its fast service and for its efforts in recent years to diversify its menu range to make their options

<https://assignbuster.com/case-study-and-swot-analysis-ronald-mcdonalds-goes-to-china/>

more appealing to a larger number of customers. McDonald's first arrived in Hong Kong in 1975, and Beijing much later in 1992.

Hong Kong operates around 200 restaurants and outlets, with over 10, 000 staff employed (McDonald's HK, 2007) and in Beijing there are over 90 outlets (CEN, 2006). McDonald's emergence in China, despite the unique, historic culture of the country, has been something of a success story due to the country's rapid development and the changing lifestyles and characteristics of its people.

Situational Analysis

Just like any other company on the planet, McDonald's has its own set of strengths and weaknesses, and as far as the corporation's operation in China is concerned, these can cause operational threats and yet at the same time lead to opportunities. Additionally there are external factors that can affect the company which need to be taken into account. Situational analysis is a very important tool for the investigation of effective marketing strategies in business.

A common method makes use of SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis. SWOT analysis aims to analyze an organization's internal and external environment, with the purpose of understanding internal organizational strengths for taking advantage of external opportunities, and the purpose of understanding external/internal threats and weaknesses (Panagiotou, 2003, p. 8). As such, SWOT analysis is a commercial strategy and tool used for decision making purposes, which gives a company the necessary depth of analysis with which to fully

<https://assignbuster.com/case-study-and-swot-analysis-ronald-mcdonalds-goes-to-china/>

understand its own internal characteristics, as well as relevant external factors such as market environment, consumers and competitors, to allow the company to enact the most suitable strategies.

SWOT Analysis: Strengths

One of the most significant strengths of McDonald's is its incredibly strong brand identity, which effectively differentiates the company from all other fast food restaurants around the world.

This is especially the case in China, because of the contrast between cuisine offered by Chinese restaurants and fast-food outlets, and the food offered by McDonald's. The company is able to deliver interesting new products and services, including the McCafe which offers a sit-in and drive-thru cafeteria service. A key strength of McDonald's is the fact that it mixes a uniform product menu at every store, with localized food options to suit the tastes of the local consumer. In Shanghai and Beijing for example there are a number of spicy food options available. Just because localized food choices are available does not mean that each McDonald's location does not retain its own classic sense of place and purpose, and indeed there are many Chinese who think that McDonald's is there to offer something different to traditional Chinese cuisine, and to connect them with the wider globalised world (Watson, 2000).

McDonald's has high quality customer service, and this is agreed by even China's elite class. The general consumer agrees that McDonald's offers safe and reliable products, a fast service, an attractive eating environment and helpful, professional and friendly staff. The corporation knows that this <https://assignbuster.com/case-study-and-swot-analysis-ronald-mcdonalds-goes-to-china/>

industry is very much a service industry, and they appreciate that the relationship between customers and staff is important. The recent “ Ask Me” program is a good example showing the corporation’s efforts to push the quality of customer services. With this program, McDonald’s is able to understand what the customer wants and further improve their products and services. Advertisement is another clear strength, and the company has consistently provided strong promotional and communication tools to gain the audience’s interest and reach out to the wider market.

Such advertising, found on television, radio, newspapers, magazines and billboards, offered catchy slogans such as “ Feel the Beef”. Advertisements are bolstered in China with key endorsements, such as with the Chinese basketball player Yao Ming. McDonald’s understands the importance of strategic placement, and is aware of the ways in which to most effectively target and service target consumers. Outlets are placed in areas of high footfall, areas that are easily accessible to the consumer and areas that have an optimum demographic. In Beijing, McDonald’s restaurants are often found in business districts, and in Hong Kong there are restaurants found in busy places such as Quarry Bay and in malls.

SWOT Analysis: Weaknesses

The price of McDonald’s is still high when compared to some other local Chinese fast-food restaurants in China.

Furthermore, the price of McDonald’s is still much more than many people in China can afford; there are many working parents who must save up before they can afford to take their families to McDonalds. A major ingredient of <https://assignbuster.com/case-study-and-swot-analysis-ronald-mcdonalds-goes-to-china/>

McDonald's is the cooked beef patty, and according to a study by Watson (2000), the majority of Chinese adults do not like how they taste. The specialty of McDonald's is the burger everywhere else in the world, but this specialty does not translate very well in China.

SWOT Analysis: Opportunities

China's immense population is one of the most obvious opportunities; the country's population is over 1.3 billion and all metrics for economic development show an increase.

The country offers a prime opportunity for expansion, and more outlets could be opened with satisfactory market share. The number of Chinese citizens with expendable incomes is increasing, and incomes are rising with a growth in the Chinese middle class. This adds to the changing lifestyles of people in China, which is changing the people's eating habits and making them more open to Western cuisine and fast food. Opportunities will increase further as more people embrace Western culture. With the one-child policy still in place, it is more convenient for parents to take their children to McDonald's. This convenience is something that could be capitalized on.

China has an ageing population, and this presents opportunities for products such as tea, coffee and confections, and other types of food and drink that are popularly consumed by middle-aged and elderly citizens.

SWOT Analysis: Threats

McDonald's has enjoyed relatively few threats in recent years, and the only significant threat in China has been the other fast-food corporation KFC.

<https://assignbuster.com/case-study-and-swot-analysis-ronald-mcdonalds-goes-to-china/>

However, the largest rival of McDonald's worldwide – Burger King – entered the Chinese market in 2005 with a new restaurant in Shanghai (AP, 2005). Since the first opening there has been steady expansion, and much of this expansion puts them in direct competition with McDonald's, and in many areas both companies are now vying for the market share. Burger King also has a very strong brand identity, and is likewise known for its innovations and ideas.

McDonald's will need to work harder to counteract the threats caused by their rival global fast-food chain. McDonald's is an American company that emerged from the American system, and this contrasts with China's status as a communist country. This makes McDonald's occasionally subject to criticisms and protests from certain factions and groups. A number of criticism have emerged regarding McDonald's employment practices, and this added to the health problems that fast food can cause, may lead to a negative public image of the company in China.

Analysis of the Fast Food Industry in China

The modern fast food industry is highly competitive.

As such, any fast food company needs to establish competitive advantage to obtain a large market share. The two fast food companies that hold the largest market share are McDonald's and Burger King. Other fast food companies such as KFC, Pizza Hut, Wendy's and Subway each vie for larger market shares and high profits. The fast food industry has exploded in presence and popularity in China in recent years. The first fast food giant to enter China was KFC, and this was followed by McDonald's.

<https://assignbuster.com/case-study-and-swot-analysis-ronald-mcdonalds-goes-to-china/>

These two corporations have the highest number of outlets, though competition from other fast food companies is increasing, including companies such as Burger King, Pizza Hut, Mos Burgers (Japan), Starbucks, California Beef Noodle King and Yoshinoya. Each has their own share of the market and their own way of attracting the customer, and market share is mainly defined by food categories. Most fast food companies offer the usual options such as hamburgers and chicken, while a smaller section of the market offers Pizza, Mexican food and sandwiches. Regardless of the company or establishment, the current general trend is to serve a large variety of different foods and to cater for the many different preferences of the Chinese consumer base.

Given how tough this industry is, fast food companies must think of ways to differentiate themselves to gain an edge over the competition and be clearly recognized by the market.

Identifying Problems and Opportunities

Given the findings of this case study, McDonald's faces the problem of how to remain competitive in this industry, and how to effectively capitalize on the numerous opportunities that present themselves. If McDonald's are unable to capitalize on these opportunities, their competitors will do so instead. The aforementioned weaknesses do pose a number of threats.

Given the fact that many adult Chinese customers do not like the taste of McDonald's burgers, many adult customers eat there because of the popularity of the company, the relative affordability of the food and to please their children, and not necessarily because they actually like the food.

McDonald's may face trouble if they do not address this issue and improve the taste of their burgers, by losing customers to competitors such as Burger King.

Case Study Recommendations

McDonald's should make use of its strength of innovation to adapt itself more effectively to the needs of the Chinese market. While the company is popular and readily recognizable, offers high rates of customer service and has high rates of customer satisfaction, owns strategic locations and has an excellent promotional strategy, these strengths will be diminished if the core products of the company are not appealing enough to a wide range of customers. Its core products are burgers, so the corporation should focus its efforts on improving the quality and taste of these products, before adding new options to the menu. McDonald's should not simply focus on the younger generation, but also on the older generation who are on the hunt for quality, better-tasting fast foods.

Given the rapid expansion of the Chinese economy and the country's increasing position on the Human Development Index, there are more and more Chinese consumers who would be willing to pay a little bit extra for such extra quality. If McDonald's implemented this change they would be able to keep a strong competitive advantage over the competition.

References:

- Panagiotou, George (2003) Bringing SWOT into Focus, Business Strategy Review, 14: 2; 8-10
- Watson, James L. (2000) China's Big Mac Attack. (infiltration of American consumerism) Foreign Affairs, 79. 3

- Associated Press (2005) Burger King opened its first Chinese outlet in China Fast-food chain follows McDonald's with restaurant in Shanghai, Retrieved online on February 10, 2011 <http://www.msnbc.msn.com/id/8375389/>
- Restaurants ; Institutions, The Road To China, Retrieved online on February 12, 2011 <http://www.rimag.com/archives/2006/12/business-china.asp>
- McDonald's Website HK Retrieved online on February 13, 2011 <http://www.mcdonalds.com.hk/english/about/index.htm>
- China Economic Net, McDonald's offers 24-hour services in Beijing, Retrieved online on February 11, 2011 http://en.ce.cn/Business/Enterprise/200604/06/t20060406_6621134.shtml