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The most immediate and obvious implication of outsourcing for U. S. and Western European companies relates to the replacement of internal jobs with hired abroad. The advantages of lower labor costs, cheaper related support staff expenses must be weighed against the loss of valuable employee knowledge and experience.

In addition, negative effects on company morale can increase turnover, create inefficiencies among insecure teams, and even encourage acts of sabotage. Effective management of remote teams become more complex and can create a feeling of discontent between the corporate mission and the teams abroad. In today's world market, this implies that no marketplace is perpetually secure from such competition and no business can have enough to stake its hope on the supposition that it ' owns' its domestic marketplace. As a result, due to rising pressures and decline of the direct subsidies and security they once got from their administrations, it is principally essential for firms in these states to internationalize. The purpose of this research is to gain a better understanding of the course of internationalization of McDonald's. This study will be framed on the Quantitative research tradition using two major sources of data: secondary and primary.

The quantitative research tradition is founded on the positivistic philosophy framework wherein data is primarily gathered and deduced from statistical analysis and experiments. According to Jensen (2002) the quantitative research tradition mainly identifies the relationship of independent and dependent variables in a population sample. At times, this research tradition could be descriptive or experimental. Secondary data will consist of journals,
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books, case studies, dissertations, and other trust-worthy web references elaborating on brand loyalty, modern approaches to such and its application in the fast-food industry. Sampling is the process of identifying certain participants on the primary data gathering approach of the study (Jensen 2002).

For the purpose of this research, the study would adopt a simple random sampling method. To do this, the study will visit at a particular McDonald's store's website, inviting customers to participate in the study by answering a survey that involves rating the branding strategies of McDonald's. The criteria of branding rating will be derived based from the current brand loyalty approach of the aforementioned lifted from secondary data research and analysis. The population sample will come from customers entering the McDonald's online stores. The study is targeting to have 100 online stores to participate in the study.

Through adopting a random sampling method, the researcher will randomly choose any customer in the McDonald's store online between (time here). Participants will be asked to join the study and will be fully informed that the purpose of the aforementioned will be for academic purposes. Data will primarily be gathered through websites survey. Participants after purchasing will be asked to spend two minutes answering the survey form before they leave the McDonald's website. The researcher will start by briefing the participants of the aim of the study and guiding them through-out answering the survey.

Fast-food chains have fueled their rapid growth through global expansion. This pace has increased exponentially in developing economies since the 1990s, where the global removal of market barriers and trade restrictions made the process of internationalization smoother for leading companies. McDonald's is by far the global fast-food brand leader. In 2008 the company's total system units were 31, 967, with 56% of those units being internationally based (Freemark 2010, p. 443).

In recent decades, greater attention to the environmental impacts of food production have revealed that activities related to the production, transportation, and consumption of food make significant contributions to processes of global change. Food production will in turn experience significant impacts as a result of those processes of environmental change. China leads the international market for McDonald's with 1, 021 units in 2008, doubling since 2003. Similarly in India, after importing processed French fries for several years, by 2010 each McDonald's French fry is expected to come from Indian soil but processed by McCain Foods (Freemark 2010, p. 444).

McCain worked with Indian growers for 9 years to change their potato crop to the Shepody variety to meet McDonald's exacting standards (Mitra 2009). This is a switch from the typical Indian potato varieties that are low in solids and high in water. In addition to the appeal of McDonald's as provide of a taste of American culture, with the Big Mac constituting an evocative 'symbol of Americana' (Stephen 2008, p. 4) and exemplifying 'the promise of modernization', the corporation's reputation for reliability and its self-promotion in terms of 'quality food, good service, cleanliness, and good

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value’ (p. 2) resonates strongly in China where there have been significant and understandable concerns about food safety following a number of scares.

To ensure its reputation for brand quality McDonald’s has sought to maintain management control and has been cautious about franchising in China (p. 3). In China, McDonald’s relies upon independent suppliers, who are required to meet and maintain the company’s standards and specifications. One McDonald’s supplier is Bma Foods. Located in Beijing, it supplies Apple, pineapple, and bean curd pies to various McDonald’s restaurants in China.

Another supplier is a joint venture named McKey Food Services Ltd., which is located in Shenzhen city (Wang 2008, p. 68). The Chinese partner is the China Livestock Co. It produces meat for McDonald’s in China. These suppliers have relatively high bargaining power because of the lack of suppliers that are able to meet McDonald’s high standards of quality (p.

68). Millions of people each year eat hamburgers under the ‘golden arches’ of McDonald’s. Since McDonald’s is primarily identified by its trademark name, protection of intellectual property rights is one of the most important legal considerations. These laws help protect McDonald’s and its products. However, McDonald’s faces tremendous competition in some retail markets throughout the world.

Many retailers have developed coffees and specialty drinks that offer a similar experience to McDonald’s and consumers have jumped on the bandwagon. For example, Dunkin Donuts, a U. S. donut retailer, has expanded its coffee product line to include gourmet coffees for home use, as <https://assignbuster.com/international-business-free-essay-sample/>

well as a wide variety of specialty drinks (Vinzant 2007). Panera Bread retailers have established a winning strategy with their line of gourmet bagels and pastries, soups, and sandwiches, coupled with premium coffee products (Vinzant 2007).

As many fast food restaurant retailers expand their gourmet coffee product offerings, McDonald's has taken notice. Pirko (2008) argues the following: "When McDonald's and Dunkin Donuts become yours competitors, and it brings you down to more into the commercial world — and their price really matters." In this context, many consumers have reduced their consumption of the more expensive specialty coffee drinks in favor of lower-priced coffees at other retailers, such as Dunkin Donuts and McDonalds (Pirko 2008). As a result, McDonald's has observed a decline in growth and stagnant sales, as consumers must spend their incomes wisely on such necessities as their mortgages, gas, and basic food supplies (Pirko 2008).

There are important implications of the current economic marketplace for McDonald's, and the competition plays a substantial role in these consequences. Moore and Gooderl (2008, p. 80) state that a solid foundation for competitive advantage requires a match between the strengths and weaknesses of an international business and current opportunities and strengths. This integration of various internal and external factors is best revealed through SWOT analysis, which provides a simple overview of McDonald's strategic situation. Strengths: As McDonald's has gained tremendous ground on the competition with its fierce entrance into the world marketplace, its retail store model has been successful in many countries

throughout the world, and the emphasis placed upon gourmet coffees and specialty drinks has been well accepted by world consumers.

In many ways, McDonald's has established a proven strategic formula that has forever transformed the ways in which consumers view the coffee business and the beverage as a whole. Most importantly, McDonald's revenue and growth strategy surpasses all of the competition, and its objectives to expand into new foreign markets have been triumphant. McDonald's primary entrance strategy to surround new markets until they are saturated has been tremendously advantageous for the business and its employees. Finally, McDonald's clustering strategy, whereby a number of retailers might be observed within blocks of each other has attracted consumers in large numbers. Weaknesses: In the fast food industry there are many options for consumers, including pizza, chicken, and frozen foods.

The biggest competitor in China is probably cold and hot noodles. Noodles have been around much longer than hamburgers. The majority of the older population is more accustomed to eating them, and many Chinese prefer their taste to hamburgers. They are also less expensive. This could be a definite weakness for McDonald's.

McDonald's has been observed as a strong supporter of innovation and new product development; however, some of these products have been less successful than anticipated, which introduces a level of vulnerability for the corporation and its objectives. Furthermore, despite ever-increasing expansion into new markets, McDonald's continues to focus much of its attention on the United States, where it is headquartered, and this may lead

to future problems related to business longevity and success. If the type of emphasis placed upon the United States was introduced into foreign markets, new opportunities could emerge. Nonetheless, McDonald's remains vulnerable to external competition and threats from lower cost coffee retailers with similar product offerings. Finally, McDonald's has witnessed a number of store closures in the recent past, due in large part to its retail saturation strategy. In essence, some of these retailers have not generated sufficient sales growth to remain in operation successfully.

Therefore, a loss of revenue has been observed in these retail stores, which has placed a burden on the corporation and its revenue stream.

Opportunities: McDonald's continues to expand its horizons in both world and domestic markets, offering many different coffee products at different periods, including seasonal specials and new ground coffees. These products have become popular during such holidays as Thanksgiving and Christmas to accompany the holiday spirit. McDonald's also represents itself widely in many social causes and initiatives. McDonald's is constantly seeking for opportunities to innovate itself into a global brand with a high quality reputation.

As the organization continues to expand its foreign retail outlets, the business looks to such foreign market as Japan to integrate its brand reputation and image into the existing market landscape. Finally, McDonald's has expanded its brand name through a number of co-branding strategies with other manufacturers as a means of promoting sales growth and longevity throughout the world. These opportunities enable the business to expand upon brand growth and to determine the most effective means by

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which the business will continue to grow and prosper. Threats: There is constant threat of new entrants in the fast food industry because of low entry barriers. The greatest new entrant threat comes from local companies because they know the Chinese culture better than any foreign firm.

The threat is prevalent due to low capital requirements and start-up costs and the lack of managerial complexity involved in running small restaurants. Despite its strong saturation strategy, McDonald's has experienced a number of threats from the competition, including those brands that sell similar products at competitive prices, including Taco Bell and Burger King (Heinemann 2007, p. 104). It is reasonable to say that McDonald's has a strong lead, but not strong enough to eliminate competition. This demonstrates that McDonald's is not the only name in fast-food market. In addition, McDonald's is not excluded from the ever-increasing prices of fuel and operating costs that are required to keep the business afloat.

The aftermath of these circumstances increases the vulnerability of the organization and requires McDonald's to gradually increase its prices to remain profitable. Perhaps most importantly is the fact that despite the popularity of McDonald's, no organization is safe in a weakening market economy. McDonald's is particularly susceptible because of its saturation strategy and increased caution regarding consumer spending. Similarly, the present trend towards healthier eating was a threat to McDonald's whose core asset was pre-produced processed foods (p. 105).

It has been very costly for McDonald's to re-engineer its supply chain and menus to regain market position. It is more important than ever that

McDonald's continue to recognize their most imminent threats and to exercise caution whenever necessary to ensure that their brand reputation and revenue stream are protected at all costs. Rather than considering the globalization of McDonald's as leading to increasing homogeneity, it is more appropriate to conceptualize the associated economic and cultural consequences in terms of adaptations and accommodations made by global corporations to local customs, tastes, and practices and, in turn, the various ways in which the same local forms are simultaneously modified and transformed through processes of engagement with and selection adoption of global influences and factors, what has been termed 'glocalisation', or the emergence of forms of 'difference-within-sameness'. Notwithstanding its American heritage and global profile and presence, McDonald's has to some extent become a 'local' institution in parts of Asia by adapting to and accommodating the tastes of indigenous communities, successfully becoming assimilated through a process in which both local cultures and aspects of global corporate practice are to a degree transformed. For example, a significant contribution to cultural change, including local hygienic practices, table manners, and other aspects of conduct in restaurants, has been attributed to McDonald's by Stephen (2008, p.

1-2) and other analysts who have studied the complex forms of articulation between local cultures and global corporate influences in Hong Kong, Beijing, Taipei, Seoul, and Tokyo. But while new forms of 'difference' may have emerged, at the same time there are aspects of the experience of being in McDonald's restaurants in China that would resonate with consumers in McDonald's in other locations signifying elements of commonality. In the era

of globalization, company management is increasingly concerned about its ability to provide sufficient control over its operations. By shifting some functions to a quality supplier whose operations can be readily certified, a considerable portion of the pressure to maintain adequate controls can be alleviated. This is a particularly important issue when the accounting function is outsourced, since many key control points are located in that area. When looking toward the future of the fast food industry internationally, it would appear that McDonald's will continue to expand.

The Chinese economy is primed to become the world's largest in the near future. There will also be more Western influence (p. 4) as more MNCs enter this alluring market. With Chinese people having more money and being subject to more influence from Western sources, the demand for McDonald's food could very well increase, especially if television becomes popular in India and Western stations provide services to the Asian superpower. The Chinese people will still eat noodles in great abundance, but McDonald's will become a daily part of their lives sometimes in the near future.