

International Marketing assignment

Student name

Instructor name

Course name

Date

1. How significant are the international operations for the company? (how many countries does the company operate in, what is the size of its international operations, what proportion of its total sales comes from international operations, do they have a director of international operations?)

1. McDonalds Corp, headquartered in Oak Brook Illinois is world's number one fast food chain. It has a leading share in the globally branded quick service restaurant segment in virtually every country. The company primarily franchises and operates McDonald's restaurants. They have company-owned restaurants in mature and developed markets but due to the restaurant business being capital-intensive, they serve as franchisors in other countries. In international markets they are well placed to expand and take advantage of economic growth (Orji, 2005). Analysts predict that by 2010 the fast food segment will account for half of all food service growth during the first decade of the 21st century. McDonald's has been able to capitalize on this trend and expand globally.

Their international operations are very significant to them because a sizeable portion of revenue is generated through franchisees. While the US and Europe each account for 35% of the revenues, France, Germany and the UK collectively account for 60% of the total revenue. In Australia, China and Japan, they have 50% owned-affiliate account under the equity method which account for nearly 50% of the revenues. These six markets are the major markets for the company.

More than 70% of McDonald's restaurants are owned and operated by independent local people. At the end of 1006, the company had 31,046 restaurants in 118 countries out of which 18,685 are operated by franchisees, 4195 by affiliates and 8166

are operated by the company. McDonalds, the leading global food retailer, serves 52 million people each day.

Since most of its restaurants are franchised, they do not have a director in charge of international operations separately. Instead, they have different heads in charge of specific regions. For instance, they have a President – Europe supported by four different Presidents in charge of Eastern, Northern, Southern and Western Divisions. To handle other regions they have President – Asia/Pacific, Middle East and Africa.

2. How does the mission statement of the company reflect the international nature of the company?

2. They claim to be committed to listening to the customers and to being open and direct about facts surrounding the food, people and the restaurants. McDonald's has frequently been accused of resorting to unfair and unethical business practices. While McDonald's has often been accused on various grounds, the beef-fries controversy in 2001 revealed the negligent and the irresponsible way that is unexpected of a global player of the magnitude of McDonald's.

McDonald's initially declined to comment and then issued a 'conditional apology'. As the people became more violent, the company kept changing their approach. This adversely affected their brand image. McDonald's follows the 'Code of Federal Regulations' which does not require the restaurants to list the ingredients (Mukund, 2002). The French fry suppliers do use a small amount of beef flavoring agent as an ingredient in the raw material. The ingredients in 'natural flavors' need not be broken down. This was their initial reaction but when there was an upsurge created, they reacted

saying that they never claimed that the fries sold in US were vegetarian but this claim of theirs was also subsequently proved wrong. They went on the defensive instead. They were blamed for deceiving million of people who may not want to have beef extract in their fries for religious, health, ethical or other reasons.

In the fast-food outlet sector, the management is faced with the dual challenge of providing high standards of service to the satisfaction of customers both at home and across borders with their own cultural differences. According to Ritzer (1993) the fast food segment is the organizational force representing and extending the process of rationalization and encroaches on individual identity (cited by Keel, 2006). McDonald has been charged with undermining cultural diversity and destroying the viability of local communities (Rifkin, 2001) for example, in India, consumers recently trashed McDonald's restaurants for violating Hindu dietary laws. McDonald did make some adaptation to the German societal framework over time but it was essentially to protect the brand image (Royle, 1999).

They have not been respecting the sentiments of the local people. For instance, in Israel, the Golani Brigade figures prominently in Israeli military history. The intersection in Lower Galilee was named as Golani Junction as a mark of respect. When McDonald's opened its restaurant next to the memorial, it turned into a controversial issue as it seemed to overpower the Golani site in the local landscape. It was said to be the 'Americanization' of the Israeli culture and society (Azaryahu, 1999). This gave McDonald's an image and reputation of disregarding long-established traditions and conventions.

3. How does the company integrate itself with local markets? (Using local suppliers, training youth, meeting its social responsibilities)

3. Since McDonald's outlets are owned/ operated by local men and women, the local people are trained in how to conduct the business as per the company's norms. Having the local people ensures the right balance between local autonomy with worldwide quality and service standards (McDonalds, 2006). The local owners know the local business environment and are connected with the interests and concerns of the local communities. All decisions like purchasing of goods and services, hiring and managing the local people are left to the owners /operators in the local region. Even though they are decentralized, they ensure that the core values, principals and standards are adhered to.

McDonald's recognizes the use of antibiotics in food animal productions and insists that all uses on antibiotics should follow the Guiding Principles for Sustainable Use. Every supplier has to certify in writing their commitment to abide by McDonald's Antibiotic use policy in all their operations that supply to McDonald's anywhere in the world (McDonald's, 2003). This has to be strictly followed regardless of local practices. The suppliers also need to maintain records of antibiotic use and document compliance through an internal assurance program and by regular audits.

Social responsibility covers a wide range of issues like consumerism, environmentalism, regulation, political and social marketing. The principles of social marketing state that what consumer's desire may not necessarily be good for them (Carrigan & Attala, 2001). A company may make happy customers in the short term but in the long run, both the society and the consumer may suffer in the company's attempt to create 'happy and satisfied' customers. McDonald's is being charged for exactly this

allegation as processed convenience foods contribute to obesity (Schröder & McEachern, 2006). There have been other allegations that McDonald's have indulged in deceptive acts that lures people to eat with substantial frequency. McDonald usually does not disclose the nutritional information for their food and as well as the adverse health effects associated with consumption of foods considered being high in cholesterol (Ritter et al., 2003). Their advertisements entice children and lure them towards unhealthy eating habits which are considered unethical. McDonald's make the nutritional contents in food readily available on their website but not in their restaurants. This is taken as an intentional act to lure consumers because consumers are impulsive buyers, according to Schröder and McEachern.

4. Does the company have one marketing strategy across nations and cultures or does it adapt its marketing? Give examples of advertising campaigns of other evidence of international marketing strategy.

4. McDonald's believes in one marketing strategy across different nations and cultures and does not adapt its marketing according to the local needs. The aim is to enforce an image or reputation that is global in nature as its food menu are also common all over except for the religious prohibitions.

McDonald's stands for fast food and they own the breakfast segment. Its new ad campaign is "*i'm lovin' it*," and they use this globally. The aim behind this campaign and this business strategy is to connect with customers in highly relevant and culturally significant ways around the world (Maddox, 2003). Through this campaign they want to

rekindle the emotional bond that the McDonald's customers have. It also depicts how the people live, what they love about life and what they love about McDonald's.

Over the years they have launched the TV advertising campaigns which is very much a part of every life and culture. They have focused not only on the product but on the overall McDonald's experience which portrays warmth (McDonald's, 2006). The image that they have been able to build has become a trademark for the company. They have changed their slogans regularly in order to keep the interest and attraction alive. Besides, their slogans are thematic and have gained immense popularity.

All their advertising campaigns try to reflect the lifestyles and attitudes of today's customers and culture. There are allegations that this cheapens the cultural identity as they use focus groups to target ethnic stereotypes. Nevertheless, the company claims that they have a world class marketing strategy and the latest element in the plan is to continue revitalizing the customers through compelling food choices, great service and restaurant operations.

Contrary to McDonald's marketing strategy, KFC does not focus on food (Chen, Guo & Pei, 2007). Their slogan is "finger-licking good" which is in sharp contrast to McDonald's "*i'm lovin' it*". KFC does not tie-in with what is current and popular in the teenage society. It does not accept things already popular as their marketing tool. McDonald's is more personal to the customers as it offers an "open door" event on a daily basis. Both McDonald's and KFC sell toys for children to attract these customers and indirectly promote their company when the children carry the toys to their friends. While McDonald's is concentrating in offering drive through services in China, KFC is concerned about opening more than 300 outlets before the Beijing Olympics.

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