Product standardization and adaptation in International Marketing

A case of McDonalds

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Abstract

Companies marketing their products and/or services overseas are faced with the decision of whether to standardize or adapt their product offerings. This decision concerns firms commencing to market their products in foreign countries as well as those already operating internationally and is considering expanding into further markets.

The standardization of products across cultures is increasingly becoming an important issue that the managers of global firms are today facing. As international marketing in the 21st century receives significant research attention, it seems the cost benefits and administration of standardization strategies has simplified the international marketing approach as well as being an attractive choice for many firms.

On the other hand, product adaptation strategies are also being considered as perhaps the most influential aspect for Multinational Corporations (MNCs). Seeing that past research has established that standardization enhances performance outcomes, more recent theories suggests that this may not always be the case. In today's globalized world, the choices of standardization versus adaptation of international products are no longer being seen as an inflexible choice. Instead, combinations of the two options are being regarded, given the dependent factors at a given time on a given market.

However, with the emergence of homogeneous (*identical*) markets worldwide, it is still a question of whether MNCs will or will not intermix both the standardization strategies and adaptation product strategies. To that effect it would perhaps be more interesting to look beyond the dichotomy of standardization and adaptation as product strategies, that is not necessarily comparing which is the better option of these two comparisons. Through a single case study of a multinational fast food retailer McDonalds Company, a research agenda was placed on investigating the level of adapting or standardizing of products by Multinational Corporations (MNCs).

Based on the illustrations and findings of the research, it was concluded that the choice of either complete standardization or adaptation is not an all-or nothing proposition, but a matter of degree. Hence MNCs should strive to incorporate ingredients of both approaches based on a clear understanding of the dynamics of the served markets respectively.

Key words: **Standardization, adaptation, culture, product, global, international**

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We also hereby declare that this piece of work is indeed our own and that all the works of other persons has been duly acknowledged and to the best of our knowledge, this dissertation has not been previously presented at this University (Högskolan Väst) or any other for similar purposes.

Nampungwe and Maria, 31 May 2012.

Thanks to a Swedish Institute Scholarship, I was able to undertake a Masters Degree in International Business and being part of my research work here at Högskolan Väst (University West), this dissertation was produced during my scholarship period. I thereby wish to make special mention of the Swedish Institute for aiding my entire study program here in Sweden.

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List of Tables

List of Figures

List of Appendices

1   Introduction

In the first chapter the authors present the general background to the study. This is followed by the specific problem discussion, which will introduce the research questions for this particular study. Furthermore, the purpose of the research is discussed as well as the delimitation of the study.

1.1   Background

International marketing is becoming a major trend in modern business. To this effect, numerous studies concerning the consumer demand and purchase behavior for different products across national boundaries have been and are still being undertaken. According to Doole and Lowe (2008) international marketing is defined as the process of management responsibility in identifying, anticipating and satisfying customer requirements across international boundaries. They go on by mentioning that within international marketing, companies are involved in making global decisions in one or more variables of the marketing mix. Consequently, companies wishing to enter international markets are faced with the challenge of considering the options of whether to standardize or adapt the elements of their marketing mix, that is, four "Ps" (product, price, place and promotion).

Interestingly, the concepts of product standardization and adaptation are not new ones in regard to global marketing strategies. Product standardization and adaptation empirical investigation were performed since the 1970s (Leonidou, 1996). Where, according to Doole and Lowe (2008), product standardization strategy refers to a uniform representation of all aspects of the product such as the quality, the materials been used, product name, and packaging for all markets, regardless of location around the world. On the contrast, product adaptation is when changes and special modifications are made in order to adjust to each market in question.

In the last decades, business in general has increased and most companies have extended their product offerings across national boundaries and cultures respectively. The researchers have also observed that in the quest to maintain a market share in the escalating competition in international markets as well as to realize profits, multinational corporations (MNCs) are constantly faced with the challenge to remain economically afloat by deciding which product strategy to use as they enter and strive to survive in international markets.

In addition, Czinkota and Ronkainen (2004) have pointed out that it is vital to note that companies have four basic alternatives when deciding to internationalize their products:

    i.   Selling the same product everywhere;
    ii.   Make changes and adjustments on already existing products for different markets;
    iii.   Creation of new products for foreign markets;
    iv.   Merging all differences from the markets into one product where this will be introduced as a global product.

Moreover, despite the various interpretations of the motivations behind the choice of product strategy, one common theme is the challenge faced by multinationals to both national and cultural identity, a topic that has become popular in the field of international business and/or marketing. Therefore, as the product being part of the marketing mix it is crucial for the strategy to be analyzed with caution and finally conducted suitably across cultures.

1.2 Problem discussion

When MNCs expand their products to international markets they have to consider the two approaches of standardization and adaptation in order to formulate their global product strategy. Following the increase in globalization, companies still struggle to decide as to which product strategy to employ in the different markets. In making such a decision, three main schools of thought have been discovered over the last decades as observed by Doole and Lowe (2008); Horska´, E., Ubreziova, I. and Kekäle, T. (2007); and Keillor, Hausknecht and Parker (2001). These mainly advocate product standardization, adaptation or indeed combining both strategies.

In their observation, Doole and Lowe (2008), point out that the standardization/adaptation discussion leads, at one extreme, a global approach in which everything in the international marketing activity is standardized in all countries as standardizing the various elements of the marketing process has the aim of scale economies in production thereby leading to improved efficiency. On the other extreme, they note that there is the concept of an approach in which an MNC has a completely different strategy for every single international market in which MNCs strive to adapt in order to address local differences and expectations.

As the world becomes smaller and the markets are seen as being the same, others have been advocating a standardized product strategy as they view the market to be the same as it is increasingly becoming homogeneous. For instance, Mesdag (1999) argues that it is crucial to standardize as much as possible the elements of the marketing mix, as it is the main characteristic of global marketing.

However, it is inevitable to note that in as much as global marketing may seem the solution to generate profits at lower production costs, cultures around the world are very different and as such consumer preference over products will vary. For instance, Horska´, E., Ubreziova, I. and kekäle, T. (2007) find that products must differ more from the original, in several different ways, as the culture differs more suggesting that the differences in language, religion, education, material culture and aesthetics are what highly motivates MNCs to start an adjustment process in their marketing mix and especially their products.

However in reality, both strategies seem to be considered and used at the same time. For instance, Keillor, Hausknecht and Parker (2001) consider a global product strategy where it is examined how far standardization strategy can be applied and where it is necessary to be adjusted and adapted to the "local" market. The authors also note that the adaptation part of the strategy may be influenced by the company characteristics, the market characteristics and the product characteristics.

Is it then safe to say that the industry that the MNCs are active in is also a very important factor for the choice of the level of standardization and adaptation to be used in their international product strategy? Czinkota and Ronkainen (2004), mention that industrial products do not require an adaptation aspect while consumer goods highly require adaptation as they are more interrelated with culture.

Hise and Young-Tao (2011) state that although there has been a great deal of attention paid by scholars to the topic of standardization/adaptation over the last three decades, a careful analysis of the relevant literature results in the conclusion that we really do not know much about it. In addition, Kotler & Armstrong (1996) state that "most research has only a limited perspective in that they deal with a single, non-global market. It is also noted that most studies have analyzed the characteristics of the actual product rather than the product as a whole. These studies' findings show that the degree of the level of standardization and adaptation alters depending on the specific characteristic of the product." Consequentially it is said that MNCs choose to

adjust those characteristics that are less costly, easier to make, and prevent a competitive advantage of price in foreign markets (Kacker, 1972; Ward, 1973).

Today, global marketing is much more of interest to academicians than practitioners and several arguments of whether to standardize or adapt a product has been a puzzling question with which international marketers have wrestled over the last decades. One such area of interest is the fast food industry that has expanded globally in recent years. The business of restaurants is, if nothing else, an uncertain endeavor to embark on, considering that food preferences vary across cultures. Also to consider are the ways in which these MNCs present their foods across cultures. For instance, the use of internet marketing also plays a part in which these foods are put across to both existing and potential customers. For instance, the manner in which the products are displayed on these company's websites is very critical. The colors used as well as the usability is also of great importance.

Considering the attention accorded to the standardization/adaptation debate over the years, the objective of this study is thus to contribute a new knowledge to the already existing field of study as the aim is to investigate the extent to which the companies operating (the MNCs to be specific) in today's turbulent global business environment are favoring a product standardization or product adaptation strategy respectively.

1.3 Research question

The attention given to this particular field of study has been of great interest to the researchers and having taken into consideration the problem discussion, the research questions are thus:

1. To what extent do Multinational Corporations (MNCs) in the fast food adapt or standardize their products internationally?

2. Are there any differences between different markets in relation to their product offering?

1.4 Research purpose

Thus, the main purpose of this study is to investigate as to what extent MNCs go in either standardizing or adapting a product in international markets as well as to find out if there are any differences between markets in which the MNCs operate.

By using existing theories, this study aims to amplify the understanding of this topic. The results of the study ought to further educate and hence furnish managers with information to base strategic decisions upon. In order to fulfill the purpose of this study, as well as to guide the direction of the research process, the study will focus on the following delimitations.

1.5 Delimitations

This paper will focus only on the product from the marketing mix as it is seemingly widely affected from the two strategies of either standardization or adaptation. It is also worth noting that this study will not compare the two strategies, that is, product standardization and adaptation, as to which one is the best.

Since the primary data will be obtained via observation from the website, the authors realize that elements such as taste and quality cannot be observed unless by physical tasting. Therefore only the following aspects of the product will be considered:

- Features (webpage menu layout)
- Brand name
- Packaging

1.6   Organization of the study

This thesis is composed of six chapters and outlined as follows:

Chapter One After this introductory chapter, the authors present their research method in chapter two.

Chapter Two is the method chapter and discusses the research method as well as to give a detailed outline of the research philosophy, approach, strategy and data collection methods to be used in the research.

Chapter Three is the literature review and it will review previous studies on the subject of product standardization and adaptation in relation to the purpose of this thesis.

Chapter Four presents the empirical findings in threefold. Firstly presents McDonalds as the case study, followed by the research findings as observed by the authors and thereafter the interpretations of results are given in relation to the reviewed literature.

Chapter Five is the last chapter and it narrows down the research to the conclusions in accordance with the research questions as formulated in chapter one. Thereafter implications of both the theory and future research are given as well as recommendations for further topic expansion.

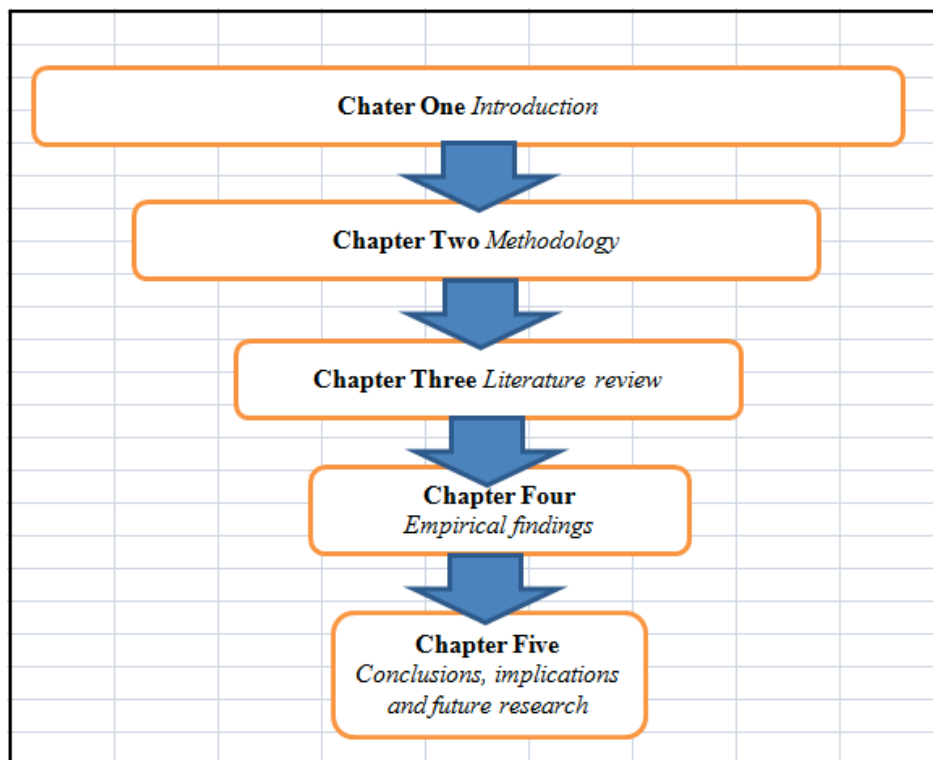These chapters are summarized as outlined in figure 1.6 below:

Figure 1.6: Thesis outline
Source: constructed by authors (2012)

2 Methodology

This chapter will introduce the methodology that will be used, the strategy and approach of the research. This chapter also contains a discussion of the method used to collect and analyze data for the study. The authors decided to commence with a brief overview of the research purpose as earlier mentioned in the introduction, and then they will review the research process and how they subsequently lead to the collection of data. The research philosophy is also discussed as well as the research approach and strategy to be used in the study.

2.1 Clarification of the research purpose

According to Saunders *et al.* (2009:138-139), the classification of research purpose most often used in research methods' literature is the threefold one of exploratory, descriptive and explanatory. Further, the authors suggest that ***exploratory research*** is a valuable means of seeking new insights and to assess phenomena in a new light. It is particularly useful if a researcher wants to clarify the understanding to a problem of the study. Saunders *et al.* (2009) also advises that there are three main ways to conduct exploratory research. These are:

    i.   a search of the literature;
    ii.   interviewing "experts" in the subject;
    iii.   Conducting focus group interviews.

They further cite, "...flexibility inherent in exploratory research does not mean absence of direction to the enquiry. What it does mean is that the focus is initially broad and becomes progressively narrower as the research progresses". Moreover, Saunders *et al.* (2009) explains that ***descriptive research*** may be an extension of, or a forunner to, a piece of exploratory research, or more often, a piece of explanatory research. They cite the objective of the descriptive research as "to portray an accurate profile of persons, events or situations" as it is necessary to have a clear picture of the phenomena on which the researcher wishes to collect data prior to the collection of data. Lastly but not least, Saunders *et al.* (2009) explains that studies that establish causal relationships between variables may be termed ***explanatory research***. They point out that the emphasis on this type of research is to study a situation or a problem in order to explain the relationship between variables. However, although the research purposes are different, Saunders et.al (2009) suggest that it is often beneficial o combine different types of research purposes.

      Thus, the main purpose of this study is to investigate the extent to which Multi National Corporations (MNCs) adopt either product standardization or adaption strategies across cultures as well as to investigate any differences between different markets in relation to McDonald's product offering. Hence, this study deals with multinational companies selling fast food products internationally. To reach this understanding of the occurrence of product standardization and adaptation the study will therefore mainly be that of a descriptive one. However, in aiming to improve the understanding of the aspects of both product standardization and adaptation strategies, the researchers will also employ some exploratory aspects in the study.

2.2 Research process

In order to obtain the data needed to answer the research questions, the researchers have adopted four of the six processes of the research onion process as by Saunders *et al.* (2008:138).
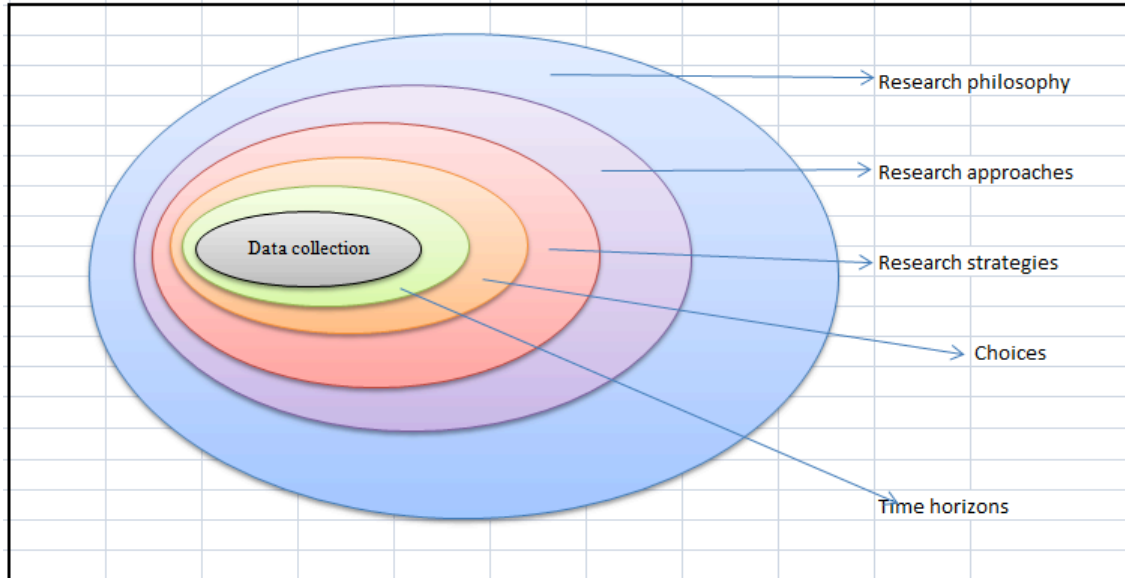
Figure 2.2: The research onion
Source: Research Methods for Business Students, Saunders et al. (2009: 138)

This study has adopted the research philosophy, research approaches, research strategy and finally the data collection methods. The reasons are given in the following paragraphs.

2.2.1 *Research philosophy*

Research philosophy refers to the systematic search for existence, knowledge, values, reason, mind, and language. This research requires an open mind in order to establish facts to both new and existing mysteries. Saunders *et al.* (2009:109) points out that upon embarking on a research, one develops knowledge in a particular field. Further, the research philosophy one adopts contains important assumptions about the way in which one views the world. These philosophies as explained by Saunders *et al*. (2009) are as follows:

i. *Positivism* is an ontological position which something can be positive, truthful or known.

ii. *Realism* is the belief that reality exists unconventionally of observers.

iii. *Interpretive* states that as people interact with the world around them, they create and associate their own subjective and inter-subjective meanings.

iv. *Pragmatism* philosophy is concentrated on the connection of practice and theory.

Hence the pragmatism philosophy will be adopted as the study strives to understand the practical implications of deciding which product strategy to use in relation to differences in cultures as regards the purposes of the study. According to Saunders *et. al* (2009), pragmatism philosophy entails the researcher to stress practical consequences and values as standards by which the validity of concepts are to be determined. This emphasizes that there is an element of what constitutes acceptable

knowledge in the field of study, that is, the general understanding that practical criteria of knowledge and meaning and value is accepted in general. They further cite:

> "...pragmatism is intuitively appealing, largely because it avoids the researcher engaging in what they see as rather pointless debates about such concepts about truth and reality...you should study what interests you and is of value to you, study in the different ways in which you deem appropriate, and use the results in ways that can bring about positive consequences within your value system."

These assumptions will underpin the research strategy and the qualitative research method that the authors have chosen in that; it is believed that it will be of practical benefit to relate theory to the actual reality surrounding the specific research problem. By considering the research method, the most important contemplation is the study's research questions as the authors strive to examine the level of standardization and adaptation of McDonald's choice of strategy used in their products internationally in relation to the cultural differences across national boundaries.

2.2.2   *Research approach*

Saunders et.al (2009) points out that there are two main types of approach to a research. These are the deductive and inductive approaches as explained below:

 i.   ***Deductive approach*** involves the development of a theory that is subjected to a rigorous test…*it is a dominant research approach where laws present the basis of explanation, allow the anticipation of phenomena, predict their occurrence and therefore permit them to be controlled*. Hence this approach, allows the research to establish a hypothesis by using theory. The researcher to confirm or reject the hypothesis to resolve issue collects variety of data and information.

 ii. ***Inductive approach*** is the reverse of deductive approach as the observation of events is made before the theory is made. This is a flexible approach because there is no requirement of predetermined theory to collect data and information. The researcher collects the data before theory is made after the analysis of the same; hence the researcher uses observed data and facts to reach the tentative hypothesis and define a theory as pre the research problem. This helps the research to give inductive arguments.

To this effect the authors have chosen to use the deductive approach, as the nature of the research is that of a descriptive one. In carrying out the study, it has been adopted a model as of Bryman and Bell (2011:11). Upon reviewing the literature, the authors intend to draw up a theory and a hypothesis. Thereafter collect the data and upon interpretation of data, subsequently accepting or rejecting the hypothesis of the study. Upon the revision of theory, the authors will then answer the previously stated research questions.

The research approach model as adopted from Bryman and Bell (2011) is illustrated as outlined below:
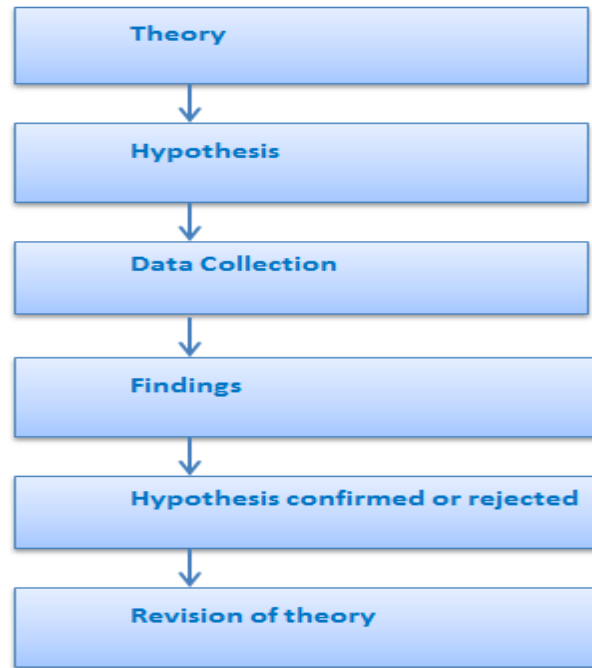
Figure 2.2.2: The process of deduction
Source: Adapted from Business research Methods, Bryman and Bell (2011)

2.2.3   Research strategy

According to Saunders et al. (2009:141), the choice of strategy is guided by the research questions, objectives, the extent of existing knowledge, the amount of time and resources available, as well as the researchers' own philosophical underpinnings. There are various research strategies that can be employed and these are:

i.   *experiment*: to study causal links;

ii.   *survey*: associated with deductive approach and obtained by using questionnaire administered to sample, popular in descriptive and exploratory research;

iii.   *case study*: research which involves an empirical investigation of a particular contemporary within its real life context using multiple sources of evidence;

iv.   *action research*: four main purposes of research- research in action as purpose of research, involvement of practitioners in research, diagnosis and clarification that results should inform other texts;

v.   *grounded theory*: theory building through a combination of induction and deduction to predict and explain behavior;

vi.   *ethnography*: researching a phenomenon within the context in which it occurs and in addition not using data collection techniques;

vii.   *Archival research*: makes use of administrative records and documents as the principal source of data whether exploratory, descriptive or explanatory research.

Saunders *et al.* (2009) further emphasize that no strategy is inherently superior or inferior to the other. Consequently, what is most important is not the label that is attached to a particular strategy, but whether it will enable the authors to answer the particular research question(s) and meet the objectives. Yin (2003) further suggests that there are three criteria used in the selection of research strategy these include:

i.   Form of research question
ii. The extent of control an investigator has over behavioral events
iii. The degree of focus placed on contemporary events.

In addition, when case strategy has been chosen the researcher can choose between single case study and multiple case studies. Yin (2003) also points out that a single case study is employed when the researcher aims to test one case against theory allowing for deep research, in order to test numerous variables. On the other hand a multiple case study is when the researcher compares and contrasts cases increasing validity and allowing for comparison and generalization.

Strategy	Form of Research Question	Requires Control over Behavioral Events?	Focuses on Contemporary Events?
Experiment	How, Why	Yes	Yes
Survey	Who, What, Where, How many, How much	No	Yes
Archival Analysis	Who, What, Where, How many, How much	No	Yes/No
History	How, Why	No	No
Case Study	How, Why	No	Yes

Table 2.2.3: Relevant situations for different research strategies
Source: Adapted from Yin (2003:5)

Based on the form or nature of the research question of this study, the research will adopt a case study strategy since it will concentrate on one specific company (McDonalds) for the empirical evidence, which will be based on real life context.
     The authors' rationale in the choice of strategy lies in the research agenda that is based on investigating why MNCs employ product standardization or adaptation strategy and how they implement this. Further the case study does not require control over behavioral events such as interviews. The case study focuses on contemporary events in relation to the current debate of choice of product strategy that MNCs employ in international markets.

Case study strategy

For the purpose of completing this study the authors have chosen a case study based on a multinational corporation operating in the fast food industry, that is, McDonald's. Reasons being that it is a well-known multinational corporation and both secondary and primary data are readily available in relation to the specific study.
     Ideally it would be better to choose a multiple case study to enable increased validity and allowing for comparison and generalization. However, seeing that the study will be carried out within ten weeks, hence due to time constraints and available resources, the authors have since decided to use the single case study as the main

strategy to carry out the research. The case study will also be of particular interest as the desire is to gain a rich understanding of the framework of the research. The authors chose this company to be a real life example and to draw conclusions through investigating the motivations behind the choice of product strategy made by the company in international markets.

As is noted by Saunders *et al.* (2009:146) "The case study strategy also has considerable ability to generate answers to the questions 'why?', as well as the 'what?' and 'how?' questions, although 'what?' and 'how?' questions tend to be more the concern of a survey strategy...Consequently if you are using a case study strategy, you are likely to need to use and triangulate multiple sources of data. ***Triangulation*** refers to the use of different data collection techniques within one study in order to ensure that the data are telling you what you think are telling you". In addition, Wallgren, L. (2007) cites:

> "Results derived from a case study are not possible to measure statistically since it is only based on one or a few case objects. Additionally when a case object is selected you do not search for cases, which can generate a general population. Instead a search for case objects should be executed in order to supply sufficient amount of information, which increases the understanding of your research."

Further, Saunders et.al (2009) suggests that case studies entail attempts to explain the relationships that exist in certainty, very often in a single organization. To this the authors suggest that reality can be captured in greater detail by an observer or researcher, with the analysis of more variables than is typically possible in experimental and survey research. However, the authors point out that case studies can be considered weak as they are typically restricted to a single organization and it is difficult to generalize findings since it is not easy to find similar cases with similar data that can be analyzed in a statistically meaningful way. In addition, different researchers may interpret the same data differently, consequently adding research bias into the equation.

Thus, the objectives of this research that will therefore allow the use of a case study are hence:

1) To answer the following research questions:

    i. To what extent do Multinational Corporations (MNCs) adapt or standardize their products internationally?

    ii. Are there any differences between different markets in relation to McDonald's product offering?

2) To interpret the data collected in order to uncover the answer(s) to the research purpose as discussed in the introduction of the thesis.

2.2.4 *Sample selection criteria*

In choosing the sample for the online survey, the authors considered the websites presented in the English language. English language has become the international language that can be understood and spoken through almost everywhere in the world today, therefore have made this a primary criteria in the choice of the countries to be investigated for ease of observation in relation to the study. Consequently, all countries that have chosen to examine have their menus presented in the English

language, which makes it easier for understanding and comparison for the use of this particular study. As the other criteria based on the choice of the countries was a country from each continent that McDonalds operates in.

As McDonalds is a multinational company, which operates in most countries all over the world, it was considered as a good choice for a case study for this research since most people are familiar with the company, its global success, and its products. Another criterion was from the authors personal experience that is, realized differences and slight modifications in their products offered around the world. Hence, the intention was to examine further in the level of standardization/adaptation of their global product strategy.

Therefore, the countries of focus for the data collection include six countries as follows: USA, Canada, India, Australia, South Africa and England. Considering that the United States of America (USA) is the country of origin for the product of interest, each menu collected will be compared with the USA menu. When the data is collected and compared with the USA menu, the authors will then investigate for similarities (standardization in the global product strategy) and for differences (adaptation in the global product strategy) in their product line for each foreign market.

Due to time limitations as mentioned earlier, the authors have chosen to base the study only on the product from the marketing mix. The McDonalds full menu consists of 121 (one hundred and twenty one) products and as such, the products under study will only consist of the burgers and/or sandwiches and the elements this study will examine are product features (layout on the webpage), product brand name and product packaging.

2.2.5   *Data collection methods*

Having presented a theoretical framework upon which this study is based to direct the research investigation, two forms of data will be gathered. These are secondary and primary data.

i.   *Secondary data*

These will include but not limited to, textbooks, articles, journals and previous academic research such as theses. The research will rely mostly on secondary data as this will give the researchers a basis to explore and familiarize their concept with already existing research regarding the problem in the study.

ii.   *Primary data*

For the empirical evidence, the data that is going to be collected and use in order to answer the research questions will be based on McDonald's products offered in five chosen countries. These will include online surveys from the official webpage of McDonald's company.

These data are relevant to the research as the intention is to test the level of standardization and adaptation product strategies that international companies employ across cultures. Since the primary data collection method is by observation, a data observation guide (as compiled by the researchers in appendix A) will be used. This will serve as a guide in obtaining relevant data and thus, the observed data will consequentially lead to the findings of the research which will in turn be analyzed in relation to this study's research questions.

2.3   Validity and reliability of data collection

The validity of data is the extent to which data collection method(s) can accurately measure what they were intended to measure. The reliability of data is the extent to which data collection technique(s) will yield consistent findings, similar observations would be made or conclusions reached by other researchers or there is transparency in how sense was made from the raw data (Saunders *et al.*, 2009).

According to Yin (2003) four tests have been founded in order to test the quality of the empirical study. These tests are as follows:

i.   ***Construct Validity:*** creating operational measures for the concepts being studied.

ii.   ***Internal Validity:*** creating a causal relationship, which means; that certain situations are revealed to lead to other situations, as distinguished from unauthentic relationships.

iii.   ***External Validity:*** creating the area to which a study's findings can be generalized.

iv.   ***Reliability:*** demonstrating that the processes of a study for instance, the procedure of the data collection is able to be repeated and conclude with the same outcomes.

Tests	Case Study Tactic	Phase of research in which tactic occurs
Construct validity	• Use multiple sources of evidence • Establish chain of evidence • Have key informants review draft case study report	Data collection Data collection Composition
Internal validity	• Do pattern matching • Do explanation-building • Address rival explanations • Use logic models	Data analysis Data analysis Data analysis Data analysis
External Validity	• Use theory in single-case studies • Use replication logic in multiple-case studies	Research design Research design
Reliability	• Use case study protocol • Develop case study database	Data collection Data collection

Table 2.3: Case Study Tactics for Four Design Tests
Source: Adapted from Yin (2003:34)

As regards to the data collection concerning validity, Yin (2003) states that ***construct validity*** test is challenging in a case study. Seeing that this research's data collection is based on an online survey from the different countries that McDonald's operates in, this entails that the data collected are focused on the WebPages, which is one source of evidence and subsequently resulting in a problem for the first test. However, the second test ***internal validity*** is not applicable for this research's data analysis as Yin (2003) points out that this test is applicable to explanatory case studies where the

researcher attempts establish casual relationships. On the other hand, the third test of the ***external validity*** centers around the use of theory is a vital aspect of this paper's research design. Having similar case studies in relation to this thesis, the authors believe that the collected data will provide strong support for future theory reference.

In terms of reliability concerning the data collection, the authors can relate their study to Yin's (2003) model in that, the data collection can be proven when the same process of data collection through an online observation survey based on the same five chosen countries in this paper, is done by different researchers and the same outcomes are concluded.

It is therefore hoped that the data that will be collected will indeed measure their intended purpose such that similar conclusions will be reached as compared to other researchers in the same field of research.

3   Literature review

The literature to be reviewed in the study will be the theory concerning the two product strategies, which are standardization and adaptation with emphasis on cultural differences respectively. The authors then summarize their understanding on the same as regards the reviewed theory and end the chapter with a research hypothesis surrounding the research problem.

3.1   Introduction

The long debate in international marketing as to whether companies should standardize or adapt their international marketing approach and market entry methods continues to be a focus of research in academic literature (Vrontis *et al*., 2009). With the general increase in globalization, it is hardly surprising that the study of motivations of MNCs in deciding which product strategy to use has attracted considerable attention in recent years. In an attempt to go beyond the dichotomy of product standardization and adaptation, assumptions about the two contrasting theories studies have focused mainly on cultural differences. While some research has focused only on the advantages and disadvantages of either strategy, others have also suggested a future possibility of standardization as being the sole product strategy across cultures.

The theory selected in the following paragraphs give an insight into the study as they give the various perspectives on previous studies in relation to the research topic. But in order to understand the concept of going beyond the dichotomy, it is crucial to fully understand the concepts of culture, standardization and adaptation as regards to the product strategies as per the decisions of Multi National Corporations (MNCs).

3.2   Historical foundations of product standardization / adaptation strategies

Although there are some isolated examples of the historical foundations of product standardization and adaptation, a few researchers have shed some light over the same.

"From an evolutionary perspective, marketing thought, and its strategic focus, has developed from simple production and product related strategies to more outward oriented strategies placing greater emphasis on consumer and societal needs For example, the production era of 1870-1930 in the UK and the USA was characterized by the advent of mass production and the increase of market supply focused on minimization of costs. This not only provided lower priced products domestically, but for export markets as well. However, as economic conditions deteriorated during the global depression firms made a strategic marketing shift from being simple suppliers of low cost products to product innovators, and then to advocates of their products within the market. As such, the underlying positioning of a firm during the period incurred a shifting asset base from machinery and output to human resources capable of persuading the customer that the firm's products would fulfill the customer's needs, i.e. a focus shift from products to customers. ...During this growing internationalization initiative, practitioners became widely split over the international standardization issue. *Whereas Brown (1923) viewed humanity as possessing common attributes, thus allowing for standardization, Propson (1923) argued that adaptation was often necessary to appeal to divergent local markets*" (Ryans, J.K Jnr, Griffith, D.A & White, S.D 2003). The researchers further cite:

> The theoretical foundations of the standardization/adaptation debate center on the perception of consumer homogeneity and/or the movement toward homogeneity. Those researchers who view markets, or consumer wants and needs, as being homogeneous

argue that the standardization of advertising is more "effective" as it allows for the lowering of costs, via economies of scale, and thus increasing margins for a firm. Alternatively, those who view markets as being heterogeneous, and therefore containing consumers with differing consumer wants and needs, perceive greater value delivery via adaptation.

A final comment from this article is worth repeating. In an article to analyze the global marketing and the case for international product standardization, Whitelock, J. (1989) observed that during the 1970s the potential savings for product design were considered to be "not as great in consumer-packaged goods as compared with other businesses, such as those in the consumer durable or in the industrial goods companies". In other words, one would expect to find greater standardization in consumer durable goods since greater cost savings associated with standard product design would be realized.

3.3 Standardization and adaptation of different elements of the product

General business across national boundaries entails that products are marketed to suit the targeted international markets. This entails that products are marketed to the respective cultural preferences. According to Hofstede (1984), Culture is the collective programming of the mind, which distinguishes the members of one category of people from another. For the purposes of the [study], culture is defined as the shared patterns of behaviors and interactions, cognitive constructs, and affective understanding that are learned through a process of socialization. These shared patterns identify the members of a culture group while also distinguishing those of another group.

Cultural dimensions are basic concepts that help us understand how two or more cultures might be different or similar along each dimension. Cultural differences result from the variation given to different values. Conflicts and misunderstandings occur when members of a group take the view that their values are correct and best (Phatak et. al., 2009). Because the purchase of food items is strongly driven by cultural factors, consumer tastes, habits, and incomes, the interest of this study is solely in the product element of the marketing mix.

The marketing mix according to Doole and Lowe (2008) consists of the 4 Ps; Product, Price, Place and Promotion as marketing strategies. "McCarthy (1975) formulated the concept of the 4P's-product, price, promotion and place marketing mix. For many years these have been the principle foundations on which a marketing plan is based" Vignali (2001). Further, "the elements that are more affected by adaptation in foreign markets are the quality, the features, and the namely design" (Baalbaki & Malhotra, 1993).

"Product" refers to the goods and services that are offered to a company's customers. Distant from the physical product itself, other elements associated with a product include what the customers may be attracted to, such as the way it is packaged or in the case of food how it tastes. Other product attributes include quality; options; physical features; supporting services; brand name and warranties offered. Thus, these product elements are further illustrated as part of the 4Ps marketing mix in figure 3.8 below.
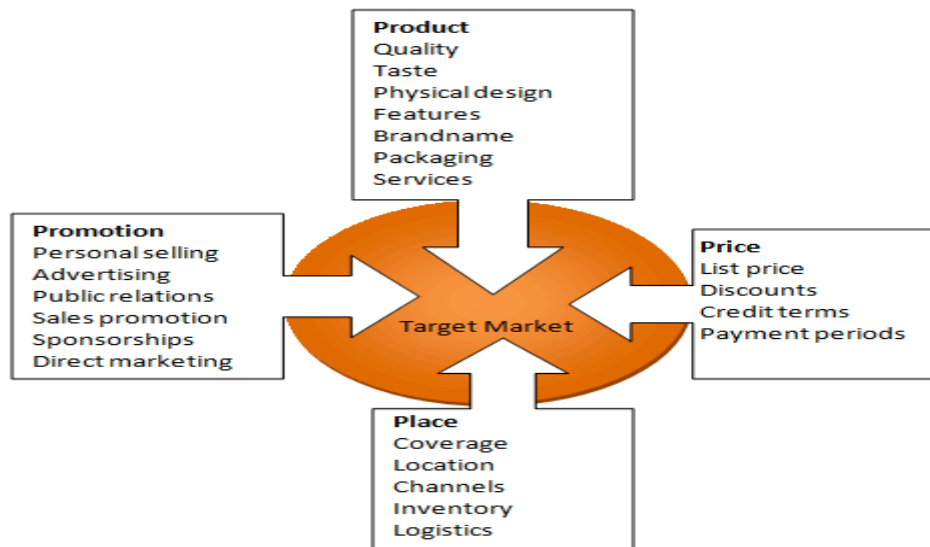
Figure 3.3: The four "P"s
Source: Researchers own study from International Marketing strategy, Doole and Lowe (2008).

According to Kotler et al. (1996), a product's appearance, function, and support make up what the customer will actually buy. Therefore making it vital for managers to pay close attention to the preferences and tastes of their product packages in addressing their customers, both existing and potential. Further, in managing product components, product planning and development entails careful planning with the customer in mind. Thus suggesting that, the decisions are required to be taken regarding product range, packaging, branding, quality, labeling and other features of the product. In the question as to whether to standardize or adapt, a product manufactured for market should be according to the needs and expectations of consumers.

By suggesting that the product is the heart of whole marketing mix, Doole and Lowe (2008) point out that the product maybe the most influential competing element of the marketing mix in the hands of the marketing manager. Thus if the product is not attractive and/or appealing to the customers, then no amount of sales promotion, appropriate channel of distribution or reduction in price will help to achieve the marketing target. Hence, physical design, brand name, quality, packaging, durability, taste and services attached to the product are very important from the marketing point of view.

Having said that, it is from these 4Ps that the product elements of the marketing mix that will be reviewed in this thesis literature. More specifically this research will only investigate the following elements of product: the quality, brand name, the packaging, product name and design (physical appearance).

3.4   Why adaptation of products?

The author's understanding of adaptation is that it is a marketing strategy where new products or services are modified based on existing products and services, however this is not to suggest that in so doing they pioneer innovation.

In addition, it is said that "firms often adapt their market strategies when entering foreign markets, even in a global era where many brands and products like cola beverages and fast food outlets are nearly universally prevalent. Those adaptation

decisions [combine] into an adaptation strategy that can influence the competitive position of the firm and in turn, its performance in foreign markets. Adaptation strategies may be as simple as tweaking the logo and the colors of the packaging, or may involve developing new flavors better suited to the local palate or new financing models more fitting for the local economy" (Valez, 2011).

There have been researchers that have proposed that adaptation strategies are actually more effective as consumer needs vary across cultures. For instance, Calantone, Kim and Schmidt (2002) talk about three factors that can have an influence on the international adaptation strategy. Their study is based on the three countries USA, Japan and Korea and their findings are centered on the issues concerning these three cultures in business dealing. The three factors they mention are the impact of market similarity, the influence of organizational structure and the impact of industry adaptation. It is stated that market similarity between the home market and the foreign market are an important factor in the choice of export market variables. Where this leads that a well-planned and strong product adaptation is a plus for export performance.

Having said that Horska *et al* (2007) note the following:

> Except for the choices of foreign direct investment, agent-based or own branch export approaches, licensing, franchising and other business models available, one of the key decisions in becoming international is the standardization vs. adaptation of the products. Choosing to enter different markets with no changes to physical product and packaging – standardization policy – can help keeping the costs low, but the drawback may be that the product might not satisfy the customers. The adaptation policy – modifying the physical characteristics or attributes of the product and its packaging to fit the needs of different segments and countries better – may increase development, manufacturing, packaging and distribution costs. End customers – human beings – develop a sense of belongingness to a worldwide culture, by adopting practices, styles, and information that are part of the global culture. In this way they create the global identity. However, in parallel, people continue to hold their local identity as based on their socialization to their local culture.

Thus, companies in most areas of the world are considering different ways of making their operations international. For instance, in a 2008 study by Piirainen and seta, a research agenda was set on how the external environment affects a firms standardization and adaptation strategies. It was found that different issues such as political, social, cultural and economic affected different markets. Hence it is needed to modify the products in order to suit the preferences of their customers. They concluded that in the quest in gaining profits and large market shares, MNCs needed to act globally but think locally.

In another related study of Meyer and Bernier (2010), a research agenda was placed on a case study of an MNC called Agatha, investigating the factors that influence the choice and consequences of the marketing mix. They found that one of the main motives behind an adaptation strategy is when a firm wants to be the leader of a market or reach out new segments of the market adaptation is necessary. Other findings emphasized that cultural differences on international markets affect the adaptation of the product, price and promotion. They also found that it has been a challenge for Agatha to find a balance between the degree of standardization and adaptation of the different elements of the marketing mix. Furthermore, the study showed the importance of adapted the marketing mix to the local situation since it is the key to manage to design offers that will lead to success and increased market shares.

Apart from striving to be market leaders, Zaaiem and Zghidi (2011) clearly state that adaptation of products is the main strategy that influences the export performances. Later on they refer to grouped factors, which favor standardization over adaptation. The factors that favor a standardized product strategy are the type of product, marketing research and development and similarities of foreign market consumer behavior. While on the other hand, the factors that favor an adaptive product strategy are type of product, the variation of purchasing power of the consumers, norms and standards that are set by the foreign market, and cultural differences such as language, religion and traditions. Further, they highlight another very crucial aspect that greatly influences the adaptation strategy in an international level is the internal and external characteristics of the company. The internal characteristics are the size of the company, the experience the company has in an international level and the type of product they produce. The external characteristic is in which industry is the company involved. As an example, in the automotive industry the product strategy is basically standardized no matter culture, language, nor traditions.

In addition to improving a company's export performance, McKee and Konell (1993), in their study *Product Adaptability: Assessment and Strategy* found and concluded that product adaptability can complement and strengthen organizational strategy. In traditional stable environments, organizations must fit their strengths with available external resources in order to survive. They concluded that in a continuously changing environment, organizations themselves must be prepared to continuously change. While there are clearly some challenges with McKee and Konell's work - their analysis was not based on empirical research; for example, they suggest, "a likely weakness of a strategy is typically supported by high-volume, large scale facilities designed to reduce production costs". By suggesting that in a globalized world planning for adaptability becomes a survival skill, their research has shown the inherent danger is that a shift in consumer preferences will eliminate or reduce product demand, rendering the firm's efficiency-based strategy ineffective. The chief focus of this approach, then, has been to show how the increasing velocity of change in business environments has created new survival requirements are being able to show flexibility in terms of product offerings.

In another study looking at product adaptation in processes of internationalization, Horska *et al.* (2007) find that products must differ more from the original, in several different ways, as the culture differs more. In their study, by suggesting that adaptation of product composition to national legislation and taste is also important in all markets, they suggest that the relative importance of adaptation would seem to diminish with the cultural distance. Further, If the threshold for adapting the products for exporting to foreign countries grows too big, it can still be that there are alternatives for internalization that are closer in cultures and traditions and thus require less adaptation.

Concerning cultures in the food industry, Harska, Ubreziova and Kekäle (2005) conducted a study involved in the food industry based on the Slovakian food processing companies. In the beginning they talk about the difference between the standardization and adaptation strategy. The standardization strategy is named as the macro-approach and is a global approach. In addition, the adaptation strategy is named as the micro-approach and is a modified approach for specific market. After having conducted their research and collected their data they realized that the areas of the product strategy that need to be adapted and modified in order to be acceptable by the foreign markets in question are; the product description, trademark/brand name,

packaging size, measurement units used, graphic packaging design, logo and lastly product composition. In the researchers' opinion, if large modifications and changes as many as these are needed to be made in order for the products to be accepted by the consumers then it will be very costly for the corporations to go globally with their span of products. The authors agree with the notion that adaptation of the product especially in the food market in order to respect culture such as religion, traditions and language, however, do not entirely agree with a small part of adjustment in the global product strategy as the Slovak food processing companies.

In the same vein of product modification, much of the earlier work as emphasized by Whitelock (1989) has observed and suggested that the need for product modification is, therefore, clear, and the inadvisability of global product standardization is highlighted. He further cites:

> A similar point is made by Sorenson and Weichmann, who suggest that assumptions made about meta-markets have led to spectacular market failures on the part of certain US companies. Cooper and Kleinschmidt have further suggested that: In the case of export marketing, *product strategy* translates into product adaptation policy ... The *marketing concept* dictates that firms should practice market segmentation and design product offerings to suit their target market. Its logical extension, in export marketing, is that firms which elect a product adaptation and market segmentation strategy can be expected to perform better than those that do not. Their research findings suggest that a marketing versus selling orientation is associated with a much stronger export growth (136 per cent versus 26 per cent) and to a higher export intensity (49.3 per cent versus 36.9 per cent) of output. They conclude that: The manufacturer who is content merely to sell his domestic product abroad, essentially unaltered ... is likely to achieve a below average export performance, particularly in terms of export growth.

From the above, it can be suggested that product adaptation strategies are inevitable if an MNC is to succeed in the international market. For instance, in many situations a company will have to adjust their product strategy across national boundaries to meet local needs and wants that cannot be altered. Having reviewed the motives for adaptation it becomes evident that culture may have a role to play in adapting products but with the advent of MNCs viewing the global market as homogeneous (*identical*) regardless of culture differences, one wonders if adaptation is still preferred as others are increasingly advocating the product standardization strategy.

3.5   Why standardization of products?

According to the understanding of the authors, standardization is a practice of setting identical characteristics for a particular good or service. Lundeteg, A. (2012) also suggests a standardized approach as a "one size fits all" approach".

The question of whether to standardize or to adapt a product in international marketing has received great attention during the last forty years, both options presenting positive arguments as well as serious limitations (Ghantous, 2008). It can be seen that the standardization of products across cultures is increasingly becoming an important issue that the managers of global firms are today facing. As international marketing in the 21st century receives significant research attention, it seems the cost benefits and administration of standardization strategies has simplified the international marketing approach as well as being an attractive choice for many firms. From a global perspective, it seems a standardization approach could be employed in that it allows for the presentation of a consistent image across countries.

In contrast to the motives behind the product adaptation strategy, Valdez (2011) points out that those firms following a standardization strategy enter foreign markets

using the same [advertisements], packages and presentations that were used in the domestic market. Because making new advertisements, packages and product lines is expensive, standardization requires less investment than adaptation.

In an article to analyze different theories on the possibility of product standardization across cultures, Ghantous (2008) suggests that economies of scale are and by far the main advantage of global, in fact, as global brands standardize their marketing strategy and mix, this generates important cost savings in many areas of their marketing (e.g. R&D, promotion), thus allowing the brand to [pool] more investments into its marketing actions and/or to have more competitive prices than its local competitors. He further cites:

> With distribution channels going global, global brands seem to have much better bargaining power than local ones. Important international brand equity also allows these brands to better conquer new markets, launch new products and brand extensions. While these important advantages of global brands are mostly on the supply side, global standardization can also be a source of added value for consumers. In fact, standardizing marketing strategy and mix can assure a strong, unique and consistent brand image across markets. Global brands are associated with greater esteem and brand globalization positively impacts perceived quality and brand prestige. [There is a] better perception by consumers' feeling of belonging to a superior, more prestigious segment when consuming global brands. Nevertheless, this added value for consumers is minor when considering the demand side of the standardization/adaptation issue, where cultural differences are still the main barrier to global branding.

The first important question to determine an international brand's standardization strategy concerns the elements that need to be considered. In fact, in a selective standardization logic, managers face a great number of elements, both strategic and operational, on which they have to decide if they should standardize or on the contrary adapt to local conditions (Ghantous: 2008). Ghantous further cites:

> For instance, Van Raaij (1997) considers that when it comes to a brand's international communication strategy, the standardization question should address four different elements of this strategy, namely the mission, the proposition, the concept and the execution. The number of elements to consider being too high, it is impossible to make a list of which elements can (not) and should (not) be standardized.

Similar to Van Raaij (1997), Kustin (1994) whose article is based on Levitt's (1983) thesis, mentions that the choice of global strategic plan is difficult in order to establish the correct strategy. However, Kustin (1994) in Levitt (1983) *claimed in his thesis that culture can be ignored and that all products can be standardized*. Kustin (1994) noted that in making a marketing plan, the type of market is important to be considered and additionally the degree of standardization must be thought well. Later on it is indicated that the product standardization plays more of a big role in durable and nondurable consumer goods. Kustin notes that standardization of strategies is better off in markets that are categorized or segmented with similarities. He mentions that global marketing attempts for success and competence in standardized product strategies, where products are sold in global markets at reasonable prices and same country strategies are set to be same for all markets in the world. He then introduces the other side of marketing globalization, which is in need of adjustment of the marketing mix elements, because of dissimilar markets where there are visible and large differences. He goes on that the product is standardized but adjustment in the price is made considering the foreign market's economic situation.

Vieregge, Scanlon & Huss (2007) note that McDonald's-a fast food restaurant-global success is based on the standardization of their products and services offered around the world. In addition, DeBres (2005) states that McDonald's official company history shows that they do not modify their business dealing in order to adapt to cultures across national boundaries but instead changes local cultures so to meet their own needs. He continues by noting that McDonald's has been portrayed as "erasing the differences between this place and that place" (DeBres, 2005). It has been realized that McDonald's customers take for granted the standardization in their menu range (DeBres, 2005).

According to DeBres (2005), the most expensive products including the variation on types of hamburgers from the McDonald's menu are alike in name and presentation. However, he notes that the differences begin to be noticeable with the non-beef sandwiches, with differences primarily in the name of product. Main differences have been noticed in the entrée section of the menu as well as the beverages section, for instance, whereas wine is offered in France, beer is offered in Germany and tea in England in addition to the main beverages that are offered in the USA. Similar adjustments in their menus are visible in other countries such as Holland as states by DeBres (2005). Whereas mayonnaise is offered instead of ketchup as a dip for the French fries, similarly, Vieregge, Scanlon & Huss (2007) state that the use of local food products is perceived by consumers to be a positive characteristic.

From this information concerning product standardization, it is clear that there has been some level of modifications in their product span offered around the world so to adjust to local customers and food preferences. Further, it is therefore important to also bear in mind that the type of industry that a company operates in plays a great role in the choice of global strategy for products. As it is mentioned in this article of Loyka and Powers (2003), products of high technology and industrial makeup are more appropriate for standardization than consumer products. Industry factors such technology turbulence and market turbulence also plays a vital role in the choice of standardizing a product. Other company factors, which relate with global product standardization, are sub-unit horizontal interdependence, sub-unit vertical dependence, headquarters/sub-unit trust, sub-unit cooperation, and centralization of decision-making authority. In this part each company is different and the decision in which of these factors to follow depends completely on them and on what kind of image as a company they want to take across.

All motives as mentioned above are very important and have a great degree of influence in the global product standardization. However, Ryans J.K *et al.* (2003) notes that despite its centrality to the focal research issue, the extent of homogeneity of markets for marketing strategy, standardization has received little attention within the literature. Rather than focusing attention on market homogeneity directly, researchers have instead explored a number of consumer response elements believed important to global marketing strategy cross-culturally, such as brand loyalty, risk perception and most recently brand personality.

3.6   Is standardization possible across cultures?

Having reviewed the different arguments of motives behind product standardization and adaptation, one would wonder as to whether the possibility of product standardization across cultures would be feasible considering the reduction of the globe as the market becomes one through globalization. Whitelock, J. (1989) observes that the specific nature of international standardization, and the possibilities for its

use, have been much discussed, although it is fair to say that most attention has been turned towards the standardization of promotion, and of advertising in particular, rather than to international product standardization and whilst this may be true, it offers little guidance to potential international marketers, who may often be small or medium-sized. It is very tempting to consider a global homogenous culture in the current context of globalization, however it lacks empirical validation. Moreover, many researchers question the validity of the concept. For instance, Ghantous (2008) cites:

> ... the idea of a global segment responding to standardized marketing actions in a homogeneous way [is] unrealistic. The answer to this dilemma opposing the local and the global might be found in an intermediate representation of culture, considering both influences on consumers of local cultures and of the strong vectors of global convergence. Globalization in its actual state is a complex phenomenon presenting two opposite trends. On the one hand, shared consumption symbols and lifestyles, and the diffusion of the same products, brands and programmes push toward a transnational, global culture in a sort of sameness on a planetary scale. On the other hand, tourism and world media strongly highlight local cultures, customs and lifestyles for which there is more and more growing interest. Thus both the convergent trend for cultural homogenization and the divergent one for cultural heterogenization coexist today and simultaneously influence consumers across the world.

Ghantous (2008) further observes that people around the world seem thus to experience both trends, being subject to their original cultural programming and exposed, through the medias, their travels and their consumption experiences to different cultures as well as to the global culture. This observation suggest that consumers no longer belong to only one group nor do they present one unique cultural identity, but operate a "bricolage" of different cultural forms by adapting to different contexts and situations, mainly of consumption. This diversity also characterizes consumption choices. In fact, the consumer are now seemingly always in the hunt for assorted and non-uniform experiences.

Ghantous (2008) goes on to observe that in fact, even in the globalization era, cultural differences are still important today and widely impact consumers' behavior. Thus, a standardized approach on a global scale may not be appropriate, since consumers reinterpret the brand's marketing actions according to their cultural backgrounds and lenses, in such a way that the brand perception by the consumers often diverges from the brand expression sent by the firm.

In another related 2007 study conducted by Lissette Wallgren, the author investigated the possibility of standardizing the working procedure to achieve efficiency. According to her, standardization strives to be as efficient as possible by standardizing offers and by using forms to easily repeat the services as many times as possible. She also suggests that this is a very cost effective way of doing business.

In their study *Standardization of marketing strategy by multinationals* Rau and Preble (1987) carried out an analysis on debate on "global marketing" and the degree to which multinational firms can standardize their marketing practices across countries. They observed that world markets are getting increasingly homogenized, but the authors challenge that the framework and associated propositions generated in the paper could help multinational firms determine the degree of standardization that is possible in different markets. They concluded that the literature on global marketing has, however, not always addressed the specific variables that will aid or impede the standardization of marketing practices across countries. The researcher

assumes that product standardization could be possible if future researchers looked at other variables rather than the usual "external" influences on the potential customer.

That being said, in a research on product standardization in which IKEA (A Swedish furniture and household international chain store) was the case study, Badier and Rousset (2007) found that centralized control and product standardization are two necessary components of the firm's long-term strategy. In addition, they suggested that for a company to succeed with a product standardization strategy across cultures, a company should facilitate its international expansion through owned subsidiaries and franchises. However, they noted that future localization pressures would force IKEA to change its global strategy in order to become more sensitive to local demands. By combining different marketing strategies such as low prices and searching niches, the company has been able to maintain its success. This in itself suggests that in as much as standardization would be possible, chances of adaptation should not be ruled out. Further, Standardization as marketing concept is suitable for global market segments that are represented by consumers with relatively similar customer needs, traits and wants and conditions of use.

In contrast to the possibility of product standardization across cultures, Whitelock (1989) in his study *Global marketing and the case for international product standardization*, the author found that the need for modification is seen to vary from country to country, a fact which supports the writer's hypothesis that it is dangerous to consider the global market as a true meta-market. His conclusions established that product standardization is not a viable strategy as a correlation of the degree of standardization possible for each country is difficult to achieve.

In their study Vrontis *et al.* (2009) observe that yet, it is also true that the global market is becoming increasingly homogenized – to a degree in fact – that multinational companies can market their products and services in the same way all over the world by using identical strategies with concomitant lower costs and the benefits of higher margins which equate to increased profitability. The research illustrated that the globalization of society is generally an ongoing phenomenon affecting consumers and businesses everywhere. A phenomenon, though, which does not and cannot equate to a globalization of markets. They concluded that standardization and adaptation is not an all-or nothing proposition, but a matter of degree. MNCs should therefore incorporate ingredients of both approaches, based on a clear understanding of the dynamics of the market(s) being served.

In a study to investigate how the environment in international markets affect the adaptation of the marketing mix, Piirainen & seta 2008 the authors found and concluded that based on the findings of the study, it is safe to state that markets and especially customers are differentiated. Each person and each country are unique. That means that former experiences cannot be directly applied from one situation to another. Instead it means that firms need to take the environmental conditions into consideration and find different ways when operating in different regions. The authors believe that firms must learn to find most efficient ways to balance their marketing mix between standardization and adaptation.

"While it is logical to standardize where possible, unwarranted generalizations from one marketing situation to another should be avoided at all costs as every market and every customer could be different. Marketing practitioners should understand that there is a fine line between the benefits of utilizing a standardized approach, when possible and desirable and the risks of seeking a level of demand homogenization. It is also noted that, marketing directors and managers are not making one-time one-off choices. Multinational companies can and do simultaneously focus their attention and

resources on aspects of the business that require global standardization and upon aspects that demand local responsiveness. When and where possible and needful processes should be standardized, however, operation in local markets may also necessitate local flexibility. Multinational companies must strive to find and maintain an equitable balance. This is not a straightforward task, especially when faced with the shifting sands of environmental, competitive and market forces. Thus, deciding on the "balance" between standardization and adaptation is difficult to achieve and a challenging conundrum of an ongoing nature" (Vrontis *et al*, 2009).

3.7 Summary

Increased ease of access to a wider range of material has also increased the need for careful and clear critique of literature sources. Key literature sources used have been published material, journals and academic articles as well as academic theses. Having reviewed the literature on product standardization and adaptation, the authors synthesize the concepts into their own concept through this summary.

Having in mind the different concepts captured from the reviewed literature, it is interesting to note that one of the main *questions* centers on the choice of which product strategy to employ across cultures. Further the *problems* that have been addressed to date are that of the choice of product internalization strategy is highly dependent on culture, and the nature of product.

It is worth noting that from a company's perspective it is strongly recommended to reflect on both strategies when wanting to develop a global product strategy while considering the market characteristics, the company's characteristics and the industry they operate in. As mentioned above the industry plays a significant part in the choice, as in the car industry almost non-adaptation may be needed, same it is with the technological industry. As for the fast food industry as per the basis of this study, the success of the product strategy is vital to consider the culture of the foreign markets. Suffice to say, in order to be accepted and to succeed in the foreign markets, a level of adaptation must be inevitably coupled with a global strategy with standardization as the main concept.

But despite the issue of globalization and the similarities of markets, the question of whether to standardize or adapt a product is one that has been mind boggling for many years. A very interesting observation that is pointed out in the literature is that in aiming to succeed in international markets, finding a balanced product strategy as regards standardization and adaptation somewhat depends on the type of industry that the company is operating in. An example would be, in the fast food industry where adaptation is inevitable due to different cultures and customer's preferences.

In considering the reviewed literature, it can hence be concluded that the rigid dichotomy between total product standardization and total adaptation of the international marketing strategies of MNCs is considered neither feasible nor undesirable. It can be concluded from the past research that culture still plays a critical part in the choice of product strategy and as long as the different cultures remain heterogeneous, no matter how homogenous the global market will become, total product standardization may not be accepted across cultures. Therefore, for multinational corporations the best and most cost effective strategy for product internationalization is a combination of a standardized strategy with some significant modifications.

3.8   Research Hypothesis

In relation to the product element of the 4Ps of the marketing mix, a scrutiny of the relevant literature compelled the researchers to develop two research hypotheses, which are believed to be helpful in answering the questions posed in the research questions. Since this study is centered around an MNC in the fast food industry and seeing that the purchase of food items is strongly driven by cultural factors the first hypothesis is thus to test if the type of product is a strong determinant of whether a standardization or adaptation strategy will be in place.

H1 Null: The fast food companies will exhibit neither an adaptation nor a standardization strategy across cultures.

H1 Alternative: The fast food companies will exhibit a pattern of adaptation across cultures.

Further, there seems to be strong consensus in the literature leaning towards the assumption that there will not be homogeneity in the degree of standardization/adaptation in companies' product strategies suggesting that, different levels of standardization/ adaptation will exist for different products. Thus, the second hypothesis is:

H2 Null: The level of standardization/adaptation of the product will be consistent across all product mixes.

H2 Alternative: The level of standardization/adaptation will not be consistent across all the product mixes.

4   Empirical findings

The empirical data for this study consists of a single case involving the fast food retailer, McDonalds and more specifically the Hamburger products. The data on the case study was obtained from the official website (www.mcdonalds.com) as at May 2012.This chapter presents the empirical findings and thereafter interpret the research findings.

4.1   Presentation of case study: McDonalds Company

McDonald's Corporation is one of the world's leading chain of hamburger fast food restaurants operating in 119 countries with more than 33, 000 local restaurants serving around 68 million customers daily. Headquartered in the United States, the company began in 1940 as a barbecue restaurant operated by the eponymous Richard and Maurice McDonald. In 1948 they reorganized their business as a hamburger stand using production line principles. Businessman Ray Kroc joined the company as a franchise agent in 1955. He subsequently purchased the chain from the McDonald brothers and oversaw its worldwide growth.

A McDonald's restaurant is operated either by a franchisee, an affiliate, or the corporation itself. The corporation's revenues come from the rent, royalties and fees paid by the franchisees, as well as sales in company-operated restaurants.

McDonald's primarily sells hamburgers, cheeseburgers, chicken burgers and snacks, French fries, breakfast items, soft drinks, shakes and desserts. In response to changing consumer tastes, the company has also expanded its menu to include salads, wraps, smoothies and fruit.

4.1.1   *McDonalds core values*

McDonald's state that their customers are the reason of their existence and much emphasis is placed on their goal which is quality, service, cleanliness, and value for every customer. The McDonald's system is known as the 3-legged stool, which consists of the franchisees, the suppliers and McDonald's (employees). They strongly believe that the key for success is balancing the interests of all the three groups of the 3-legged stool. In order to provide continuous profitable growth for their shareholders, it entails an ongoing focus on the health of their system and on their customers.

4.1.2   *McDonalds philosophy*

According to the official facts of McDonald's published in their webpage, the philosophy of the company as established by its co founder Ray Kroc is to have and/or build a restaurant chain that will stand for food of consistently high quality and uniform methods of preparation.

4.1.3   *McDonalds mission statement*

McDonald's brand mission is to be their customers' favorite place and way to eat. Their worldwide operations are ranged around a global strategy called the Plan to win which center on an exceptional customer experience – People, Product, Place, Price and Promotion. They are committed in improving continuously their operations and enhancing their customers' experience.

4.2   Research findings

Out of the 119 countries, 5 were chosen. These are Australia, Canada, England, India and South Africa. For observation purposes, a number was inserted in each box as summarized in table 4.2 (on the following page) to denote each meaning as follows:

0=> USA product does not appear in the different countries

1=> The same name as USA and same product as USA

2=> The same name as USA but different product as USA

3=> Different name from the USA but same product as USA

4=> Different name from USA and different product from USA

5=> Same webpage layout (colors, user ability)

6=> Different webpage layout (colors, user ability)

Type of burger in comparison to USA McDonalds Menu	Countries under study				
	Australia	**Canada**	**England**	**India**	**South Africa**
Angus bacon and cheese	0	3	0	0	0
Angus deluxe	0	3	0	0	0
Angus mushroom and swiss	0	3	0	0	0
Big Mac	1	1	1	0	1
Quarter pounder with cheese	0	0	1	0	0
Double Quarter pounder with cheese	1	1	0	0	1
Hamburger	1	1	1	0	0
Cheeseburger	1	1	1	0	1
Double Cheeseburger	1	1	1	0	1
McDouble	0	1	0	0	1
Fillet-O-Fish	1	1	1	1	1
Southern style crispy chicken sandwich	0	0	0	0	0
Premium style crispy chicken sandwich	0	0	0	0	0
Premium crispy classic chicken sandwich	0	0	0	0	0
Premium grilled chicken club sandwich	0	0	0	0	0
Premium crispy chicken ranch BLT sandwich	0	0	0	0	0
Premium grilled chicken ranch BLT sandwich	0	0	0	0	0
McChicken	1	1	1	1	1
Webpage menu presentation	6	6	6	6	6
Packaging of products	1	1	1	1	1

Table 4.2: Data Observation Guide
Source: Compiled by researchers from webpage observation (2012)

From the observed data it is detected that the products offered by the USA menu appear in the different countries either as the same or different or none at all. Therefore the following is noted:

i.   **Australia:** 7 (seven) of the 18 (eighteen) USA products have the same name as USA and are the same products. However, 11 (eleven) of the USA products do not appear in the Australian menu. It is further noted that the packaging is the same, with same colors and same brand name. The webpage menu layout presentation is different from the USA. Some differences were detected such

as the colors, the named categories of the menu and the arrangement of products that are offered.

ii. **Canada:** 8 (eight) of the 18 (eighteen) USA products appear to have the same name and are the same products. In addition, 3 (three) are the same products but appear to be having different product name when compared with the USA products. However, 7 (seven) USA products do not appear in the Canadian menu. Moreover, it has been observed that the packaging is the same, with same colors and same brand name. As for the webpage layout presentation it has been observed that the colors, the categories named below the menu and the arrangement of products offered is different with the USA webpage.

iii. **England:** 7 (seven) products out of 18 (eighteen) offered by the USA are the same. Though 11 (eleven) do not seem to appear in the menu in England. As observed the packaging is the same, but the webpage layout contain some differences such as presentation, colors and design of products offered.

iv. **India:** 2 (two) products out of 18 (eighteen) are exactly the same with the offered products from the USA menu. However, 16 (sixteen) products from the USA are not offered in India. The colors and brand name of the packaging is the same. In addition it was observed that the Indian webpage layout has different colors, layout and design of the menu from the USA.

v. **South Africa:** 7 (seven) products out of 18 (eighteen) are the same and with the same product name as the USA menu. In addition, the authors have observed that 11 (eleven) products, which offered in USA, are not offered in South Africa. But it is noted that the packaging is the same such as colors and brand name. It is further observed that the webpage design of the South Africa menu has different colors and layout than the USA webpage.

The research findings were also gathered as denoted in table 4.2A (on the following page) regarding the standardized USA McDonald's menu in relation to the adapted McDonalds menus of the 5 (five) other countries of the study. The authors observe that the standardization of the product is consistent to some extent as they note that some products are offered in the other countries in the identical name and physical features just like the USA. It is further observed by the authors that there is a level of adaptation to the local countries as it is clear that there are some products that do not appear in the USA menu but appear in the different countries respectively.

Of the selected section in the menu under study, which consists of burgers, the authors note that the ***McChicken*** and the ***Filet-O-Fish*** is consistent in the 5 (five) countries), whereas the ***Big Mac, Cheeseburger*** and ***Double cheeseburger*** is consistent in all the countries except India which does not offer beef products in the McDonalds menu. They further observe that ***Hamburger*** is consistent in 3 (three) countries) namely Australia, Canada, and England. The authors also note that in India products made of beef are not offered in respect to their culture.

USA Burgers and Sandwich Menu	Australia	Canada	England	South Africa	India
Angus bacon and cheese	Big Mac	Angus third pounder bacon & cheese	Big Mac	Big Mac	Chicken maharaja
Angus deluxe	Chicken 'n' cheese	Angus third pounder deluxe	Double Cheeseburger	Cheeseburger	Mac
Angus mushroom and swiss	Crispy chicken bacon deluxe	Angus third pounder mushroom and	Hamburger	Double cheese burger	Chicken McGrill
Big Mac	Crispy chicken deluxe	swiss cheese	Quarter pounder with cheese	Double hamburger	Filet-O-Fish
Quarter pounder with cheese	Double Cheeseburger	Bacon cheese burger	Texas BBQ	Filet-O-Fish	McAloo Tikki
Double Quarter pounder with cheese	Double Quarter pounder with cheese	Big Mac	Sweet chilli crispy chicken sandwich	McChicken burger	McChicken
Hamburger	Filet-O-Fish	Big Xtra	Mayo chicken	McDouble burger	McSpicey chicken
Cheeseburger	Grand Angus	Cheese burger	McChicken	McFeast deluxe	McSpicey paneer
Double Cheeseburger	Grand crispy chicken	Chicken snack wrap	Chicken legend with cool mayo	McRoyale deluxe	McVeggie
McDouble	Grand seared chicken	Double cheese burger	Crispy chicken and bacon sandwich	McVeggie burger	Salad sandwich
McChicken	Hamburger	Double Fillet-O-Fish	Grilled chicken salad sandwich	Quarter pounder with cheese	
McRib	McChicken	Filet-O-Fish	Filet-O-Fish	Premium chicken burger deluxe	
Filet-O-Fish	Seared chicken bacon delux	Hamburger	Cheeseburger	ranch	
Southern style crispy chicken sandwich	Seared chicken delux	Junior chicken	Chicken legend with spicy tomato	Spicey cajun chicken burger	
Premium style crispy chicken sandwich	Cheeseburger	McChicken	salsa	Premium chicken burger deluxe	
Premium crispy classic chicken sandwich	Mighty Angus	McDouble		spicey hot	
Premium grilled chicken club sandwich	Quater Pounder	McMini sandwiches			
Premium crispy chicken ranch BLT sandwich		Quarter pounder with cheese			
Premium grilled chicken ranch BLT sandwich					

(blue)	The same name as USA and same product as USA
(green)	Different name from the USA but same product as USA
(orange)	Different name from the USA and different product from USA

Table 4.2A: Complete menu observation guide
Source: Compiled by researchers from webpage observation (2012)

1.1.1   *Extent of product adaptation and standardization*

Following the research findings, the authors evaluated the collected data and subsequently interpreted the findings in relation to the theoretical concept in line with product standardization and adaptation.

In figures 4.2 and 4.2A, the extent to which the products are adapted are demonstrated accordingly. Following the findings of the research, the authors note that McDonald's lean towards more of a standardized approach. But further observation reveals that McDonald's have adapted their international product strategy as some products are offered to suit the local culture. For instance, in India McDonalds has changed the recipes of the hamburgers with beef ingredients and replaced them with chicken, fish and vegetables as well as with their local cuisine names such as the McAloo Tikki in respect to their culture.

This adaptation entails that all customers' preferences and needs are met and satisfied. To that effect McDonald's India solely offers burgers that consist of chicken, fish and vegetarian ingredients respectively. The authors further observe that unlike the Big Mac, which is world famous as the McDonalds signature burger consisting of beef, India has the Chicken Maharaja-Mac, which consists of chicken, and curry sauce common in India's cuisine. Other adaptations are seen in terms of the webpage layout. In England the webpage also has a British theme that highlights their flag. On the other hand, the packaging of products and logo is the same as observed.

On the other hand, the same figures 4.2 and 4.2A also demonstrate the extent to which the products are standardized. As the elements of the product under study include the brand name (McDonald's), webpage layout, packaging and physical features, the authors note that the brand name and packaging is consistent in the different markets. The physical features of the products that are offered in the five different countries are also identical in appearance thereby demonstrating a product standardized approach. Further, it is also noted that similar to the USA menu page, the webpage layout of the five countries is presented in the English language as well. However, as mentioned earlier in the delimitations, other product features such as physical taste and/ or quality could not be observed as actual tasting needed to be done in order to test for consistency.

That being said, the authors strongly find that Ray Kroc's philosophy when creating this chain of restaurants proves that it still stands, that is, the philosophy on the idea that the customer would experience a standardized service and quality of their products in whichever McDonalds restaurant they would go to regardless of state within the USA and regardless of country worldwide. This can be further justified from personal experience by the authors as having tasted the most famous standardized product such as the Big Mac in two different countries (not mentioned in the study) they can state that the taste and quality was the same. Notably, the authors are aware that the personal tasting has occurred only on one product from the products offered and not from all the countries, hence no conclusions can be drawn but this can prove Kroc's vision.

The packaging of products is the same as observed. This ranges from wrapping paper of the sandwiches as well as the boxes used in packaging the burgers. The logo bearing the brand name of McDonald's in all five countries is the same as that of the USA thereby demonstrating a standardized approach. This logo appears on all product packaging as well as the website as given on (*www.mcdonalds.com) as at* May, 2012.

1.1.2   *Differences between different markets*

The authors find that there are distinct differences in the different markets and strongly agree with the sentiments of Vignali that differences between markets are inevitable, and in this case it is evident that in as much as McDonald's lean towards a product standardization approach, the company will adapt to some extent. Further, the differences between the different markets that were examined were detected. Each market was observed to obtain several products that were only served in that market. The authors assume that according to careful market research formed by the company, products were developed so to satisfy and meet customers demand. In more detail the differences on the hamburger and sandwiches products that were observed range among differences in number of products offered in relation to the USA McDonalds menu as well as type of product offered.

The differences as observed in the different five country markets can also be likened to other past research regarding the research topic in question. For instance, according to DeBres (2005), the most expensive products including the variation on types of hamburgers from the McDonald's menu are alike in name and presentation. However, he notes that the differences begin to be noticeable with the non-beef sandwiches, with differences primarily in the name of product. Having observed the differences in the markets, it is clear that there has been some level of modifications in their product span offered around the world so as to adjust to local customers and food preferences.

Further, differences are noted in the amounts of chicken and beef products that are offered in the different countries. For instance, Australia had a great variety of products offered with chicken, while the USA market has only 7 (seven) products out of 18 (eighteen) that contain chicken. On the contrast Canada offers more products that contain beef. Moreover in the Canadian menu it was observed that 3 (three) products contained exactly the same ingredients as 3 (three) products offered in the USA and appearance was the same, but the product name different. As known product name can be equally adjusted and adapted to local markets. In England's market it is observed that more products with chicken are offered and also the use of mayonnaise is greater than the USA and the other markets.

Moving on to the South African market, it was observed that whilst offering the traditional products of McDonalds such as Big Mac, Cheeseburger and the original Hamburger, they additionally offered an alteration on one of these traditional products, to name this, the original hamburger was altered in an additional product named as ***Double Hamburger***. Same ingredients were used as the original hamburger, but contained an extra layer of beef. Last but not the least, the Indian market had the most differences in the products that were offered. Product names were adjusted to local culture, as well as ingredients from the local cuisine were added in the products offered by McDonald, such as curry. But most importantly the greatest adjustment was that products could not contain beef and be served in that market. Therefore, this major difference in that particular market was due to cultural constrains that engaged the company to adapt so to succeed and meet local customer needs in India. In addition, as mentioned earlier another difference in the markets were the WebPages which all had different layout design, as the color scheme, the menu layout and the categories of the menu.

1.2 Interpretation of results

Following the research findings, the authors evaluated the collected data and subsequently interpreted the findings in relation to the theoretical concept in line with product standardization and adaptation.

1.2.1 *Analysis of the extent of adaptation and standardization*

In their article, Subramanian and Hewett (2004) discuss how multinational corporations balance the standardization theory and adaptation theory in their product design when going international. They mention how important it is to get inputs for the product design from the headquarters (home market) but equally important inputs from the foreign subsidiary (foreign market) in order to find a balanced and more functioning strategy for their products in the specific country they have chosen. They mention what a major role the differences of markets play when choosing an international product strategy thus showing that a level of adaptation to the product strategy is somewhat still important.

When discussing the extent of product adaptation and standardization, through the findings of this research the authors found that MNCs will generally lean towards a standardization product strategy and adapt to some extent. As reviewed earlier, the major issues and debates surrounding the issue of product strategy are that it is considered most likely international product strategies that do not combine standardization and adaptation strategies do not end up going as well as the strategy that has taken under consideration both inputs from the headquarters and foreign subsidiaries as well. The authors' observations find that the products are standardized to some degree and is consistent with what Vrontis *et al.* (2009) asserts in their research results, that there is a tendency to lean towards standardisation, more especially in product design and packaging.

The standardization of the McDonald's products has faced some challenges in some cultures. For instance in India, Kulkarni and Lasser (2009) found that the major issue in the McDonalds standardized products was beef. India as a market was a unique example of diversity. Divided into 28 states and 7 union territories, the vegetation, climate, religion, language, clothing, and food varied from one state to another. With the combination of spices in a unique way, food of these states reflected their traditions and culture. Hence the biggest challenge to any food business in India definitely was about balancing the diversity and the product offerings. As such, cow being sacred and worshipped, beef could not be served and in the same vein Muslims did not eat pork. The challenge of McDonalds was to change the form of the worldwide popular Hamburger to make an entry into India. With 25-30% of the population being lacto vegetarian and a large majority not eating meat, an alternative to beef and pork was necessary.

Concerning cultures in the food industry, Harska, Ubreziova and Kekäle (2005) conducted a study involved in the food industry based on the Slovakian food processing companies. After having conducted their research and collected their data they realized that the areas of the product strategy that need to be adapted and modified in order to be acceptable by the foreign markets in question are; the product description, trademark/brand name, packaging size, measurement units used, graphic packaging design, logo and lastly but not least, product composition. In the researchers' opinion, if large modifications and changes as many as these are needed to be made in order for the products to be accepted by the consumers then it is agreed with the notion that adaptation of the product especially in the food market in order to respect culture such as religion, traditions and language is vital.

In the same vein of product modification, much of the earlier work as emphasized by Whitelock (1989) has observed and suggested that the need for product modification is, therefore, clear, and the inadvisability of global product standardization is highlighted. For instance, founder of McDonald's, Kroc, also strongly believed in the entrepreneurial spirit, which gave the freedom to the franchisees to create their own products. Hence, allowing the franchises to adapt the products to suit the taste of the different cultures. Nevertheless Kroc had a rule, which was that the franchisees must operate under the core principals of McDonald's, which were quality, service, cleanliness and value. In proposing a standardized approach, it can be interpreted that Kroc also hinted an aspect of adaptation to his.

1.2.2 *Analysis of the differences between different markets*

Having observed the differences in these markets, it is clear that there has been some level of modifications in their product span offered around the world so to adjust to local customers and food preferences. As noted by Vignali (2001), one of the aims of McDonald's is to create a standardized set of items that taste the same, whether in Singapore, Spain or South Africa. McDonald's learned that, although there is substantial cost savings through standardization, being able to adapt to an environment ensures success. Therefore the concept of "think global act local" has been clearly adopted by McDonalds.

In line with the findings of the research *Product Adaptability: Assessment and Strategy* by McKee and Konell (1993), the authors also assume that plausible explanations are that differences exist between markets due to the fact that there are distinct differences in local consumer tastes and preferences which results in different needs. In their study McKee and Konell (1993) found and concluded that among other things, the importance of product adaptability due to prevailing differences between countries is inevitable in a continuously changing environment, as organizations themselves must be prepared to continuously change. The chief focus of this approach, then, has been to show how the increasing rate of change in business environments has created new survival requirements of being able to show flexibility in terms of product offerings.

Further, like Horska *et. al.* (2007) whose research was focused on culture differences as regards product adaptation in processes of internationalization, the authors also attribute the research findings to the fact that the products must differ more from the original, in several different ways, as the culture differs more. Having noted the differences of McDonalds' product offerings in the different markets, the authors also agree that adaptation of product composition to national legislation and taste is also important in all markets, the relative importance of adaptation of would seem to diminish with the cultural distance. Like Horska *et al.* (2007) who suggest that if the threshold for adapting the products for exporting to foreign countries grows too big, it can still be that there are alternatives for internalization that are closer in cultures and traditions and thus require less adaptation, the authors agree that standardization of products is important to a larger extent as this promotes uniformity in product presentation as well as quality consistency.

Concerning cultures in the food industry, Harska, Ubreziova and Kekäle (2005) conducted a study involved in the food industry based on the Slovakian food processing companies where emphasis the placed on the differences between the standardization and adaptation strategy and either strategy is a modified approach for each specific market. Concerning the research findings as regards the McDonalds products that do not appear in the USA menu but are offered to the different markets,

it is also noted by the authors that the areas of the product strategy that need to be adapted and modified in order to be acceptable by the foreign markets in question are; the product presentation, unique product in relation to local cultural tastes and preferences, graphic design in terms of webpage layouts, and lastly but not the least the product composition. Like Harska *et al.* (2005) the authors' opinion is that adaptation of the product especially in the fast food market as with this research, it is vital to respect culture such as religion, traditions and language.

By considering the effects of globalization, it is worth noting that whereas other researchers have performed theoretical and empirical studies and tested a possibility of product standardization across cultures, others have also tested and proved that product adaptation across cultures is inevitable. More specifically in the food industry where this study is emphasized, cultural differences is an aspect that is unavoidable for MNCs to ignore if they are to succeed in international markets.

As previously noted in the literature review, the question of whether to standardize or to adapt a product in international marketing has received great attention during the last forty years, both options presenting positive arguments as well as serious limitations (Ghantous, 2008). Through this case study, it can be seen that the standardization of products across cultures from a global perspective could be employed on the basis of presentation in a consistent image across countries. Hence the motivation for standardization behind the founder of McDonald's, Ray Kroc, lay in his vision in that he wanted to serve in these restaurants burgers, buns, fries and beverages that would taste the same in whichever McDonald's restaurant that the customer would go. As such, much emphasis was placed on the goal of consistent quality, service, cleanliness, and value for customers. However, although McDonald's is one of the most successful and recognizable brands worldwide, the company is still faced with some challenges as regards a standardized product strategy. The main lesson to take away from this case is that one uniform global product strategy may not be effective in all markets and hence the need to modify the product to suit local tastes and preferences.

1.2.3 *Is standardization possible across cultures?*

The major issues and debates surrounding this topic are that it is considered most likely international product strategies that do not combine standardization and adaptation strategies do not end up going as well as the strategy that has taken under consideration both inputs from the headquarters and foreign subsidiaries as well. In as much as the world is indeed becoming smaller and the markets are becoming homogeneous, one wonders if at all product standardization will eventually become the only strategy. It is said that there have been international companies, which have introduced their product line across borders using the standardization strategy and have been successful. And others have not been so lucky.

Having reviewed the different arguments of motives behind product standardization and adaptation, one would wonder as to whether the possibility of product standardization across cultures would be feasible considering the reduction of the globe as the market becomes one through globalization. As can be seen from the case study findings, standardization may be the most feasible option, but in reality it may not be possible. In as much as MNCs are increasingly viewing the world as one market place, adaptation is still somewhat inevitable to some extent.

The arguments however for standardization suggest that if a company goes through the process of adapting the product to local markets it does little but add to the overall cost of producing the product and weakens the brand on the global scale.

In today's global world, where consumers travel more, watch satellite television, communicate and shop internationally over the internet, the world now is becoming a lot smaller. Because of this there is no need to adapt products to local markets. For instance, from the authors own observations, brands such as Coca-Cola, Nike, Levis are all successful global brands where they have a standardized approach to their marketing mix, all these products are targeted at similar groups globally. Further, the reviewed literature also suggests that MNCs can market standardized products and services by identical marketing strategies, which result in lower costs and higher profits considering the fact that the worldwide marketplace has seemingly become homogenized.

Although the different approaches of the researchers in the reviewed literature are distinct in their arguments, it seems evident that these two approaches of either product standardization or adaptation are by no means mutually exclusive. While it is important on the one hand to consider product standardization, it is also important not to throw caution to the wind and ignore adapting where necessary.

Whilst Vrontis. et al. (2009) observe that the global market is becoming increasingly homogenized and that multinational companies can market their products and services in the same way all over the world by using identical strategies with concomitant lower costs and the benefits of higher margins which equate to increased profitability, the authors find that, in relation to these findings unless cultures synchronize, adaptation will always be inevitable.

In support of the theory previously presented in the literature review of this thesis it is clear that for a company to be successful a combination of the two strategies that is standardization and adaptation should be considered. The particular findings of this research, have also demonstrated that standardization and adaptation is not an all-or nothing proposition, but a matter of degree. Hence MNCs should strive to incorporate ingredients of both approaches based on a clear understanding of the dynamics of the served markets.

2   Conclusions, Implication and further research

In this final chapter conclusions from the study are drawn in accordance with the research purpose and questions. Based on the same, implications of the research have been given for theory as well as future research on the topic in question.

2.1   Conclusion

Thus, the main purpose of this study was to make an investigation on finding out the extent that MNCs go to in either standardizing or adapting a product in international markets. The authors also delimitated that this study would not compare the two strategies, that is, product standardization and adaptation, as to which one is the best as emphasis was placed on only finding out the level of MNC adaptation and/or standardization of their products. To that effect, only selected products of the McDonald's total products offering are investigated and this were the burger and/or sandwiches as indicated on their official website *(www.mcdonalds.com)* as at May 2012. In order to fulfill the purpose of this study, the following research questions were posed:

> i.   To what extent do Multinational Corporations (MNCs) adapt or standardize their products internationally?

> ii. Are there any differences between different markets in relation to McDonald's product offering?

2.1.1   *Level of adaptation and standardization*

Both advantages and disadvantages of product standardization and adaptation have been reviewed and theory suggests that the motives for standardization often override the rationales behind those of adaptation. However, MNCs will consider the benefits of adaptation in circumstances that dictate that this product strategy is inevitable. Thus, in line with the first research question of this study:

> ***To what extent do multinational Corporations (MNCs) adapt or standardize their products internationally***?

the authors find that in relation to the reviewed literature and/or theory, MNCs will somewhat adapt to the local culture and/ or culture regardless of nature of product and industry. With McDonalds as the case study it is concluded that a standardized approach is efficient in that it enhances consistent product quality, and services provided. However this does not mean that adaptation must be overlooked, as to be successful products have to be adapted to suit the local culture.

From the case study, the authors observed that in as much as the degree of McDonald's standardization of their products is greater, also observe that the need of adjustment to their product in foreign markets is not avoided as to respect local cultural difference, and meet customer satisfaction and/ or preferences. For instance, in the case of the Indian market as mentioned in 4.2, the original Hamburger products that are served in elsewhere in the other markets are not served in India due to cultural and religious constraints. In respect of this, McDonald's have had to adjust their products so to suit the local market.

Hence the authors can state that in most markets as observed, the level of degree of McDonald's standardization of their products is greater with exceptions of markets with extreme and significant motives such as culture and/ or religion, forces the corporation to customize the products offered to result a success in the particular

market. Hence, the authors conclude that in most markets as observed, the level of degree of MNCs' standardization of their products is greater with exceptions of markets with extreme and significant motives such as culture and/ or religion, forces the corporation to customize the products offered to result in customer reception in the particular market.

2.1.2 *Differences between different markets in relation to McDonald's*

After analyzing the research findings, it is clear that differences exist in the different markets as regards the product offering of an MNC. Thus, in line with the second research question of this study:

> *Are there any differences between different markets in relation to McDonald's product offering?*

the authors find that McDonalds mostly lean toward standardization in their product strategy in order to keep an identical profile all over the world, such that anyone should be able to recognize McDonalds regardless of the location in the world. But because of cultural differences, McDonalds has had to adapt their products to suit the local tastes, in general this is also very common among international food retailers. Therefore differences have been observed in menus that is, products can have the same name but the same composition, the same composition but different name, or a completely different product all together to suit the local culture and customer preferences.

Having reviewed the literature in relation to any differences in the markets or the degree of standardization/adaptation as regards McDonald's product offering, the researchers formulated two hypotheses as follows:

1. **H1 Null:** The fast food companies will exhibit neither an adaptation nor a standardization strategy across cultures.

   H1 Alternative: The fast food companies will exhibit a pattern of adaptation across cultures.

2. **H2 Null:** The level of standardization/adaptation of the product will be consistent across all product mixes.

   H2 Alternative: The level of standardization/adaptation will not be consistent across all the product mixes.

From the data findings the authors hence reject the first hypothesis and accept the alternative by concluding that the fast food companies will exhibit a pattern of adaptation across cultures. In addition the authors fail to reject the second hypothesis as their research findings support that the level of standardization/adaptation of the product will be consistent across all product mixes.

This study was qualitative in nature and as such no generalizations can therefore be drawn from the interpretations of the data, considering that the study had under investigation only one case study. However, this study is still interesting from a company's perspective in the international food retailing industry, in that, McDonald's is a successful company with a seemingly successful global approach. Therefore, the authors suggest that McDonald's is a good example when writing about MNCs in the food retailing industry.

Hence conclusion is been drawn, that it is somewhat unreasonable for a company wishing to internationalize their products to attempt a complete homogenization approach of marketing their product of the marketing mix. However, under clearly defined sets of different circumstances and different product categories can a company, consider such an approach.

2.2   Implications

The long debate in international marketing as to whether companies should either standardize or adapt their international product strategy continues to be a focus of research in academic literature as has been observed in the literature review section of this thesis. It is also worth noting that it is of significant and ongoing concern for every MNC and marketing practitioner alike. According to Vrontis *et al* (2009), the globalization of society is generally an ongoing phenomenon affecting consumers and businesses everywhere. A phenomenon, though, which does not and cannot equate to a globalization of markets. They further suggest that on the other hand, complete heterogeneity is also a mistake in line with the many researchers that have also emphasized on the same, especially where continued and obvious dissimilarities exist between different countries, markets and even more for consumer goods.

2.2.1   *Implications for theory*

A lot of research has been done in the area of standardization and adaptation as product strategies in international marketing but considering that this research only had one case study, the authors acknowledge that no generalizations can be made from this study. However, other MNCs can refer to McDonalds as regards the importance of adapting their products internationally. It is also worth noting that after reviewing past literature and after the interpretation of the collected primary data, it is concluded by the authors that the standardization decision is not a dichotomous one between complete standardization and complete differentiation but a matter of degree.

2.2.2   *Implications for further research*

This thesis has given the authors a wider understanding of why MNCs in the fast food industry would choose to adapt or standardize their products across cultures. Far from complete nonetheless, this study has only embarked on one confident step towards a better comprehension of the complex interrelationship of fundamentals entwined in the descriptive understanding of a company's product strategy approach in international marketing. However, in order for the findings from this research to be applied to all MNCs, the authors suggest the following recommendations for future research regarding the topic in question:

- To expand the study by considering more case studies in order to be able to generalize the research findings.

- For the same case study to expand in to larder scale of research such as comparison of more countries, actual taste of items, personal interviews with both employees and customers.

- To investigate the actual factors (both internal and external to the company) that may lead to company decisions in choosing a product strategy.

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Appendix A: Product observation guide

McDonalds Company was selected as the case for the study in question in order to provide relevant information as regards the research. Hence for comparison purposes of the burger products, an observation guide was compiled as outlined below. Please note that this research was done purely for academic purposes and hence all information gathered was treated as such.

Observation key:

For observation purposes, a number was inserted in each box to denote each meaning as follows:

0=> USA product does not appear in the different countries

1=> The same name as USA and same product as USA

2=> The same name as USA but different product as USA

3=> Different name from the USA but same product as USA

4=> Different name from USA and different product from US

5=> Same webpage layout (colors, user ability)

6=> Different webpage layout (colors, user ability)

Type of burger in comparison to USA McDonalds Menu	Countries under study				
	Australia	**Canada**	**England**	**India**	**South Africa**
Angus bacon and cheese					
Angus deluxe					
Angus mushroom and swiss					
Big Mac					
Quarter pounder with cheese					
Double Quarter pounder with cheese					
Hamburger					
Cheeseburger					
Double Cheeseburger					
McDouble					
Fillet-O-Fish					
Southern style crispy chicken sandwich					
Premium style crispy chicken sandwich					
Premium crispy classic chicken sandwich					
Premium grilled chicken club sandwich					
Premium crispy chicken ranch BLT sandwich					
Premium grilled chicken ranch BLT sandwich					
McChicken					
Webpage menu presentation					
Packaging of products					

Source: *Compiled by the researchers as regards the data analysis (2012)*

Appendix B: A variety of McDonald's logos

I'm Lovin' it - 3D Logo

Plain Golden Arches Logo

WIFI @ McDonald's

McDonald's Road Sign

McDonald's Drive-Thru

McCafé Logo on White Background

Source: *McDonald's website (www.mcdonalds.com) 2012.*

Appendix C: Picture samples of selected McDonald's products

Big Mac   Hamburger   McChicken   Filet-O-Fish

Angus Deluxe   Double Cheeseburger   Honey Mustard Grilled Chicken Snack Wrap

Snacks & Desserts   Beverages   Happy Meal with Chicken McNuggets

Chicken   Salads   Breakfast

Source: *McDonald's website (www.mcdonalds.com) 2012.*

Appendix D: USA McDonald's meals full menu

Beef Burgers	Fish and Chicken Burgers/Sandwiches	Assorted wraps	Breakfast
Angus bacon and cheese	Fillet-O-Fish	Angus bacon and cheese snack wrap	Fruit and maple oatmeal
Angus deluxe	Southern style crispy chicken sandwich	Angus deluxe snack wrap	Blueberry banana oatmeal
Angus mushroom and swiss	Premium style crispy chicken sandwich	Angus mushroom and swiss snack wrap	Egg McMuffin
Big Mac	Premium crispy classic chicken sandwich	Chipotle BBQ snack wrap (crispy)	Sausage McMuffin
Quarter pounder with cheese	Premium grilled chicken club sandwich	Chipotle BBQ snack wrap (grilled)	Sausage McMuffin with egg
Double Quarter pounder with cheese	Premium crispy chicken ranch BLT sandwich	Honey mustard snack wrap (crispy)	Bacon, egg and cheese biscuit
Hamburger	Premium grilled chicken ranch BLT sandwich	Honey mustard snack wrap (grilled)	Sausage biscuit
Cheeseburger	McChicken	Ranch snack wrap (crispy)	Sausage biscuit with egg
Double Cheeseburger		Ranch snack wrap (grilled)	Bacon, egg and cheese McGriddles
McDouble		McSnack wrap	Sausage McGriddles
McRib			Sausage, egg and cheese McGriddles
Chicken snacks & salads	**Other salads, snacks and sides**	**Desserts**	Big breakfast
Chicken McNuggets	Premium bacon ranch salad	Caramel apple parfait	Big breakfast with hotcakes
Chicken McBites	Premium caesar salad	Baked apple pie	Cinnamon melts
Chicken selects premium breast strips	Premium southwest salad	Vanilla reduced fat ice cream cone	Hotcakes
Premium bacon ranch salad with crispy chicken	Side salad	Kiddie cone	Hotcakes and sausage
Premium bacon ranch salad with grilled chicken	World famous fries	Caramel apple sundae	Bacon, egg and cheese bagel
Premium caesar salad with crispy chicken	Apple slices	Cinnamon melts	Southern style chicken biscuit
Premium caesar salad with grilled chicken	Fruit and walnuts	Soft baked chocolate chip cookie	Sausage burito
Premium southwest salad with crispy chicken	Fruit 'N yogurt parfait	Soft baked oatmeal raisin cookie	Hash browns
Premium southwest salad with grilled chicken		Soft baked sugar cookie	

Source: *Compiled by the researchers from information given on McDonald's official website (www.mcdonalds.com) 2012.*

Appendix E: USA McDonald's beverages and shakes full menu

Assorted McCafé beverages, other beverages and assorted shakes		
Premium roast coffee	Dasani water	McCafé chocolate shake
Premium roast iced coffee	Coca cola	McCafé strawberry shake
McCafé Mocha	Diet coke	McCafé vanilla shake
McCafé peppermint Mocha	Dr Pepper	McCafé shamrock shake
McCafé caramel Mocha	Diet Dr Pepper	McCafé strawberry shake
McCafé latte	Sprite	McFlurry with Reese's
McCafé capuccino	Hi-C orange lavaburst	Strawberry sundae
McCafé hot chocolate	POWERade mountain berry blast	Hot caramel sundae
McCafé peppermint hot chocolate	Iced tea	Hot fudge sundae
McCafé caramel hot chocolate	Sweet tea	McFlurry with M&Ms
McCafé iced Mocha	Minute maid premium orange juice	McFlurry with Oreo cookies
McCafé iced caramel Mocha	McCafé strawberry banana real fruit smoothie	McFlurry with Reese's
McCafé iced latte	McCafé wild berry real fruit smoothie	1% low fat milk jug
McCafé frappe Mocha	McCafé mango pineapple real fruit smoothie	Fat free chocolate milk jug
McCafé frappe caramel	McCafé frozen strawberry lemonade	Minute maid apple juice box
	McCafé cherry berry chiller	

Source: *Compiled by the researchers from information given on McDonald's official website (www.mcdonalds.com) 2012.*

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