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Global marketing strategies of Mcdonald's Corporation (with Reference to India and Russia)

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Abstract

McDonald's is the world's largest chain of hamburger fast food restaurants. It serves in more than 100 countries. With the expansion of McDonald's into many international markets, the company has become a symbol of globalization and the spread of the American way of life. Its prominence has also made it a frequent topic of public debates about obesity, corporate ethics and consumer responsibility. The McDonald's Corporation's business model is slightly different from that of most other fast-food chains. This characteristics gave me a scope to study on Mcdonlads concerning 2 countries that is India and Russia where all the taste & preferences are different. This Research paper include the global operation, marketing strategies with product, pricing, promotion, menu food variation in both the countries and further future plans that company have in both the countries. The Technique is used that is SWOT analysis with field survey. Conclusions and suggestion are drawn from the analysis

Keywords: Global operation, strategy, pricing, promotion

Introduction

World's largest chain of hamburger fast food restaurants, serving around 68 million customers daily in 119 countries across 36,525 outlets. Founded in the US in 1940, the company began as a barbecue restaurant operated by Richard and Maurice McDonald. Ray Croc was the founder of McDonald's Corporation. McDonald's success today is rooted in the work of all three. The McDonald's Corporation's business model is slightly different from that of most other fast-food chains. In addition to ordinary franchise fees and marketing fees, which are calculated as a percentage of sales, McDonald's may also collect rent, which may also be calculated on the basis of sales. As a condition of many franchise agreements, which vary by contract, age, country, and location, the Corporation may own or lease the properties on which McDonald's franchises are located. In most, if not all cases, the franchisee does not own the location of its restaurants. The company currently owns all of its property – valued at an estimated \$16 to \$18 billion. However, in recent times, there have been calls to spin off the company's US holdings into a potential real estate investment trust. The company earns a significant portion of its revenue from rental payments from franchisees. These rent payments have risen 26 percent over the past five years, and currently account for one fifth of the company's total revenue.

The company announced at its investor conference on November 10, 2015 that it would not spin off its property into a real-estate investment trust. The CEO, Steve Easterbrook discussed that pursuing the REIT option would pose too large a risk to the company's business model. The United Kingdom and Ireland business model is different from the U.S, in that fewer than 30 percent of restaurants are franchised, with the majority under the ownership of the company. McDonald's trains its franchisees and management at Hamburger University in Oak Brook, Illinois In other countries, McDonald's restaurants are operated by joint ventures of McDonald's Corporation and other, local entities or governments.

As a matter of policy, McDonald's does not make direct sales of food or materials to franchisees, instead organizing the supply of food and materials to restaurants through approved third party logistics operators. According to Fast Food Nation by Eric Schlosser (2001), nearly one in eight workers in the U.S. have at some time been employed by McDonald's. Employees are encouraged by McDonald's Corp. to maintain their health by singing along to their favourite songs in order to relieve stress,

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attending church services in order to have a lower blood pressure, and taking two vacations annually in order to reduce risk for myocardial infarction. Fast Food Nation also states that McDonald's is the largest private operator of playgrounds in the U.S., as well as the single largest purchaser of beef, pork, potatoes, and apples. The selection of meats McDonald's uses varies to some extent based on the culture of the host country

History

1940- Opened Restaurant by Richard and Maurice McDonald in California, 1953-1st McDonald's with arches opened in Phoenix, Arizona, 1955- Businessman Ray Kroc joined the company as a franchise agent, 1961-company first filed for U.S. trademark on the name McDonald's with "Drive -In Restaurant Service", 1967-company first filed a U.S. trademark on a clown-like man having puffed-out costume legs, 1968 Introduction of Big Mac and shift to Network Television, 1970 -1600 restaurants, 1980- 6000 McDonald's Restaurants, 1990-record sales, 1994- Kuwait City, Kuwait. 2001- Faced with a class-action lawsuit for advertising its fries and hash browns as vegetarian, even though they include beef flavoring.

Profile

Founded- McDonald's: May 15, 1940; 76 years ago, San Bernardino, California

McDonald's Corporation: April 15, 1955; 61 years ago Des Plaines, Illinois

Founders -McDonald's: Richard and Maurice McDonald
McDonald's Corporation: Ray Kroc

Headquarters-Oak Brook, Illinois, U.S. (Moving to Chicago in 2018)

Number of locations-36,525(2015)

Key people -Andrew J. McKenna (Chairman), Steve Easterbrook (President and CEO) **Products-** Hamburgers,

chicken, French fries, soft drinks, milkshakes, salads, desserts, coffee, breakfast

Number of employees- 420,000 (2015)

Slogan- I'm Lovin' It

Global operation

McDonald's has become emblematic of globalization, sometimes referred to as the "McDonaldization" of society. *The Economist* newspaper uses the "Big Mac Index": the comparison of a Big Mac's cost in various world currencies can be used to informally judge these currencies' purchasing power parity. Switzerland has the most expensive Big Mac in the world as of July 2015, while the country with the least expensive Big Mac is India (albeit for a Maharaja Mac—the next cheapest Big Mac is Hong Kong).

PRODUCTS AT GLOBAL -Hamburgers, various types of chicken, chicken Sandwiches, French Fries, Softdrinks, Breakfast items and desserts Some McDonald offerers salads and vegetarian items, wraps and other localized fare On seasonal basis-McRib Sandwich

- India - veg nuggets and big macs (maharaja Burger)
- Germany-beer and McCroissants
- Turkey-Chilled yogurt drinks
- Italy-cold pasta, espresso
- Japan- teriyaki Burger
- Netherland-Vegetarian Burger
- Philippines -McSpaghetti
- Norway-McLake (grilled salmon sandwich)
- Uruguay-McHuevo (poached egg hamburger)
- Thailand-Samurai Pork Burger with sweet sauce

Pricing and promotion

Pricing-Regional pricing and periodic low-price with high price on new taste menus

Promotion -Television, radio, customer mailing, point of scale display, direct mail and frequent sales promotion

Review of literature

S. no.	Year	Author	Topic	Findings
1	2013	Kshitiz Sharma	A Case Study On Mcdonald's Supply-Chain In India	McDonald's is the world leader in QSR. Their presence in 118 countries with 33,000 restaurants glorifies its position as world leader and as fast food giant. This huge network is not easy to manage where guest expectations are clean, hygienic, tasty and quick food every time. The credit of this successful availability goes to the unique supply chain management and control over this entire huge network. McDonald's is present in more than 40 cities of India with 250 eating outlets and adding more every now and then. This huge supply chain is entirely outsourced without any legal contact with them. Some unique features of this supply chain managements are lean management, multi-layered supply-chain, cold chain, Hub and Spoke system. For training their staff company takes all its measure through intensive programmes like Supplier Quality Management Systems (SQMS) and the Distributor Quality Maintenance Program (DQMP). The explained model will help to understand the flow of supply chain
2	2014	Mcdonald's Corporation Analysis Of Financial Statements	Mohammad Assad Siddiqi.	This report aims to analyze the financial results of McDonald's over a five year period and to compare it with its competitor Burger King. They represent two big names in the Food Industry. They are very much related to each other. The types of food they serve are somewhat similar. This analysis will mainly be accomplished by conducting a detailed ratio analysis on the financial data available for the last five year period.
3	2015	Service Quality Of Mcdonald's	Hilly*, Nimiya Raju, Shikha Singh And Monica Tariyal	The services are the economic activities characterized by intangibility, heterogeneity and difficult to evaluate. But these features have not acted as a barrier in enlarging the scope of services which is very wide and profound especially in emerging economies like India. Services have

				become an essential part of our lives especially the services offered by fast food industry. The growth of fast food industry in India has been manifolds. With the ease in doing business and the life of young professionals running like a bullet train the demand of chain of fast food restaurants has been on a higher side. The quality of the services provided to the customers thus becomes a matter of study. The level of services offered by these chains of restaurants should be exorbitant, enabling the customers to feel delighted. Thus, this paper studies the service quality of the famous fast food chain of restaurants - McDonald's. In this study, Servqual instrument has been used to identify the gaps between the customers' expectations and perceptions regarding McDonald's.
4	2012	Franchising And The Impact Of Mcdonald's	Gerhardt, Steve, Dudley, Dan, Hazen, Samuel	As individuals decide to open or pursue a small business, an important option available to most entrepreneurs involves whether or not to purchase a franchise. An increasing number of small businesses started during the last 30 years have involved some form of franchising. One major reason small business owners choose to become franchisees is these small business franchisees are able to operate as if they were much larger enterprises. As one analyzes franchises and franchise fees it appears there is a variety of similar fees and monthly expenses related to all franchised businesses. It appears, however, a large majority of people are confused over what fees are actually required and what the various fees entail. It also appears a large number of franchise fees and monthly expenses are based on the McDonald's Corporation fee structure.
5		Mcdonald's New Communication Strategy On Changing Attitudes And Lifestyle	Tianbai Deng	Achieving and maintaining wide-scale positive dietary and lifestyle change is a complex and formidable endeavor, given the current food environment. Moreover, for positive change to occur, nutrition messages should be communicated in a scientifically precise, yet practical and motivating manner. McDonald's tries its best to adapt communication strategies to changing situation. In the paper, discussions regarding communication efforts and the best methods to take, deliver, and evaluate the impact of nutrition messages illustrated both the challenges and the opportunities McDonald's is facing.
6	2013	Strategy And Repositioning The Brand Mcdonald's In India	Sameer, Sharanbir Kaur	Despite global slowdown, Indian economy is resurgent and offers fresh opportunities as well as challenges to global players. McDonald's still treats the Indian market as one of their young markets although what they have achieved in 15 years here, it would usually take them 25 to 30 years in another market. McDonald's philosophy of Quality, Service, Cleanliness and Value (QSC&V) is the guiding force behind its stellar service to the customers. However there is still a huge potential in the Indian food market that remains untapped in terms of family restaurants, quick service restaurants and breakfast eateries. Coming in the wake of these, their rebranding effort requires much more than a mere change of the logo or signage. There is a need to critically evaluate the right marketing mix. The article is focused upon assessing the marketing efforts in India in terms of positioning of McDonald's.
7	2013	Success Story Of Mc. D In India: Story Of Its Struggle In Indian Market	Bhawna Mishra And *Subodh Dwivedi	McDonald's Corporation, established in 1948, carries one of the world's most well-known and valuable brands and dominates the global market in quick service restaurant segment. The company has more than 30,000 restaurants in 119 countries serving 68 million customers each day (McDonalds, 2012) Each country poses a new challenge for McDonalds in maintaining or improving their position. The purpose of this paper is to do swot analysis and examine the entry and establishment of McDonald's in the emerging market of India. The biggest challenge for a multinational is to maintain its global strategy in the stint of diversity as they hit different foreign lands. The same was the biggest challenge for McDonalds when they launched into India. They faced severe Public relation crisis and it was a very difficult to come up with a solution in such a country. Some of the key variables in this relation were the suppliers, customers, government and then Global Brand image of the company itself.

Research methodology

The study is taken with the field survey and interview to get the SWOT analysis of mcdonald as a over view and secondary data is used for the research study.

Mcdonald's in india

It opened doors in 1996 (Resturants In Mumbai, Delhi, Pune, Ahemdabad, Vadodara, Jaipur, Noida, Faridabad,

Doraha, Manesar And Gurgaon) 50-50 J.V Partnership between U.S. And 2 Indian businessmen

AMIT JATIA'S company Hardcastle Resturants Pvt. Ltd (McDonald's Restro in Western India)

VIKRAM BAKSHI'S company Connaught Plaza Resturants Pvt. Ltd (McDonald's Restro in Northern areas)

There are 300 McDonald's Resturants in India and have QSCV (Quality, Service, Cleanliness and Value)

McDonald's starting in India

- 1996-First McDonald's open in Basant Lok in New Delhi
- 1999- First Mall location restaurant at Ansal Plaza(New Delhi)
- 2001-First Thematic Restaurants at Connaught Place(New Delhi)
- 2003-First Dessert Kiosk-Faridabad(Haryana)
- 2006-McDelivery on bicycle flagged off at Chandini Chowk, 100th McDonald Restaurant open in India
- 2008-first 24 hour McDonald Restaurant opens at old Delhi Railway Station, Chicken McNuggets launched in India
- 2012-McDonald's launches global Singing contest-Voice of McDonald's, Spice Festival from April, June, New Product Launch-McEgg
- 1997-First Drive-Thru restaurant at Noida(UP)
- 2000-First Highway Restaurant at Mathura(UP)
- 2002-1st Restaurant in a food court at 3C'S, Lajpat Nagar(New Delhi), 1st Restaurant at Delhi Metro Station at Inter State Bus Terminus, 1st fundraiser in association with ORBIS and Dr. Shroff's Charity Eye hospital (Delhi)
- 2004-McDonald's Delivery Service (McDelivery) introduced in New Delhi, Local Menu Innovation-McAloo Tikki, McVeggie and Pizza McPuff
- 2007-First Restaurant open in Eastern Region at Park Street, Kolkata, First Restaurant opened at Airport in New Delhi, First 'MADE FOR YOU' Restaurant opened at Noida (UP)
- 2010-First reimagined (NewLook) Restaurant opened at Ambience mall in Delhi

Strategy in India

Localisation by keeping in mind that if anything can sell in India it can sell anywhere. Price sensitivity studies are conducted before determining pricing even the rate of inflation is reviewed. Highly complex. Around 9000 hamburger buns, 3500kg of tomatoes, 2000 kg Iceberg lettuce and more than 500 slices of cheese on a daily basis. These are delivered to 225 restaurants around the country involving 40 different suppliers and using more than 60 refrigerated trucks.

Logistic

From the farmers given to the suppliers, then processes and distributed to the distribution centers. The quality of supplies is maintained by using customized multi-chamber temperature controlled trucks. Then dispatched to the restaurants depending their requirements Cold, Clean and On time delivery based logistic through warehouse.

Growth and future prospects

- Company plans to invest Rupees 150 crore in the current fiscal to open 40 new restaurants in India
- Company mantra is GLOCALIZATION.
- Web Ordering recently launched
- Working on the introduction of a new menu for breakfast, currently this being offered at selected restaurants
- On health conscious consumers, in 2008 introduced new whole grain wrap made by multigrain bread (barley,

oatmeal, ragi, wheat flour and maida) and a vegetable salad

- Chicken McNuggets introduce 0 gram trans fat per serving

McDonald menu in India

- Burger, wraps
- Econo meal
- Burger, wrap & chicken (a la carte)
- Extra value meal (burger+coke per bottle+medium fries)
- Happy meal (burger+maza/coke per bottle+toy)
- French fries
- Beverages
- Toppings
- Desserts
- A la carte

McDonald's in Russia

It was George Cohen, head of McDonald's Canada, who started an almost impossible dream of introducing a McDonald's hamburger in Russia. It took 12 years of efforts and finally in April 1988, he convinced the officials of Moscow that McDonald's can be set up in Russian culture. After 14 years of intense negotiations; McDonald's finally entered into the Soviet Union on January 31, 1990. The first day of McDonald's in Russia broke the record for inaugural sales in McDonald's history serving more than 30,000 customers on the first day itself.

Strategy in Russia

McDonald's Russia have included potato wedges, cabbage pie and cherry pie. In the year 2005, McDonald's initiated breakfast menu and stronger coffee at different locations in Moscow that enabled commuters who left early for work, to avoid traffic and eating out. The pricing of the beverages have been kept within the Russian budget and their competitors Starbucks. This includes cabbage pies, potato wedges and cherry pie. The Pushkin Square McDonald's as well as the Arbat are two of the locations where the McCafe was introduced. The Pushkin Square McCafe serves an average of 600 transactions per day and it is seen that 6 out of 10 people prefer to have beverages at McCafe than other restaurants.

Supply chain management in Russia

Suppliers - When McDonald's first opened in Russia, a majority of the raw materials used were not grown in Russia whereas as of now over 75% of raw ingredients needed for McDonald's are supplied by over 130 independent Russian suppliers. Many agricultural experts are of the view that McDonald's had changed the way Russians ate and now the "Corporation" is also deciding what should be grown in the country.

Food processing: McDonald's invested around \$45 million for the construction of 105,000 square foot food processing and distribution center in South-West suburb of Moscow, known as McComplex. McComplex assures that an adequate supply of high-quality standards are made available. In Russia, the McComplex produces all the pies that are sold in the country and it also exports pie to all Europe. Around 13,500 pies are produced every hour and works for 20 hours a day. The entire supply of fries and

wedges for McDonald's Russia comes from McCain Foods Limited, Poland, and the fishes from Cargill in Europe. Some amount of meat is imported from Germany, Lithuania and Brazil which is mixed with Russian beef to meet the McDonald's standard of 18-22% fat.

Quality and Safety: The facilities at McDonald's Russia are modern, clean; the processes are streamlined and efficient whereas there is a clear evidence of the quality and customer satisfaction.

Logistics: Supplying the raw materials in McDonald's Russia is a significant challenge in itself due to its geographical features. McDonald's Russia purchases raw materials from more than 130 local suppliers. Due to poor road networks and diverse geography of the country, it is a big challenge to transport raw materials

Growth and future prospects

After the opening of first McDonald's in Russia it just went one way – UP. In 2002, McDonald's was active in 23 cities which had a total number of 74 restaurants consisting of 9,000 employees. In 2005, it grew to 37 cities with 17,000 employees. Recently, McDonald's marked 20 years of business in Russia having expanded its business in 60 Russian cities with over 245 restaurants that serve around 950,000 customers daily with the help of its 25,000 employees. The US based food service giant said that in 2010 they will be investing \$135 million with a view to inaugurate 45 restaurants.

McDonalds product in Russia

- Sandwiches (filet-o-fish, shrimp roll, beef roll)
- Potatoes (wedges, french fries)
- Salads (vegetable, ceaser, carrot, apple)
- Desserts (muffins, milkshakes, pies)
- Beverages (leamonde in guava and raspberry, juices)
- Coffee tea (cappuccino, espresso)
- Sauces (barbecue, mustard, salsa)

Swot analysis

SWOT analysis is not free from its limitations. A truly successful SWOT analysis should extend beyond a simple list of strengths, weaknesses, opportunities and threats. A detailed SWOT analysis should also look at an opportunity or threat's size in order to see how it is related with the company's strength and weaknesses. While useful for reducing a large quantity of situational factors into a more manageable profile, the SWOT framework has a tendency to oversimplify the situation by classifying the firm's environmental factors into categories in which they may not always fit. The classification of some factors as strengths or weaknesses, or as opportunities or threats is somewhat arbitrary. For example, a particular company culture can be either a strength or a weakness. A technological change can be a either a threat or an opportunity. Perhaps what is more important than the superficial classification of these factors is the firm's awareness of them and its development of a strategic plan to use them to its advantage.

Strength

- Strategy-"THINK GLOBAL ACT LOCAL"
- Largest food market share in the world
- Qulaity control

- Brand Recognition in the 8th rank in Brand Relevance Index in the Forbes

Weakness

- Weak Product Development
- Qualities issues un Franchise Network
- Few Seasonal Product Shortage
- Transport Challenges in Logistic
- Low Differentiation In the products

Opportunities

- Deeper Expansion at International in Asian Market
- Increase profitability by opening joint ventures branches
- Proper Advertising strategy
- Have Healthy line of Food

Threats

- Competitors are there.
- Encouragement in Balanced Meal with Fruits
- Kid- Focus Marketing Strategy
- Meeting Food taboos of Different Countries

Conclusion

McDonalds's Expansion In International Market gave a symbol of GLOCALISTAION. This make the company to become emblematic for the title"McDonalization" of society on Globalisation. In India and Russia company want to use attractive and affordability proposition for their customer along with taste and preference.

Suggestions

Focus on Healthy food menu and do Innovations on it. Have quality Control to avoid issues. Try to maintain proper supply chain management. Go for more expansion to the Emerging economies for earn profit margin. Go for Easy Customisation and Affordability

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