

## MCDONALD'S—A GLOBAL GIANT

From the Maharaja Mac in India to the Prosperity Burger prepared especially for Chinese New Year celebrations, McDonald's has built a global fast-food empire under its golden arches. Only 33.5 percent of McDonald's revenue now comes from sales in the United States, and most of its international growth has come from the surging economies of Brazil, Russia, China, and India.<sup>67</sup> A pioneer in overseas franchising, McDonald's has spared no effort in its attempts to penetrate foreign markets. In China, it currently has more than 2,400 stores and is building partnerships with local companies that will help open 1,500 more over the next several years.<sup>68</sup> In Brazil, it created Latin America's first environmentally certified fast-food restaurant. A vast market defined by stark cultural differences, India has required a more modest approach that would allow McDonald's to develop its real estate and supply infrastructure, train the local workforce and management at its famed Hamburger University, and adjust the menu for vegetarian customers.<sup>69</sup> There are currently 400 McDonald's locations in India; in 2016, it introduced its first Big Mac-branded vegetarian burger, the Veg Maharaja Mac.<sup>70</sup>

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But McDonald's growth strategy relies on more than just added locations. In crowded cities, with real estate prices too high to build drive-through restaurants, the company has hired droves of motorbike drivers to bring Big Macs to customers. This nimble delivery approach is now a mainstay in cities from Beijing to Kuwait City. Mobile ordering and payments, for either curbside pickup or table service, also will be available in 20,000 restaurants in the United States and abroad by 2018.<sup>71</sup>

Fast-food restaurants enjoy some segment-specific benefits as they pursue such international expansion. Unlike retail brands, such as Walmart or Carrefour, restaurants pose fewer perceived competitive threats. Local eateries can exist side-by-side with a McDonald's in a way that a mom-and-pop grocer cannot survive if an international hypermarket moves in next door.<sup>72</sup> But even considering the massive growth in rapidly transitioning economies, Europe still generates the bulk of foreign sales for McDonald's. In France, for example, "MacDo" restaurants attract crowds that line up outside for a bite of lunch. But lunch might mean something a little different in this case: French McDonald's offer menus that feature Camembert cheese on the burgers, Heineken, a McBaguette, and macarons for dessert.<sup>73</sup> At one time, the secret to McDonald's success was "lockstep" consistency—namely, that a meal in Memphis tasted the same as it did in Moscow or Madrid. But the novelty of the American hamburger stand has worn off in the new millennium, as has McDonald's ability to export American culture as its staple commodity. A cheeseburger, fries, and Coke don't register the same level of excitement when the café next door and the bistro down the block are also serving burgers. More and more, the key to McDonald's future appears to be found in the DNA of the places it inhabits, like the sweet potato soft serve now available in Hong Kong.<sup>74</sup> And thus, the fast-food giant that has long represented the globalization of taste suddenly has found itself in a very unlikely position: as a defender of local cuisine.<sup>75</sup>

The kosher burger has been a hit in Israel, and Indian consumers seem to appreciate the opening of McDonald's first vegetarian restaurant. However, most new growth comes from Russia, where the company has 609 locations and holds the largest market share in terms of total sales. Even as fast-food competitors face potential market saturation in the United States, Russian demand for quick burgers appears insatiable.<sup>76</sup> Driving this Russian appetite has been the growth of a newly affluent middle class with money to spend to dine out. Infrastructure development in Russia also has been a boon to McDonald's as cities open malls with food courts, highways are constructed with drive-through locations, and specialty suppliers of frozen food and packaging have appeared.

In the early years of Russian expansion, few private businesses existed to supply the ingredients McDonald's needed to produce Big Macs and fries. The company solved the problem by building an enormous food processing plant outside Moscow. But it also worked to cultivate relationships with local Russian vendors and contractors, to which it eventually could outsource its supply chain. Today, a grower who began selling cucumbers to McDonald's in 1990 has become the Pickle King of Russia, dominating the processed foods market.<sup>77</sup>

Even when faced with some politically sensitive challenges—such as suspicious inspections by Russian agencies that alleged code violations in several McDonald's stores, seemingly in response to the strained relations between the Russian and U.S. governments<sup>78</sup> McDonald's has continued with its plans to expand in the country. In 2016 it spread into Siberian regions, opening 20 new restaurants, and plans further expansion in the future.<sup>79</sup> International enrollment in Hamburger University thus shows no signs of slowing.

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To achieve this international growth, McDonald's is relying not only on integrating local flavors but also on leveraging technology to make meals totally customizable. In the United Kingdom, Australia, and Canada, self-order touchscreen kiosks have been popular with consumers. Adding customization means more menu items, though, so service times have become a concern. But McDonald's believes it can deal with this issue because the self-service kiosks not only give customers more control but also make it easier to order and receive meals. Once a customer has placed a customized order, he or she can take a seat and wait for the food to be delivered to the table, enhancing the experience by offering more conventional restaurant service, with the convenience of a fast-food outlet. Sales from these kiosks have accounted for one-quarter of sales in the locations where they are available. Accordingly, McDonald's has begun implementing them in the United States as well.<sup>80</sup>

### Questions

1. Which sociocultural factors have informed McDonald's global expansion?
2. Describe some of the global marketing strategies that McDonald's uses or might consider using to spread throughout the world.
3. Explain McDonald's global marketing strategy. Compare McDonald's strategy in the United States ([www.mcdonalds.com/us/en/home.html](http://www.mcdonalds.com/us/en/home.html)) to McDonald's strategy in India ([www.mcdonaldsindia.com](http://www.mcdonaldsindia.com)).