

Maconald's Case Study

Student's Name

Institution

### **How McDonald's has performed in India**

The entry of McDonald in India was revolutionary to the food retailing system. This is because of the diversity in terms of foods, cultures and traditions. The Indian market was a conservative market owing to its ethnic representation with distinctive preferences and food traditions. The region has always maintained its distinct habits of food despite interactions with other people from other parts of the world. This has led to most Indians preferring local and regional foods by adopting home-cooked foods which are deemed inexpensive, fresh and healthy. This was the main reason why most fast food companies from the West ignored the Indian market. This saw McDonald fast food chains take route in India after more than five years of existence in India after its entry. This was at a good time when India as a country was growing strong and opening up its markets. Hence, it led to the enthusiasm to attain new products and services which were being introduced by McDonald's.

McDonald's made it possible for Indian market consumers to start adopting foreign brands which were deemed of value and improved the lives of the people. With McDonald's opening and operating in India, it was a sign of change especially towards the adoption of globalization. This is also as championed by the global awakening call for globalization. The benefits of the afore-mentioned are concise as is seen from the way the Indian market is infiltrated by new service standards. These standards have however been in existence in the Western world for decades. The Indian market was so quick to accept these visible service standards that were brought about by McDonalds. This was due to the noteworthiness of the services standards as perceived by consumers in the market. This led to McDonald's having to position itself and thereby making it a success in the family restaurant fast food chain.

McDonald's performance in India has been a success due to its strategic entry into the market. By first opening a restaurant in Delhi, McDonald's exploited the opportunity of the capital of India which is one of the India's core and strategic city in terms of power. This followed their opening of another restaurant in Mumbai which is a financial capital city in terms of progress. Its progress is mind blowing despite the many controversy and criticism from nutritionists, unionists and local residents in India. The company has stood to its course by developing total systems through re-coordination, reinvention and standardization of its products and services. McDonald's belief of real influence in India has been pivotal in making stand apart from its competitors in India despite the region's diversity of market. This has been seen as an entirely new experience that is different from other fast food chains in India. Therefore, the lasting impressions brought about by the sophisticated services and products of McDonald's are what define its performance.

### **Utilizing the CAGE framework, thoroughly assess the contextual issues for McDonald's in India**

#### *Cultural*

The majority of the populous India back in the time was the Hindu and they were vegetarians. Their culture saw the cow as a sacred animal. McDonald's has always been seen as a symbol of the American culture by the Indian culture. This meant for them a creation of a global system which entailed capitalism with the rich owning the means of production. During the initial stages of McDonald's in India, most of the consumers tended to ignore its influence owing to the diversity of their cultures. They believed that McDonald's wanted to spread the Western corporations to their rich culture. However, this was never so after a period of some time. Instead, the existence of McDonald's in the Indian market reflected a revolution in the food industry system. This was basically a sign of the adoption of globalization among the Indian consumers. This led to the acceptances of western brands which influenced the Indian markets.

*Administrative*

After McDonald's received its clearance from the Foreign Investment Promotion Board from India, it embarked on its strategy to penetrate the Indian market. The biggest challenge was to balance the diversity in India by being politically correct and doing it local despite being global. McDonald's exploited localization as a strategy as evident in its way of management. It used local entrepreneurs to help set up McDonald's in India on a 50:50 basis. The two businessmen were Amit Jatia and Vikram Bakshi. This was in a bid to quell the political confrontations and avoiding religious sensitivities of the local Indian consumer. This helped much in seeing the introduction of mutton to the market to replace the use of pork or beef. By using the local leadership, the company was able to obtain a more precise Indian-centric strategy in their business planning which was more captivating to the locals. Furthermore, aspects of bureaucracy were available for the company hence relations with the government were eased.

*Geographic*

The location of the company's first restaurants in Delhi and Mumbai was spearheaded by the fact that those two cities were strategic. This is due to the fact that cities were dominated by metropolitan cultures with most of their inhabitants coming from the middle-class and rich population. This means that they could recognize and embrace McDonald's faster and easily as compared to other cities which were not affordable and could not recognize brands easily. These two were the main reasons behind the choice of Delhi and Mumbai. Since many Indians do not like experimenting on new foods, it proves hard for the company to expand its services. This is also another problem that makes the company come up with proper business plans to help strategize on the best locations for setting up new restaurants. Faced with the problem of logistics, the company has only been able to open up outlets that are within 500km radius of the major distribution bases. These are the two found in Delhi and Mumbai despite other cities comprising high urban cosmopolitan population. McDonald's has as a way of improving its service, entered into partnerships to enable it penetrates the Indian market. This includes petrol stations, railway stations and shopping malls.

*Economic*

India has a very big consumer market with a lot of economic reforms since 1990. Since independence, the Indian national leaders pronounced the preference of the local products to foreign products. These were strategies to formulate policies that support economic nationalism and absorption of local products. India was so sceptical about cultural imperialism and was opposed to the domination of the Western culture. This became a big problem for McDonald's being a new company in the block. This proved difficult owing to it being a problem for foreign fast food chain companies to enter the Indian market. The state continued to have the final say over the economic matters which were acting as impediments to economic reforms. This meant that the economy was state owned in terms of price control, trade policies, licensing, and new technology among others. After India embraced economic reforms is when the country started realizing market based economy as opposed to government controlled economy. This was proving hard for McDonald's which it was able to overcome and flourish.

**Given the challenging context that India represents for a U.S. global hamburger restaurant chain, why has McDonald's done so well in India?**

*Cultural sensitiveness*

The change in the way McDonald's is viewed by consumers is in line with the changes in the socio-cultural alignments. More Indian consumers have become positive to the globalization effect that is taking shape in the world. This has seen McDonald's become a

connecting avenue for consumers who exchange with other consumers from different parts of the world. This has not been enough for McDonald's as it has done a lot in terms of being innovative and coming up with new products and services that appeal to the Indians. Localization has been employed by McDonald's as a marketing strategy that aims at achieving cultural sensitiveness in its performance. In order to curb the rising concerns of the majority of Indians who do not eat beef or pork, the company uses mutton to prepare their new products. For the case of vegetarians, McDonald's offers them veggie burgers. This has been done along the strict standards of developing products and cooking.

#### *Adoption of Local Management*

In reshaping its operations in India, McDonald's adopted the use of local managers in order to penetrate the Indian market. In Mumbai, Hardcastle restaurants private limited was the one selected to manage and own the company's western region of India. This was as a consideration of the manager who was an investor in the real estate development. So as to balance the equation, the company also gave Connaught Plaza Restaurants Private Limited was the one in-charge of the northern region. The company is owned by Vikram Bakshi who is an investor in chemicals and textile business and a vegetarian. This served as a great opportunity to help curb the political temperatures by activists who are against the fast food chain companies from the Western countries. The background of the two managers makes the company compete effectively with other fast food chain restaurants found in India.

#### *Location*

McDonald's has exploited all the available options in terms locating its restaurants. This includes entering into partnerships with state owned companies such as Bharat Petroleum Corporation and Delhi Metro Rail Corporation. Such partnerships have bore fruit since it has seen the putting up of new restaurants in petrol stations, railway stations, shopping malls, and bus stations. Drive-through outlets have also been utilized by the company making it easier and faster to manoeuvre the market. Logistics and supply chain have also seen the setting up of new restaurants to help curb the ever growing number of local consumers.

#### *Pricing*

Due to the stable growth in the economy in India, McDonald's decided to come up with sensitive food prices that are affordable. This was to be in line with the status of the rich and the upper middle class who are part of the population in India. For the absorption of new cultures to take place in a more stable way, the company saw it better to come up with reasonable food prices that are affordable and sustainable. This is the only way the company could stand the competition from other fast food chain restaurants and at the same time making sure that the company is the best in India.

### **What are some of the future challenges that McDonald's will have to deal with in India?**

#### **How would you resolve these issues?**

To conclude that McDonald's has succeeded in the Indian market is still premature. Though it has achieved a lot in the nine years it has been in operation in India. The company itself has taken not so long to achieve the breakthrough but more needs to be done in terms of investments. The company needs to invest more in order to see it become sustainable in its operations in India. One of the reasons why McDonald's has reached the break-even faster is due to its appeal for new pack of consumers who are the children and the parents. This means that McDonald's did not work any magic but it acted in response to a calling opportunity which was presented by changing the values of Indian cultures. Therefore, it is evident that no new market was created because other companies were operational. This begs the question as to what challenges McDonald's may face in the near future?

In as much as McDonald's tries to appeal to the new crop of consumers who include children and parents, there is the question of growth of the company in India remains tentative. It is important to note that McDonald's is still a reflection of the American culture. Aspects of cultural imperialism are glaring and real when the story of McDonald's come to the picture of the Indian consumer. This means that it is a representation of the American fast food chain. The company was able to penetrate the infiltrated market by changing the socio-cultural ideals of the Indians and sustaining their liberation in terms of economy. It is for this fact that protagonists have it that it is a plot of capitalists (Americans) to domineer over the global market. This has seen a lot of mixed reactions from unionists, environmentalists, animal rights activists, religious fundamentalists, and anti-globalization protestors. These are fundamental aspects which have led to protests that have tainted the vegetarian service of McDonald's.

It might prove difficult for McDonald's to come up with new products on a daily basis due to pressure from its consumers in future. This is because India has a lot of distinct cultures which are fragmented and they have no similar food preference. This is crucial since it's hard to satisfy the needs of all the consumers. This will lead to lack of sustainability of a demand driven commodity. This will arise from aspects of cost and possibilities of error. This will lead to lack of doing it regularly hence dissatisfy the consumers. To add on, McDonald's needs to grow other outlets in other cities to enable the brand to penetrate the Indian market. The dependence on its distribution and processing power cannot be sustainable for the company. The company needs to work on opening other outlets hence open up other cities which are inaccessible to due to poor transportation and road facilities.

In conclusion, McDonald's has a very positive public image in India. Localization of its products has led to the growth of the company. It is important for the company to fully understand cultures of the other distinct population found in India hence improve its operational base. It is hard to say that since McDonald's as a big brand can take the Indian market lightly. What McDonald's needs to understand is that learning the cultures of the consumer and being relevant are the key aspects that the company should take into account. For McDonald's to grow, it has to take up the task and penetrate the cultures which are not yet reached owing to poor infrastructure. Opening up these cities will mean a lot for McDonald's which has done comparatively good over the last years in the Indian market. This will help the brand maintain its relevance in the fast food chain market found in India. Hence, it will work on all that has to do with culture and relevance.