

Analysis on McDonald's Localization Strategy

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Abstract: McDonald's is a company that was established in 1940 in the United States. Since then, the company has grown in different parts of the world and increased its profitability over time. However, McDonald's has also faced a lot of challenges, including the lack of understanding of cultures in different countries, which resulted in its poor performance. Without completely understanding what the local people think about food, McDonald's expanded its operations to different parts of the world while carrying the culture of the United States to those parts. As a result, the company performed poorly and was unable to expand its operations further. However, through localization strategies, McDonald's has gradually become one of the world's most successful restaurants and food chains. This paper introduces McDonald's localization strategies from five aspects, namely its menu, business model, advertising translation, staff management, and market pricing. To conclude, the company has been able to adapt its menu to be in line with the local culture, and the prices are set according to the local economy. What is more, the localized translation and management also enable the company to avoid and timely solve the problems that are specific to a region. The localization strategies have made McDonald's one of the world's most successful fast food companies.

Keywords: McDonald's, localization strategies, management localization, menu localization

1. Introduction

McDonald's is a company that was established in 1940 and dealt with fast food. From the beginning, the company has always focused on ensuring people with the right services and provided hamburgers that are identifiable with its brand name. The company's headquarters are located in Illinois, Chicago, and the branch stores have spread throughout different parts of the world. McDonald's is considered one of the world's biggest restaurant chains, with 37241 fast food restaurants in different parts of the world [1]. However, one of the pertinent problems that McDonald's has to deal with is the lack of customers for different foods imported directly from the United States. The food culture, for example, in China is different from that of the United States. This means that offering Chinese customers the same menu as the one in the United States can result in the company's poor performance in China. A majority of companies fail to understand the importance of adopting localization strategies when operating in different countries. The problem is that the strategies used in one country do not necessarily translate to success in another. It is thus important to consider the local culture and attitudes and determine the changes that must be made to make the business successful. This research aims at identifying the strategies that McDonald's has used to increase its performance in different

parts of the world. The company has been classified as one of the most successful ones in the world, and this paper can help develop business insights on the importance of localization for the purposes of industrial development.

2. McDonald's Localization Strategies

2.1. Localized Menu

As a leader in global food retailing, McDonald's serves more than 50 million people in 119 countries every day. More than half of these restaurants are located outside the United States, meaning that they serve people of different cultures and preferences. This has made it possible for the company to localize across different continents [2]. McDonald's depends on local businesses such as contractors, food suppliers, and financial institutions to provide the right services to local people. The company has also learned how to give the customers a menu that is in line with the country's food preferences.

In China, one of the biggest markets for McDonald's, there are 2700 outlets all together. Poor performance in China can make the company run into losses. This is the primary reason the company must adapt to the Chinese people's local tastes and preferences [3]. As a result, McDonald's came up with a strategy of ensuring that the meat from chicken breast will not be used to reduce that from chicken thighs because the locals in China prefer such. To cater to the culture, taste, and preferences of Chinese people, McDonald's came up with a grilled chicken burger on its menu, which is mainly ordered during the Chinese New Year and is served with curly fries. At the same time, as opposed to regular sauces, the Chinese McDonald's provides honey mustard, sweet and sour sauce, chili, and garlic sauce to satisfy their customers. However, in the year of 2014, there was a crisis for the McDonald's in Shanghai, China. At that time, the company was caught processing contaminated meat from a supplier abroad, which led to a ban on its meat imports. This has made McDonald's experience a decline in sales and distribution in Shanghai, China. McDonald's attaches great importance to it and immediately notifies all restaurants across the country to immediately stop using and seal up all the meat food provided by this supplier. Besides, as a part of the localization process and strategies, McDonald's in China replaced Chicken McNuggets it was selling with locally available raw materials such as fish and tofu [4]. The result shows a performance improvement in the market for the company.

In Argentina, McDonald's restaurants do not use ketchup over the Mark Fiesta burger, but instead, they use mayonnaise [5]. In addition, instead of using desserts such as Coca-Cola, the company offers customers ice cream made from Oreos. What is more, McDonald's also customises a hit menu to put in place the McBaguette combo, which is either a sandwich or a hamburger consisting of chicken ham and cheese with hash browns, thus localising the menu to reflect the needs of the customers in Argentina.

In India, McDonald's is careful and ensures that it is sensitive to the religious understandings of the Indian people. 30% of Indians do not take beef, and at the same time, over 150 million Indian Muslims do not eat pork [6]. It means that McDonald's cannot market and sell its average product as it does in the United States. Therefore, to solve this problem, McDonald's in India localized its products to provide food that is nonstandard on its menu, such as lamb patties and Aloo Tikki Burger (a classic Indian vegetarian burger), to ensure that it incorporates the common local dishes [7]. McDonald's also provides vegetable pizza puffs that is unique to India and nowhere else in other parts of the world.

The localization of the menu has been an important aspect that has enabled McDonald's to survive in different parts of the world. McDonald's can be considered an example of a company that has been able to grow and enhance its globalization strategies by localization. One of the significant reasons for the menu's localization is to ensure a standard strategy for different countries. McDonald's has been able to offer similar food products that are different in some way [8]. This has ensure the

company with a solid and compelling brand image. One of the reasons that has been retaining customers is that the local menus satisfy the customer needs, and as such, it is possible for McDonald's to have loyal customers [9]. This also relays messages to the differentiation of the company brand through quality and consistency, resulting in an increasing demand for company products. Localized menu is the primary reason the company is able to become the biggest food chain Company all over the world.

2.2. Localized Business Model

A full-stop strategy is also essential in helping the company save time and money. McDonald's has been able to build compelling competitive advantages against different companies and franchises in the fast food business. McDonald's also uses localization as an adaptation strategy [10]. Through localization, McDonald's can adapt to the needs of the consumers as per the requirements of their cultures. This strategy has enabled the company to have a wider reach all over the world. Since McDonald's operates a large number of restaurants in different locations all over the world, it must be extremely careful to be in tune with the individual cultures in every location. Culture changes from country to country and, in some instances, from city to city. Researching and understanding the locals' preferences is essential before launching a product in the market. One reason that has made McDonald's succeed in France is the company understands that people tend to take longer time to eat their lunch [7]. As a result, the company serves the main meals at dinner and breakfast as opposed to lunch. It helps to increase competitiveness because McDonald's understands the habits of the customers. Using this knowledge, McDonald's focuses on the dining experience. At the same time, people in France prefer to take wine as opposed to Coca-Cola, while people in Germany prefer to take beer as a part of their cultural norms. By making these adjustments, the company has gone a long way in maintaining a positive brand image globally and enhancing its performance in different parts of the world.

2.3. Localized Translation

Another part of McDonald's localization strategy is to localize all the marketing approaches and materials. This includes localizing the website and ensuring that all the advertisements run about McDonald's in a particular country are localized depending on the linguistic and cultural nuances of the target market. McDonald's has worked to ensure that it does not fall victim to fatal localization errors in different cultures [11]. Some localization errors arise when companies cannot understand what customers relate with in terms of advertisements or the translated marketing materials. Without localization, the companies can alienate their audience or pass a message considered inappropriate for a particular target audience. With a proper understanding of the importance of the international market it serves, McDonald's has been using locals in developing the websites and marketing content to achieve success in the marketing. McDonald's is very effective in marketing localization services in different locations [12]. This approach can be applied to any business, since professional language translation and localization can help avoid potential errors that may impact the brand image.

2.4. Localized Management

McDonald's is a company that takes pride in hiring local people, especially in the management position, to gain acceptance into a particular country and target group. The company regards “thinking globally and acting locally” as a principle to enhance its ability to work with different people and achieve its mission and vision. One example that shows the use of local management in McDonald's is the opening of two joint ventures with two local entrepreneurs in New Delhi, India [13]. It is a strategy that has enabled the company to access the bureaucracy associated with the government as

well as the variant cultural practices of the Indians. Through localization, McDonald's has also overcome the problem of federal health regulations by ensuring that it uses local employees, who understand the country's laws when it comes to consuming food. This has effectively prevented the company from incurring high costs in litigation processes.

2.5. Localized Pricing

McDonald's operates in countries that value currency income and economic performance. Therefore, McDonald's chooses to change its pricing strategies depending on the targeted market in a particular country. For example, the price of Big Mac is 0.60 dollars higher in the United States compared to Switzerland [14]. McDonald's makes its pricing decision based on the income distribution of a particular area and the demand for the different products. In the cities, it is possible to target the middle and upper-class citizens who can afford to offer better prices [15]. However, for lower-income individuals, the company offers its products at a relatively lower price to maintain its market and improve its performance.

3. Conclusion

In conclusion, as a company that has grown from operating in the United States alone to having over 30,000 restaurants worldwide, McDonald's benefits a lot from its localization strategies by providing the products and services depending on the culture and the customers' needs in a particular country. This helps McDonald's obtain customer trust and satisfaction, thus leading to the development of loyal customers and increasing the demand for McDonald's products. The success of McDonald's can be attributed to the use of localization strategies in its menu, business model, advertisement translation, market pricing, and employee management. Menu localization has been meant to ensure that the customers are provided with the products that fit their culture. In addition, McDonald's hires local people and implement local management to ensure that the managers can identify the needs of customers, as well as avoiding litigation due to a lack of understanding of regulations in a particular country. Moreover, translation localization in McDonald's has also been adopted to ensure the company is able to manage its marketing. The use of local language in advertisement helps to enhance the ability to reach a large number of people. Last but not least, prices are also determined depending on the income level of local customers in order to maximize profits. The localization strategies have made it possible for McDonald's to operate successfully in different countries.

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