

Topic: Topic Question No.3, McDonald's (from Week 12 case study 'China's Big Mac Attack') and its strategic appreciation using SWOT analysis and its possible future developments

-Introduction-

This paper analyses possible development in McDonald's' future based on the strategic appreciation using SWOT analysis (Strengths, Weaknesses, Opportunities and Threats). Firstly, the paper briefly explains the outline of the case study. Secondly, it identifies the organisation's current mission, objectives and strategies. Then the argument moves onto SWOT analysis. In this part, the paper analyses the environment in which McDonald's is given, and the opportunities and threats are identified. The organisation's resources are also analysed and it identifies strengths and weaknesses. In next chapter of the paper, it conjectures possible future strategies formulated within the organisation. Subsequently, the implementation of strategies is discussed. Lastly, the evaluation of results carried out by the organization concludes this paper.

The case study entitled 'China's Big Mac Attack' written by James L. Watson focuses on how McDonald's – a leading American fast-food franchise – could accomplish to break down a barrier of Eastern Asian dietary habits and expand its franchisee territories. According to the case study, McDonald's ought to be considered not only as an outstanding international mega-hamburger chain but also as a representative of the cultural message

transmitted through Hollywood and other American culture. The author points out that even though McDonald's franchises outside the United States are mostly operated and managed by non-American franchisees, its distinguishing double arches of McDonald's always represent the United States of America as Stars and Stripes does. This fact shows both pros and cons, which are explained later on in this paper. In China, a rise of new middle classes and its single-child family policy accelerate the expansion of McDonald's chain, which is also caused by a rise in the amount of money and attention lavished on children. This enormous social and cultural change is certainly a reason why McDonald's managed to have become so prominent in China. This globalization (Westernization or in other words Americanization) has also caused new type of localization. Just as any other multinationals such as Nokia, Sony, General Motors and Starbucks, McDonald's is no longer American company but Chinese, German, Brazilian, Indian and Japanese company. The detail is explained afterwards. It also must be noticed that McDonald's has changed people's behaviour in China e.g. lining up when they order or wait for meals. McDonald's stunning strategy is not only exclusive in its franchise but also its unique management system. Hamburger University in Oak Brook, Illinois – McDonald's world-wide management training center – is designed exclusively to instruct personnel employed by McDonald's Corporation or employed by McDonald's Independent Franchisees in the various aspects of the business. (www.mcdonalds.com) The author notices the importance of McDonald's in China as a public space where local students and elderly

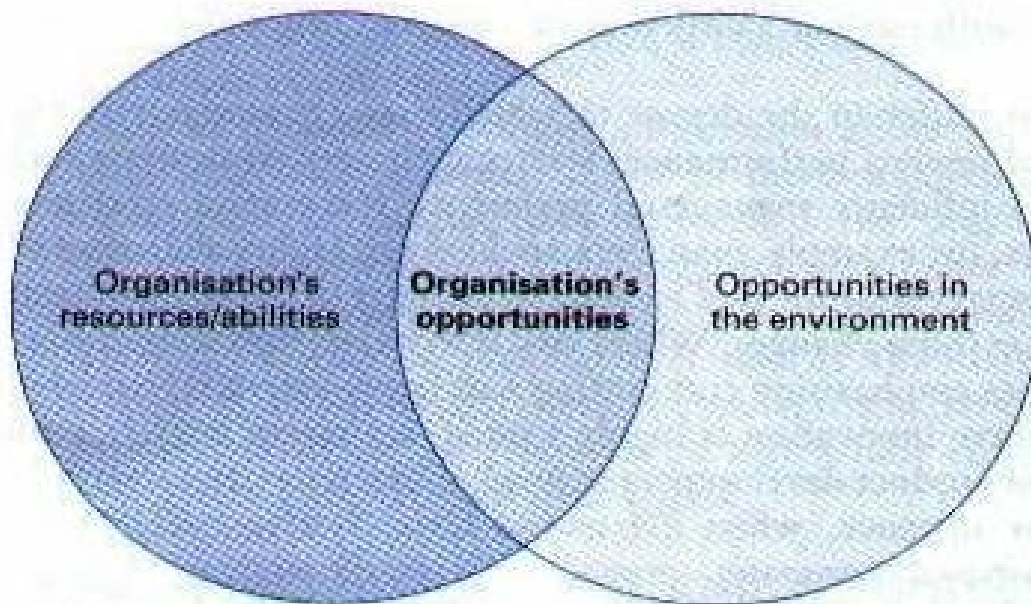
gather and socialize. McDonald's proudly shows its highly guaranteed food quality management. This trust also helped McDonald's to become a dominant fast food chain in China. An imitation of brand image and products is considered to be harmful and aging population due to single-child family policy may well require McDonald's to change its customer target segment.

What's McDonald's' current mission, objectives and strategies? Every organization holds its own mission, objectives and strategies – so does McDonald's. McDonald's was firstly founded in Illinois, the United States, in order to provide affordable meals to everyone anywhere. As the company grows, the company has continuously developed its brand image and moved its customer target segment onto children. (http://www.mcspotlight.org/media/press/index_mcds.shtml) The child-friendly atmosphere and its family-oriented space provided by McDonald's has amazed substantial number of customers. McDonald's greedily sought after its market overseas. According to the case study, McDonald's today has more than 25000 outlets in 119 countries, and most of the corporation's revenues now come from operations outside the United states, and a new restaurant opens somewhere in the world every 17 hours.

Above all, it is most likely that McDonald's current objective is to acquire the market share and pursue further establishment and standardization of its strong brand image. As strategies, recently McDonald's rapidly expands its market share in developing countries as depicted in the case studies in

China, Russia and East Europe and moreover India. It uses the image of a lighter side of American sub culture and represents a 'gate to the world' for customers mainly in developing countries. As to be shown in its clean toilet policy, shops are kept clean and they create a good family-friendly atmosphere. On the top of it, its strict food safe guarantee system is one of the stunning strategies of MacDonald's. Mac's child-friendly strategy is a key of its expansion strategy. American-style birthday parties, Ronald Room, toys and happy meals are concrete examples of the strategy. Also 'localization' policy must be noticed at this stage. James Cantalupo, the president of McDonald's Corporation, remarks that his strategy is to become as much a part of local culture as possible and protests when people call McDonald's a multinational or transnational. "I like to call us multilocal," he told *The Christian Science Monitor* in 1991. The another eminent strategy introduced by McDonald's is 'self-service'. Customers line up, self-seat and clean up by themselves. It facilitates customer rotation within shops and enables cost-saving shop keepings.

SWOT analysis consists of an organisation's strengths and weaknesses, and its environmental opportunities and threats. SWOT analysis is useful to identify a strategic niche that the organization might exploit.



Identifying the organization's opportunities

Firstly, the environment in which McDonald's is given varies from place to place. Analysing the environment is a critical component of the strategy process since successful companies have a strategy that aligns well with the environment. Wherever people dwell in the world, there is always a demand for fast food restaurant. McDonald's main consumer target, middle-classed family, is everywhere in any countries. Thinking of other competitors within the same market such as Hungry Jacks (Burger King), Jack in the Box and KFC, McDonald's focuses more on the children as a target rather than the other age groups. This can differentiate McDonald's from other fast food chains. The external environment seems to be best-suited to MacDonal'd's. (see 'opportunities in the environment' in the above figure.)

Secondly, resources that McDonald's acquires are well-known brand name, distinguishingly unique, safe and nutritious food, an abundant workforce

supply due to its relatively easy manual work, and its strong franchising management system. As stated above, McDonald's has achieved to build its powerful brand name over years and its trust, reputation and core customers are considered as precious assets of the company. The fact that anyone can open a new McDonald's anywhere using its strong brand name facilitates its fast growth. Its original franchise management theory is also one of the resources McDonald's owns. (see 'organisation's resources/abilities in the above figure.)

According to the environment and resources noticed above, the organisation's opportunities are determined. (see 'Organisation's opportunities in the above figure.) Positive American image is one of the positive external environmental factors. So is wide recognition of its brand image. But more importantly, an ease of access reasonable part-time workforce specializing manual work, the fact that it only needs limited ingredients available everywhere such as potato, chicken, etc should be remarked. Especially, in a developing country such as China, the radical social change can be an opportunity for McDonald's. As noticed above, single-child policy and a rise of middle classes and a collapse of outdated Confucian family system resulted from rapid expansion of McDonald's in China.

On the contrary to this, there are some threats – negative external environmental factors. Being a representative of American cultural imperialism can be harmful when a strong Anti-Americanism outbreaks

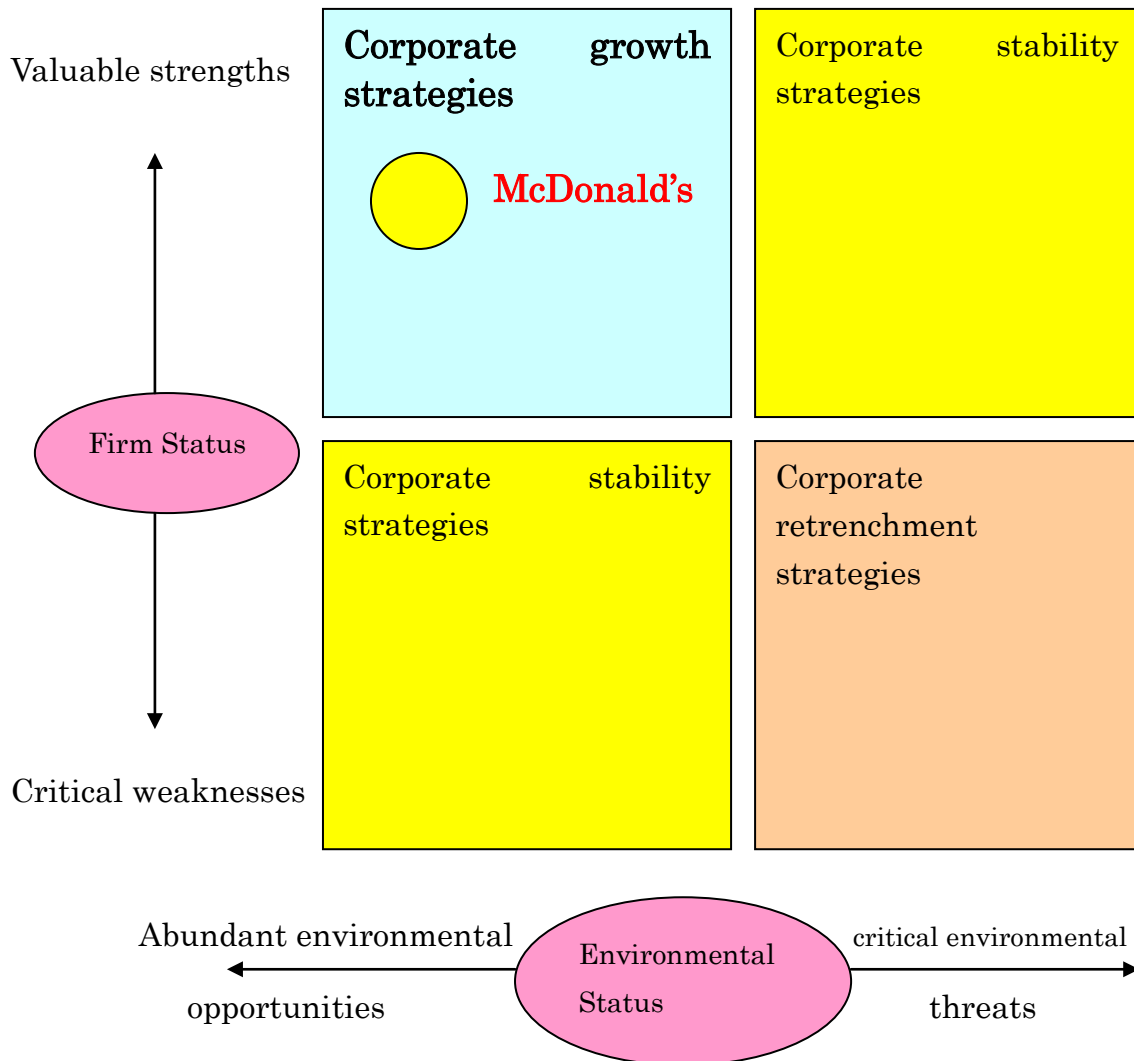
outside the U.S.. MacDonald's in Mexico City, Rome, Macao, Rio de Janeiro, Prague, London, Jakarta and Beijing have been attacked and boycotted by protestors. Another environmental threat is its food safety. Mad Cow disease and Foot and Mouth disease caused a slaughter of thousands of livestock in Europe. The market has been immensely damaged including a supply chain of Mac's ingredients. There is a big concern for franchisees of McDonald's in China i.e. rapid aging population caused by single-child family policy. This rapid environmental change may well eventually force MacDonald's to switchover its targeted customers to elderly people. The plagiarism of McDonald's idea and strategies done by the competitors is also considered as a critical threat. Some fast food chains can be mighty rivals for McDonald's if they tried to be more localized and lower the price.

Strengths (activities the firm does well or resources it controls) of McDonald's are its promotion strategy mainly focusing on children, being capable to provide the same menus, tastes and design of shops all over the world, and its strict quality control not only over food quality but also over quality of shops. A huge customer capacity and its fast rotation generate a massive amount of sales in a short time.

Talking about weaknesses of McDonald's, it is firstly pointed out that a typical image of McDonald's is 'junk food'. It means that the food obtained at McDonald's is unhealthy, bad for diet, tasteless and low quality. As many can easily realize that McDonald's cannot compete with luxurious cuisine

restaurants in terms of its variety, taste, quality, nutrition and luxurious image. Those who care for health and weight may try to avoid McDonald's due to its 'junk food' preconception.

SWOT analysis and grand strategies



Now, based on the above-stated SWOT analysis, possible developments in the organisation's future are outlined. According to the SWOT analysis, and other investigation into Mac's activities, McDonald's is currently

implementing 'Corporate Growth Strategies' which is placed in the left above of the figure above. It is acquiring valuable strengths and abundant environmental opportunities. Since McDonald's' market share is rapidly growing, McDonald's may well be taking corporate growth strategies until it reaches a maturity stage or moves onto a decline stage. McDonald's is still one of the fastest growing companies and considered to be on a growth stage. The corporate strategies implemented by McDonald's are still active and it will most likely hold current strategies in the future.

By implementation of its strategies, McDonald's will seek markets mainly in developing countries as its markets in developed countries are mostly saturated. Next possible destinations may include South-East Asia, Sub-continental region, South America and East Europe including Russia. It might firstly emphasis its American image initially then it will be eventually localized and integrated into each of the societies naturally as it is perfectly exemplified in China.

-Conclusion-

Consequently, the possible results, which McDonald's will show are evaluated. This Mac type globalization is not exclusive to fast food chain. It is also observed in other industries, for example, computer and communication industries. McDonald's is no longer small company, which is always influenced by the environment it is given but conversely, it can change and influence the environment itself. McDonald's will continue to

expand itself until people start becoming satiated with its tastes and image or a strong rival against McDonald's emerges. But McDonald's will probably change the strategies or its targeted customers in order to survive. Even if McDonald's starts declining, the strategies used by McDonald's will never be forgotten since they are one of the most prominent and effective management strategies ever to have been established.

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