LOCALIZATION IN FAST FOOD INDUSTRY: A CASE STUDY ON MCDONALD'S STRATEGY IN INDIA

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ABSTRACT

As the multinational fast food ventures are going into various markets, key partnerships between local food companies and multinational food companies undertakings have additionally expanded in the current past years. The expanding globalization practice has changed the universal focused succession in the food industry. At the point when multinational fast food ventures need to get to another market far from the local market, the ventures have the choice of choosing two fundamental strategies of marketing their products and services either to follow a similar strategy as the one applied in their domestic market or to change it to fit in with the host nation. The objective of this study is to explore the marketing strategy of multinational fast food in Indian market and the impact of adopted strategy. This study uses McDonald's case to investigate the strategy adopted by the McDonald in Indian market and the impact of that strategy on maintaining its competitive position in the market. The finding reveals that the product localization plays a crucial role in McDonalds's success in maintaining its competitive position in Indian market.

Keywords: Localization strategy, Standardization Strategy, Globalization, Marketing Strategy, Competitive Position

INTRODUCTION:

Fast food eateries incorporate all offering which portray as nourishment served through self-benefit counter or through drive-through window. Such food is prepared when ordered .However the fundamental goal of fast food eatery gets to be to serve such food in negligible measure of time (Bougoure and Neu, 2010). Since in the most recent couple of years there has been an expansion in the quantity of multinational fast food ventures in the world. It has turned out to be universal that leading fast food companies are escalating their products in many countries and becoming huge both in size and economically. Entranced by market size of sustenance division and development capability of rising economies, number of multinational fast food ventures have entered or are entering these business sectors either through outside direct speculation or joint ventures. As the multinational fast food ventures are going into various markets, key partnerships between local food companies and multinational food companies undertakings have additionally expanded in the current past years. The expanding globalization practice has changed the universal focused succession in the food industry. At the point when multinational fast food ventures need to get to another market far from the local market, the ventures have the choice of choosing two fundamental strategies of marketing their products and services either to follow a similar strategy as the one applied in their domestic market likewise know as globalized strategy or standardization strategy or to change it to fit in with the host nation know as Localized strategy. Globalized strategy or standardization includes creating marketing strategies considering the entire world as a solitary entity. This implies that ventures use the customary products, promotional campaigns, prices and distribution channels across all markets considering the world to be a single market. Localized strategies or localization, involves developing marketing strategies for a distinct county according to its cultural, regional and national uniqueness. On the other hand, multinational fast food ventures apply localization strategy, by emphasizing on the fact that globalization of an item will succeed when the item or administration is adjusted particularly to that district.
This paper depends on gaining from the instance of McDonald's system in India. With the assistance of this case we contend that in the multinational fast food ventures can be effective in their host nations, only if they adopt localization strategies of marketing mix. This is because food habits differ altogether crosswise over societies. The multinational fast food ventures need to understand the distinctive food needs of their consumers and serve the worldwide market in like manner vary significantly across cultures.

LITERATURE REVIEW:

Standardization Strategy or Localization strategy:

Finding the correct harmony amongst standardization and localization of marketing practices is a noteworthy test for multinational ventures (Terpstra and Russow, 2000, p. 9), since when multinational ventures extend their business to foreign markets, the environment of business, culture, policy, and society are not the same as the domestic market. Along these lines, new product development should consider whether to choose standardization or adaptation as it specifically influences sales figures and customers choices (Boztepe, 2007). Kotabe and Helsen, (2008) stated that refers to giving same product to the local and foreign markets. The intention is to diminish costs. Localization (customization) implies firms adapt product in view of cross-outskirt in order to meet customers need and demand in different markets.
Standardization concentrates on low cost through large scale manufacturing, yet disregards customer’s inclinations. When a firm or company enters another market with fluctuated culture, it is most acknowledged that the firm faces the issue of cross-culture. Confronting such issue a few firms stay with similar features or to utilize a similar strategy known as Standardization. Standardization is a similar marketing strategy that is applied in all markets (Samiee and Roth, 1992), or it implies that the domestic marketing strategy is applied to international market. Standardization expressed that as the worldwide market is getting to be distinctly homogenous in nature, which permits the firm to adjust standardization over the entire world, (Cavusgil et al., 1993). As per Levitt(1983) an effective global marketing strategy comprise of same brand name, sign and symbols, packaging and same communication technique images, throughout the world. (Zou and Cavusgil, 2002; Karuppur, 1994) expressed that standardized marketing strategy provides a standard approach to product development, marketing and branding on a global level.
Localization emphasize on customers satisfaction through adaptation of product. When the companies choose to adopt the features of new environment with possess attributes it is known as localization or adaptation strategy. Medina and Duffy (1998) expressed that adaptation is an important changes required according to the need of the focused market as to make product appropriate to foreign market situation. Benett (2008) expressed that adaptation strategy is suitable in just those situation where there is a huge distinction in the necessities and

needs of the buyers, completion level is high which strengths organizations to separate their item from the others to satisfy basic prerequisites of host country and where the customer's education level, income level, customer lifestyle is high. Cavusgil et.al (1993) expressed that organization's uses adaptation strategy in order to achieve competitive advantage.

With the procedure of globalization, choosing a standardization or localization is a point of consideration. Ozsomer and Simonin, (2004); Czinkota et al., (2004) stated that a few scholastics stated that multinational ventures should standardize their product and services , since they believe that with the advancement of communication and upgrading technology, the world markets will be homogenized . Likewise, societies can be joined and a few authors guarantee that the demand and choice of consumers over the world are turning out to be similar (Kotler et al., 2008). Zou and Cavusgil, (2002) stated that similar demand, technologies, and low exchange hindrances permit the universal firms to offer similar product and services in various markets.

However some multinational ventures have localized their product as per the need and demand of the foreign markets. Most researchers believe that product localization is essential for worldwide expansion. Keegan and Green (2008, p. 21) suggest that product must be adapted accordingly to various market situations. Besides, Gupta and Govindarajan (2004, p. 56) stated that it is important for companies to adapt products to deal with the local market since companies can reap benefits in three major zones: market share, price, and competitive position. If firms use adaptation strategy, it can meet with customers demand and needs (Kotabe and Helsen, 2008). Cultural difference is another reason that forces multinational ventures to adopt localization strategy to succeed in the foreign market too. Johnson and Arunthanes (1995) stated that cultural difference has a positive impact on product adaptation, more so on consumer product than industrial product.

Fast food ventures need to take into consideration over while going into new regions all the business function, product and all marketing elements , for example, product design, name, positioning, packaging, price, advertising mode, distribution, and customer service, to infiltrate the desired new markets and decide the perfect procedure and method for execution to take after, without overlooking in the meantime the important brand character, product focus or new product, and the all-time needed word of mouth and perception among consumers.

Many researchers believe that to succeed in the foreign market the multinational ventures should combine both standardization and localization strategy. In other words they should think globally but act locally (Kotler et al., 2008). It means the operation should be standardized but the elements of marketing mix should be as per the need of the local customers.

RESEARCH METHOD:

The objective of this study is to explore the marketing strategy of multinational fast food in Indian market and the impact of adopted strategy. Present study has been done to know McDonald's strategy in India. The study is descriptive in nature. Case study has been used as the major method for this study. Case study is "Beefing up the beefless Mac: McDonald's expansion strategy in India" (Nitin Pangarkar and Saroj Subrahmanyan). For this study the data was collected from the secondary source.

MCDONALD'S IN INDIA:

McDonald's is the leading global food service retailer with more than 32,000 local restaurants serving more than 58 million people in around 130 countries each day. 70 percent of our restaurants worldwide are owned and operated by independent, local businessmen and businesswomen. In India, the McDonald's was incorporated as a wholly owned subsidiary in 1993. In april 1995 the wholly owned subsidiary entered into two business entities;

a) Connaught Plaza Restaurants Private Limited
b) Hardcastle Restaurants Private Limited

McDonald's philosophy of QSCV (Quality, Service, Cleanliness and Value) is the guiding force behind its service to the customers in India. Following its philosophy of being sensitive to local food and cultural preferences, India was the first country where it served non-beef and non-pork products. More than 70 percent of the menu in India has been locally developed with complete separation of vegetarian and non-vegetarian products right from the food processing plants to the point of serving the customers. In India McDonald's developed sauces using local spices and chillies. The mayonnaise and all other sauces used in the product were egg-less. McDonald's also established Cold Chain across India which helps maintain freshness and nutrition in every product. In India McDonald's menu included the wide range of product ike McAloo Tikki, Filet-O-Fish, Spicy Range, Chicken McGrill, McVeggie, Veg Pizz a McPuff, Chicken Mcnuggets, Fries, Wraps, an assortment of Sundaes, Soft Serve and refreshing beverages such as Ice Tea & Cold Coffee with outstanding service in a vibrant and lively ambience. In India McDonald introduced of the Happy Price Menu which starts at Rs 25 only which was a meant to be brand affordability mantra. At present, there are 245 McDonald's restaurants in India. McDonald's continues to strengthen it business model and progress with customers evolving needs.

FINDINGS OF THE CASE:

McDonald had adopted product adaptation strategy to suit local taste and culture. The degree of adaptation in India was significantly greater than other countries as India is a land of different cultures and religious belief.
Product: - McDonald's replaced its core product Big Mac with Maharaja Mac. In India it was served with the mutton patty (instead of beef patty) to avoid offending the religious belief as in India about 80 percent of the population is Hindu were cow killing is sacrilegious and 12 percent were Muslim for whom consumption of pork is taboo. The menu contain both vegetarian and non vegetarian product. Vegetarian food product menu was displayed under green colour and non vegetarian food product menu was displayed under Purple colour.
Price: - when McDonald's entered Indian market it had the largest number of middle class family considering this fact they introduced themselves as the brand serving product with the lowest price where every middle class family could afford brand at minimum cost. They introduced economeal for rupees 25. The average price of combo meal was Rs 76 for vegetarian meal and Rs 88 for non vegetarian meal. The lower price could be attributed to two factors: the pricing strategy of MNC rivals mid range local restaurants and the development of local supply chain.
Place: - Keeping pace with the consumers changing needs McDonald's also functions on models that drive convenience and create unique differentiation like McDelivery, Drive thru, Breakfast Menu, high ways and extended hours services.
Promotion: - India is a land where family plays an important role. Rather than on individualism in India the main focus is on collectivism, so In India McDonald's positioned itself as a family restaurant. McDonald also emphasized on attracting children. A Happy meal film was shown on cartoon networks. To create goodwill among schoolchildren McDonald's teamed up with Delhi traffic Police and Delhi Fire service highlighting the safety issue. The company also gave special discounts or attractive schemes during festive seasons and garlic free sauces were developed to attract hard-core vegetarian consumers.
Process: - Respecting the cultural values and beliefs of every religion McDonald's kitchen had a separate preparation area for vegetarian and non vegetarian products. The packaging of the vegetarian and non vegetarian food took place separately.
People: - The kitchen crew had different uniforms to distinguish their role and did not work at the vegetarian and non vegetarian stations on the same day ensuring clear separation.
Physical evidence: - McDonalds focuses on clean and hygienic interiors of is outlets and at the same time the interiors are attractive and the fast food joint maintains a proper decorum at its joints.
Supply Chain: - The lettuce was supplied to McDonald's by Mangesh Kumar from Tamilnadu. Sesame Buns were supplied by Creamica Industries. Chicken and Cheese was supplied from western India. The distribution centres were set up near Mumbai and Cochin. Logistics Management was contracted by AFL logistics (joint venture of Air Freight and FX Coughlin).

CONCLUSION:

McDonald's persistent product development and consumer loyalty through more noteworthy customer reach. With a specific end goal to manage in an exceptionally aggressive market McDonald's needs to persistently consider getting new ideas into every one of its operations particularly in marketing. McDonald's needed to get something that would help in long supportability and that unrivaled position available as a "food retailer". The strategy adopted by McDonald's during 1995 was a winning strategy for McDonald's in India. The achievement of McDonalds in India could be measured by its persistent development in Indian fast-food market. During first 12 months McDonald's opened seven outlets but by the end of 1998 it reached to 14 and by mid of 2000 it expanded to 25 outlets in Pune and Jaipur. Today by 25 November 2016 McDonald's current outlet in India are 245. In FY15, Company recorded a revenue growth of 3.2% to Rs 7,643.3 million compared to Rs 7,403.1 million last year, riding on the restaurant operations of its subsidiary, Hardcastle Restaurants Pvt. Ltd. (HRPL), a master franchisee for west and south India operations of McDonald's restaurants. Whereas in FY16 company recorded the revenue of Rs. 8425.80. Amit Jatia stated that McDonald's in India plans to nearly double its

presence in the western and southern region taking the total store count to 500 by 2022 from 245 stores. This will translate to an overall investment of around Rs 750 crore over the next Five years. McCafe which is a higher margin format under the McDonald's is posting 40-50 percent sales growth every year.
The localization strategy of McDonald's employs the global strategy which is thinking globally but acting locally to guide its development. The localization strategy has been a great significance for McDonald's to achieve its strategic vision in India.

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