

CASE 10.1 MCDONALDIZATION

McDonald's Corp. is often used as an example of Americanism (and globalization) owing to its strict quality control and worldwide success. McDonald's has some 30,000 outlets in 121 countries to serve about 46 million customers every day, totaling more than \$41 billion in annual sales.

The company has highly detailed specifications and rules that must be strictly followed. In England, its high standard for coffee aroused the ire of a British coffee supplier, and the company built its own plant when it could not get quality hamburger buns. McDonald's provides assistance to Thai farmers for cultivation of Idaho russet potatoes. When suitable supplies are unavailable in Europe, the company does not hesitate to import french fries from Canada and pies from Oklahoma.

As reported by *Advertising Age*, the *Wall Street Journal*, and *Direct Marketing*, the company, however, permits some degree of flexibility and creativity on the part of its franchisees. In Southeast Asia, it serves durian-flavored milk shakes made from a tasty tropical fruit whose aroma is acceptable to Asians but is considered foul by Westerners. Coconut, mango, and tropic mint shakes may be found in Hong Kong.

Menu changes are also necessary in Europe. McDonald's sells near beer, which does not require a liquor license in Switzerland, and chicken on the Continent (to head off Kentucky Fried Chicken). McDonald's on the Champs-Élysées offers a choice of *vin blanc* or *vin rouge*, and the coffee comes in a tiny cup with about half a dozen spoonful of very strong black coffee. In England, tea is available and will have milk in it unless black tea is ordered.

McDonald's Australian outlets formerly offered mutton pot pie; outlets in the Philippines, where noodle houses are popular, offer McSpaghetti. Likewise, in Mexico, McDonald's offers the McPollo chicken sandwich and jalapeno sauce as a hamburger condiment. Since eating the Midwest-American beef is like eating soft pebbles to the Japanese, McDonald's hamburger in Japan has a different texture and spices. In many countries, consumers consider fast food to be primarily a snack rather than a regular meal.

Furthermore, the company's operating philosophy has to be altered as well. In order to attract foreign partners who are well qualified and well financed, McDonald's grants territorial franchises instead of the usual practice of granting franchises store by store.

In spite of its strong American image and sandwiches, McDonald's has done quite a bit of localization. Consider the following non-US products: Taiwan (rice dishes with curry beef, ginger beef and spicy tomato chicken), India (vegetarian sandwich with eggless tomato mayonnaise), New Zealand (hamburger with a fried egg and slice of pickled beet), Turkey (spicy meat patty with a yogurt and tomato sauce), the Philippines (pasta in a red sauce), Egypt (deep-fried patties of ground beans and spices), India (aloo tikka), Japan (teriyaki burgers), Amman (flat-bread McArabia), Israel (kosher McNuggets), and France (cheese and ham between two thin slices of toasted bread).

McDonald's Restaurants Taiwan is almost entirely run by Taiwanese. It added rice dishes in late 2002, following the trend in Hong Kong, the Philippines, Indonesia, and Thailand. McDonald's controls 70 percent of Taiwan's fast-food market and hopes that rice dishes will add to the market share by enticing adults to eat with their kids in its outlets. However, the management is mindful of the fact that the success in Taiwan is due to the core business (i.e., the traditional McDonald's business).

McThai Co. Ltd. adds a Thai feeling to McDonald's. About 15 percent of menu items are locally oriented products to suit local tastes. The menu includes khao man somtan (coconut milk rice with spicy papaya salad), and desserts such as sago and coconut pie. In addition, the managing director plans to introduce the concept of *eat-ertainment* that combines entertainment and eating. Activities such as karaoke hours and contests have been planned.

In Europe, a local flavor is evident. The McDonald's outlets in England are the first in the world to sell fresh fruit (grapes and sliced apples), fruit juice with "no extra sugar," and a 266-calorie pasta salad with less than 5 percent fat. France is perhaps even more crucial to McDonald's, and the company opens a new outlet every six

days. Surprisingly, a typical French customer spends \$9 per visit, more than twice as much as the US average of \$4. For McDonald's which is a model of efficiency, McDonald's France appears to ignore the model. It refits restaurants with chic interiors and extras (e.g., music videos) to encourage customers to linger over their meals. Instead of streamlining its menus to speed up service, as do its US counterparts, the French outlets add items. A hot ham-and-cheese sandwich (Croque McDO) is especially popular. In terms of architecture, McDonald's France has adapted the restaurant designs to blend with local architecture. Some outlets in the Alps have wood-and-stone interiors reminiscent of a chalet. While the updated styling found in half of the more than 900 French outlets adds 20 percent more to the standard designs, sales at these outlets have also gone up by as much as 20 percent.

Conceivably, the French approach may not work in the USA because fast-food customers simply want quick service and cheap, tasty foods. The McCafé concept from Australia was imported but failed in the USA. Likewise, McDonald's did not do well with pizza.

Points to consider

Some managers of McDonald's, buoyed up by the success in Asia and Moscow, want to "McDonaldize" the world. Discuss the implications of this statement. Should McDonald's try to standardize its product mix? What aspects of McDonald's are universal and thus can be exported to other countries? Should the company introduce into the USA the products that are successful in Europe and Asia?