

Succeeding Globally Depends on Localization: A Case Study on McDonald's Corporation

Sandra Tanahashi*

Abstract

When Theodore Levitt wrote *The Globalization of Markets* in 1983, he envisioned the world's cultures melting together to form one global culture. However, Hofstede's research and the "cultural nationalism" identified by Naisbett show that cultures are becoming more diverse rather than less homogenized. Therefore, we can infer that products need to be adapted to different markets instead of offered in a standardized form. Yip offers a model for "Total Global Strategy" which McDonald's Corporation improved upon and implemented to become the world's leading fast food chain. In this paper I examine the international expansion of McDonald's overall and focus on some of the localization strategies employed in Australia, India, Brazil, Germany, Israel and Japan—countries that have all introduced unique challenges to McDonald's.

The post World War II "General Agreement on Tariffs and Trade" (GATT) first signed in 1947 was one of the catalysts that helped to open up the world for global expansion. The agreement was designed "to provide an international forum that encouraged free trade between member states by regulating and reducing tariffs on traded goods and by providing a common mechanism for resolving trade disputes." There are currently some 110 countries that have signed the GATT treaty. [CIESIN]

Since the GATT treaty was written we have seen world politics altered forever through events like the fall of the Berlin Wall, the 1992 solidification of the European Community, and the opening of China to capitalism. The relaxation of political barriers has been coupled with advancements that were once only science fiction. Given two days now we can arrive at just about any point in the world thanks to the frequency and ease of modern air travel. Moreover, Internet and satellites allow us to have up-to-the-minute world news and to communicate freely across the globe. It is no wonder that the term "globalization" fails to have the impact it once did.

* 准教授／マーケティング

It has been twenty-five years since Theodore Levitt proposed the unification of the world in *The Globalization of Markets* (1983). In this article which is still widely read today, Levitt foresees a world that through the “force of technology” [p.92] cultures converge to form one common global culture. He claims that “Different cultural preferences, national tastes and standards, and business institutions are vestiges of the past.” [p.98] He goes on to say, “Everywhere, everything gets more and more like everything else as the world’s preference structure is relentlessly homogenized.” [p.99] Levitt believes that cultural preferences are in the past and that all people are more and more alike in their wants and desires.

Although on the surface it may seem that much of what Levitt foretold has become reality, in actuality, human culture is diverging to become even more clearly differentiated than it once was. Empirical data from a survey conducted by Dutch academic Geert Hofstede [Hofstede 1984, 1991], evidences this opposite trend. Hofstede’s extensive research at IBM produced a number of cultural indexes. If humankind were indeed becoming one global culture as Levitt envisioned, one should see a convergence of these cultural indexes, but the indexes are not collapsing toward a common mean. If anything, his results show that a divergence is occurring. That is to say, values among member countries of the same cultural background are becoming even more distant than they once were. Two hundred and fifty years ago Americans, British, Canadians, Australians, and New Zealanders were the same people. Today, however, each of these people has a unique culture that is becoming ever more clearly defined.

Additional evidence against Levitt’s globalization theory is the increase in ethnic awareness that is becoming almost universal around the world. This can be seen in the U.S. in the rise in the popularity of ethnic studies, including Native American and Black studies, and in cultural achievement scholarships in many American colleges. In Japan it is evident in the fierce loyalty the public shows their Olympic athletes and a growing interest in the traditional Japanese arts like sado (tea ceremony) [Kurita 2004]. Naisbett calls this identification with religion, language, and race, *cultural nationalism* and believes it is human individualism asserting itself in the face of a more homogeneous lifestyle. Though multinational corporations may make the world look much the same, people are increasingly proud of their local culture and their heritage.

Standardization versus Adaptation

Companies are coming face to face with the diverse cultures of the world as saturation in domestic markets is reached and they are driven into international expansion. Before they make the costly move, however, one of the burning strategy issues for managers around the world is whether a company should standardize or adapt its marketing mix when it expands abroad. [Yip 1989 p.29] Standardization allows a company to take full advantage of the economies of scale so

that a standard product of dependable quality can be sold at a reasonable price to customers worldwide. However, as outlined above, today’s world is not a homogeneous blob of mankind. Therefore, the uniqueness of each local market must be taken into consideration to optimize the potential for success.

Expansion on a global scale that is fine tuned to meet local needs, or “glocal” strategy, is fundamentally best for multinational corporations. “Glocal” strategy, or “think globally and act locally” incorporates economies of scale while allowing for local cultures, religions and habits to play a part in shaping the product.

Global strategy and marketing specialist George Yip brings global and local strategies together when he outlines what is needed in a “Total Global Strategy” (see Figure 1) [Yip 1989]. He states that there are three essential steps in developing a total world strategy:

1. Developing the core strategy—the basis of sustainable competitive advantage—usually for the home country first.
2. Internationalizing the core strategy through international expansion of activities and through adaptation.

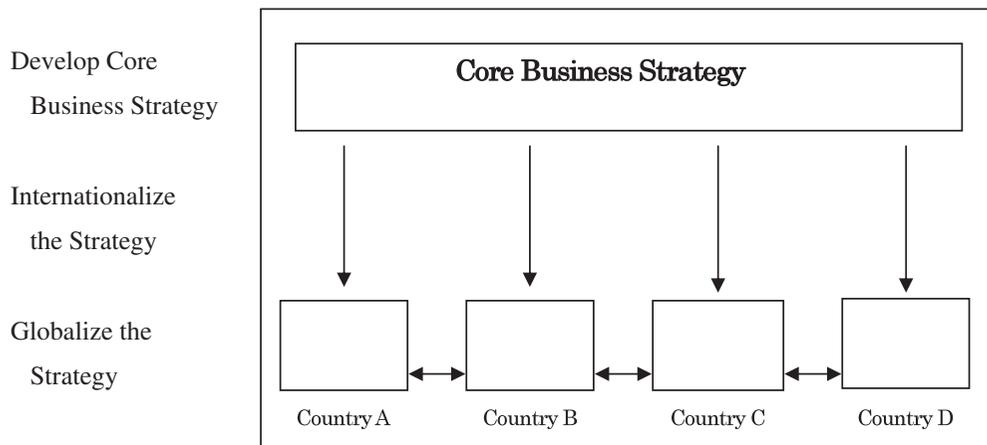


Figure 1. Total Global Strategy [Yip 1989]

3. Globalizing the international strategy by integrating the strategy across countries.

Through my studies of McDonald’s corporation I have found that this is similar to the type of global strategy the company has developed. The headquarters in Chicago sets the core business strategy which then is filtered down to each restaurant, no matter where in the world it is located.

The biggest difference between Yip’s model and McDonald’s Corporation model is the emphasis on feedback McDonald’s requires from each restaurant franchisee (see Figure 2). The headquarters closely monitors the developments of franchised stores to keep the standardization

for which the company is famous. [McDonald's Annual Report 2007] If one store develops a winning menu idea, this idea can then be tried at other restaurants if headquarters believes it will sell well in the new market.

Of the McDonald's stores worldwide 22% are company operated, 13% are operated by affiliates and the majority of 65% are franchised [McDonald's (MCD)]. The corporation's franchising agreement requires the franchisee to provide the initial capital for equipment, signs, seating and decorations. Meanwhile the corporation owns or obtains long-term leases for the building of the restaurant and the land. These franchises generate revenue for the corporation

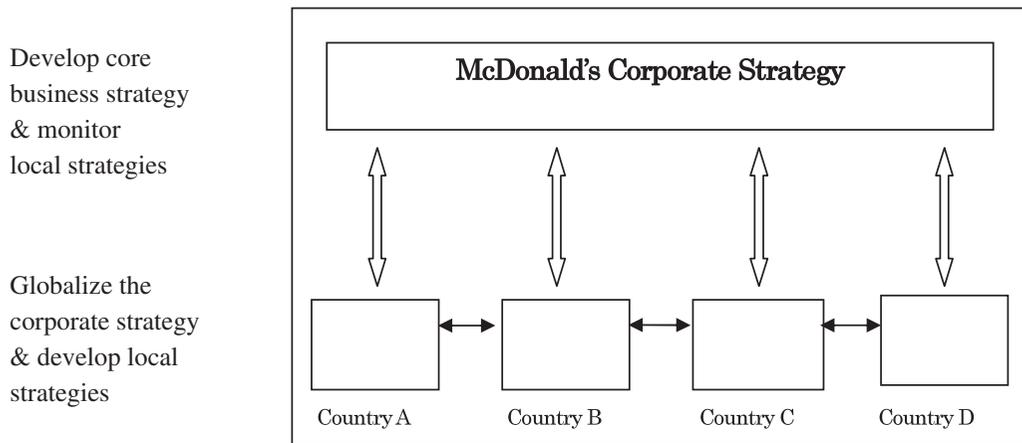


Figure 2. McDonald's Global Strategy

through payment of rent, royalties based on sales, and initial fees [McSpotlight]. By using franchisees the corporation avoids having to invest a significant amount of capital in its restaurants.

These franchises are not sold to just anyone. In 1991 over 20,000 people inquired about new franchises. Of those, only 2,000 passed the paper screening to go on to an interview. In the end, fewer than 200 were accepted [Watson p.21]. McDonald's requires that franchise holders be involved in the daily management of the restaurant [Watson p.21], report to headquarters regularly and engage in local charity work [McDonald's Annual Report 2007]. The corporation then sets stringent guidelines within which the franchise must operate including photographs of exactly how a hamburger should be assembled and the design of the crew uniforms. However, franchise owners often own up to 50% of the business and make their own decisions about the disposition of profits including charitable contributions, local advertising, restaurant location, and limited menu innovation. [Love, p.431]

It is the freedom to act at a local level within certain global parameters that allows McDonald's Corporation to be as successful as it is. The company "thinks globally", but allows

each McDonald's franchise owner to "act locally" according to the market, trends and culture in each specific country. This includes marketing and menu adaptations, but also different forms of social responsibility. Social responsibility is a principle contained in the groundwork laid by McDonald's founder, Ray Kroc, who said that "the company must give back to the communities where it does business" [US Embassy]. The franchisees know the customer base because it is their community. Therefore, they are much more knowledgeable than the corporation as to what criteria will meet both the requirements of the corporation and the needs and desires of their community.

Global Expansion

In order to keep the company growing, one can argue that the best move McDonald's ever made was expanding overseas. Beginning with a timid start in Canada in 1967, the 1970s led to expansion into much more exotic markets including Japan, Hong Kong, Germany and Brazil. In 2007, 70% of McDonald's total system openings were outside the U.S. and 60% of their sales

Table 1 McDonald's Restaurant Growth for Selected Countries in 1990, 1995¹, and 2007

	1990	1995	2007 ²
United States	8,576	11,368	12,804
Japan	776	1,482	3,958
Canada	626	902	1,154
Germany	349	649	1,091
England	356	577	1,115
Australia	269	530	701
France	150	429	857
Brazil	63	243	541 ³
Mexico	21	132	205
Taiwan	43	111	338
Sweden	49	106	227
Hong Kong	51	98	177
New Zealand	46	98	149
Philippines	32	83	235
Singapore	34	78	121
China	1	62	326
Malaysia	22	58	139
South Korea	4	48	243
India	0	0	196 ⁴
Israel	0	1+ ⁵	125 ⁶
Thailand	0	38	88

and profits came from international stores [Seid p.2]. In June of this year one investment company reported that McDonald's same-store sales (sales in stores that have been operating for at least 13 months) jumped 9.6% in Europe and 9.7% in Asia, the Middle East and Africa [Caggese]. The international expansion of McDonald's has been an investor's dream come true (see Table 1).

In this paper, though, I would like to highlight the menu adaptations and social decisions local McDonald's have made in every country where they have a restaurant, in light of the space limitations of this paper, I have decided to focus on six countries, namely Japan, Australia, India, Brazil, Germany and Israel. These countries are all in different areas of the world and have adapted in unique ways to meet the needs of their market.

Japan

By far the McDonald's that I am most familiar with are those in my adopted country, Japan. It was McDonald's that I sought out when I was hungry for the taste of home when I first came to Japan 30 years ago. At the beginning of my stay, after weeks of nothing but new and unrecognizable food, it was so relaxing to be able to go in and order something that was familiar and predictable.

McDonald's, or "Makudo", has become a part of life for most Japanese. Although it is still technically a "fast food" restaurant, people take their time.⁷⁾ Indeed, these shops seem to be the designated hangout for just about everyone, depending on the time of day. In the morning it is where the *salaryman* come in for breakfast, or where the young mothers converse over inexpensive coffee while their toddlers play with the toys from the Happy Meal. Later in the afternoon it is the hangout for high school kids where they can get a snack and talk with friends before they run off to cram school. It is this crowd that seems to take advantage most often of the coupons McDonald's Japan puts out for cell phone users. At night, as McDonald's stays open later—even 24 hours for some 1,000 stores nationwide [McDonald's Holdings Japan]—it is increasingly becoming a place where college students go to study. Indeed, it seems to have something for everybody.

McDonald's has altered their menus somewhat to reap higher sales. McDonald's offers a teriyaki burger, corn potage soup, and seasonal items that cater more to the Japanese palate, like the "tsukimi" burger with a fried egg. "Tsukimi" is in autumn and translates to "see the moon". Japanese enjoy viewing the harvest moon, so in keeping with the season, the egg is fried with the yolk unbroken in the center of the white making the yolk seem to float in a white sky. McDonald's successfully maintains a standard menu that is quite similar to that in the U.S. (for the exception of the healthier choices like meal-size salads and fruit slices for dessert which are

not available) while they rotate seasonal specials like the “tsukimi” burger.

Japan is no exception to the charity work of McDonald’s. Since 2001 they began an annual event to mark Universal Children’s Day (Nov. 20). They donate one yen from every Happy Meal they sell throughout the year, as well as money donated in collection boxes in the restaurants, to help children with incurable diseases [Fujii 2005]. There are currently five Ronald McDonald Houses in Japan that charge families just one thousand yen per night to stay near a pediatric hospital. Other programs support education, community projects, work study and sports in Japan. [McDonald’s Japan]

McDonald’s has become part of the daily rhythm of life in Japan.

Australia

McDonald’s in the Land-Down-Under has continued to grow since the first restaurant opened in Sydney in 1971 [CSR Report 2007]. There are now some 761 restaurants that span the nation [CSR Report].

McDonald’s Australia has one of the most extensive menus of any the countries, including the United States. To begin with, of course, there is the regular Big Mac and the regular hamburger line up. However, Australia also has a “Lighter Choices” menu with items that have the approval of the National Heart Foundation in Australia. Items include a deli-type sandwich of turkey and cranberry sauce or tandoori chicken. Customers can also choose meal-size garden salads, salads with grilled chicken, or Caesar salads, apple slices, or a lean beef burger!

Their website (<http://www.mcdonalds.com.au/test.asp>), one of the most interesting of any of the McDonald’s sites, tells us probably more information than we want to know as they list all of the ingredients, food sensitivity information for those with allergies and nutritional information for each of their menu items [McDonald’s Australia]. Beginning in the fall of 2006, this information has also been put on the packaging for all the food [Knowles 2006].

More than the food, however, this branch of McDonald’s is keenly aware of the environment and sustainability issues. McDonald’s Australia’s Corporate Social Responsibility Report (CSR) for 2007 outlines how the company plans to curb their impact on the environment. In answer to the ten-year drought that Australia is experiencing, 92 restaurants in the Sydney area volunteered for the Sydney Water: Every Drop Counts business program in which companies promise to implement water saving measures such as using rain water to flush toilets and using native sustainable plants in landscaping. Through these measures, from 2005 to 2007 these 92 restaurants cut back on water consumption by 2.1% despite rising sales. Similar programs are also being implemented for energy savings and reducing the amount of waste.

According to the CSR 2007, charity work funded by McDonald’s Australia is far reaching.

Programs there include:

Ronald McDonald House Charities (RMHC)—homes near pediatric hospitals where the families of sick children can stay at close to nothing, or for free if the need is there.

In Australia there are 12 homes with a total of 247 rooms.

Ronald McDonald Learning Program—a tutoring program for sick children so they do not fall behind in their studies.

Ronald McDonald Family Facilities—warm, staffed retreats in hospitals where families can relax during or awaiting treatment for a child.

Ronald McDonald Family Retreats—near vacation spots with natural beauty, these retreats offer accommodations to recently bereaved families or families with a seriously ill child at little or no cost to the families.

RMHC Cord Blood Banks—blood banks take the blood left behind from the umbilical cord during childbirth and use it as an alternative treatment for children suffering from leukemia, aplastic anemia and other forms of cancer.

Scholarships and grants—are awarded to children who have survived a serious illness.

Other local programs—franchisees signs a contract for charity work in the community where the restaurant is. This may be supporting a little league team, an environmental program, etc.

McDonald's Australia is helping to shape the future of the country.

India

McDonald's India is another thriving arm of the corporate empire. The first unit was opened in Basant Lok in 1996. Today there are 132 restaurants across India that are held under a joint venture. Though the restaurants look the same in India as they do around the world, to meet dietary needs and religious dietary restrictions McDonald's gave up its signature 100% beef hamburgers and does not serve any beef or pork items in India. The restaurant does serve chicken and fish, but the bulk of the menu is vegetarian. This means that only pure vegetarian oil is used, that cheese and sauces are completely vegetarian and without eggs, and that the preparation and cooking of all vegetarian products are kept separate from the non-vegetarian products (those using fish and chicken) [McDonald's India].

Menu items include all vegetable items like:

The McVeggie—breaded fried patty made of peas, carrots, green beans, red capsicum, potatoes, onions, rice and seasoning. This is served on a bun with lettuce and eggless mayonnaise.

The McAloo Tikki—fried breaded potato & peas patty that is flavored with a special

spice mix, fresh tomato slices, onion, and vegetable tomato mayonnaise on a toasted bun.

McDonald's India also offers non-vegetarian items like:

Chicken Maharaja Mac—two grilled chicken patties with a smoke-flavored mayonnaise, onions, tomatoes & processed cheese on a bun.

Chicken Mexican Wrap—chicken in a Cajun coating with lettuce, carrot, cabbage, celery, eggless mayonnaise, salsa & cheddar cheese wrapped in a traditional Mexican soft flat bread.

All of this can be washed down with a nice cup of Cardamom Tea. [Welcome to McDonald's India]

In an interview for *Business Week* Vakram Bakshi, managing director of McDonald's India North, stated that "70% of our menu is 'Indianized', and the McAloo Tikki Burger is our highest selling product." He went on to add, "While the menu may be different in some ways, the McDonald's experience around the world is consistent, offering quality, great service, cleanliness and value." [Bhan 2006]

Charity work in India is almost as wide spread as that done in Australia. Across India McDonald's has participated in the Pulse Polio Awareness rally from 1997 [McDonalds India]. Through this program inoculation booths are set up outside of McDonald's in Pune and Mumbai. In 2002 RMHC built a primary school and health clinic in Alaknanda slum in New Delhi. Other programs include city cleanliness events, health seminars, and performing arts competitions for schools. [McDonald's India]

Brazil

Employing 34,000 people, McDonald's Brazil is one of the country's largest employers. These employees work at 1,144 points of sale that include 541 restaurants, 556 kiosks and 47 McCafés. [US Embassy]

McDonald's is also one of the most profitable companies in Brazil, a country that is known for its unrivaled consumption of fast food. [Luxner 2002] This leader in the fast food industry in Brazil for 28 years reported a growth of 14.5 % in 2006 which meant about R\$250 million in taxes for the country [US Embassy in Brazil].

The charitable events in Brazil have a long and successful history. McDia Feliz (McHappy Day) is a one-day annual charitable event since 1988 that donates all proceeds from the sale of all Big Macs in Brazil to RMHC and NGOs for the care of pediatric cancer patients. Also, once a year all McDonald's restaurants in Brazil offer free inoculations to children 0-5. Finally, since 2003, McDonald's in Brazil has given out annual rewards for neighborhood initiatives towards

the development of health, education and sports in “Good Neighbor Rallies”. [US Embassy]

Menu adaptations in Brazil may not be as highly visible as the company’s charitable contributions, but they are there. McDonald’s Brazil offers carrot sticks and coconut water along with regular menu items. The nutritional content of their Brazilian Happy Meals has earned the seal of the Sao Paulo State Pediatric Society. [McDonald’s Corporation] Inspired by a popular street food called *sanduíche de calabresa*, diners can now enjoy the “McCalabresa” sandwich which was recently launched. It is made up of a sausage patty and seasoned with vinaigrette sauce. The “Cheddar McMelt” (a version of the patty melt sandwich) is also available on the Brazilian McDonald’s menu. This popular item consists of a whole wheat bun, a hamburger patty, diced onions, and warm, melted cheddar cheese. [Will Work For Food]



Kosher Day in Sao Paulo, Brazil - June 3, 2007
One McDonald’s opened its doors from 10 a.m. to 8 p.m. for kosher meals only. On that day they served some 5,000 customers 13,000 meals. [Techie 2007]

Germany

This may be every parents dream, the children are enjoying their Happy Meals and the parents have a beer. [McDonald’s Germany] After all, what is Germany without beer?

Besides the signature beer on the menu, the restaurants in Germany seem to be following a global trend towards more healthy fare. They now offering cherry tomatoes and orange juice as Happy Meal choice options [McDonald’s Corp.]. There are four meal-size salads to choose from. However, there are also more and bigger burgers including a line of Mexican inspired burgers that feature the Grande Picante, Big Bacon Jalapeno, Hot Chicken Fiesta and Beef Mexicano. [McDonald’s Germany]

Of course, charity programs are also clearly established in Germany. There are, for example, two Ronald McDonald Houses—one in Hamburg and one in Cologne [Ronald McDonald House Charities] .



Israel

McDonald's Israel is a thriving business. Since Dr. Omri Padan opened his first franchise, the number of restaurants has ballooned from 1 in 1993 to 125 in 2006, and plans are to expand to 150 units by the end of 2008 (Yefet 2006). Though all the units would be instantly identifiable as McDonald's, there are several points that set them apart.

On the menu, the restaurants in Israel try to offer a healthier fare. For instance, to meet customer demands, their beef patties are prepared differently—all McDonald's in Israel cook their hamburgers on a charcoal grill. Other changes are that the deep frying is done in Canola oil with no trans fat and less saturated fat, all of the dressings were changed to those with less fat, and customers have the choice of the regular bun on their hamburger or a whole wheat bun. Interestingly, McDonald's Israel states that it "complies with the USDA recommendations for a healthy diet" [McDonald's Israel].

The most unique point about the McDonald's franchise in Israel is the adoption of kosher practices. All of the beef and chicken that McDonald's Israel serves is kosher in accordance with the laws with the State of Israel. Although McDonald's Israel has always offered kosher meat, there was still cheese on the Big Mac and milk offered on the menu. The first McDonald's to prepare and serve all food in a kosher manner (no dairy products allowed in the same area as the meat) and to close in observance of the Sabbath and all Jewish holidays [Welcome to McDonald's Israel], opened in Mevasseret Zion, Israel in 1995. Today, of the more than 125 McDonald's in Israel, there are at least 24 kosher branches [McDonald's Israel].

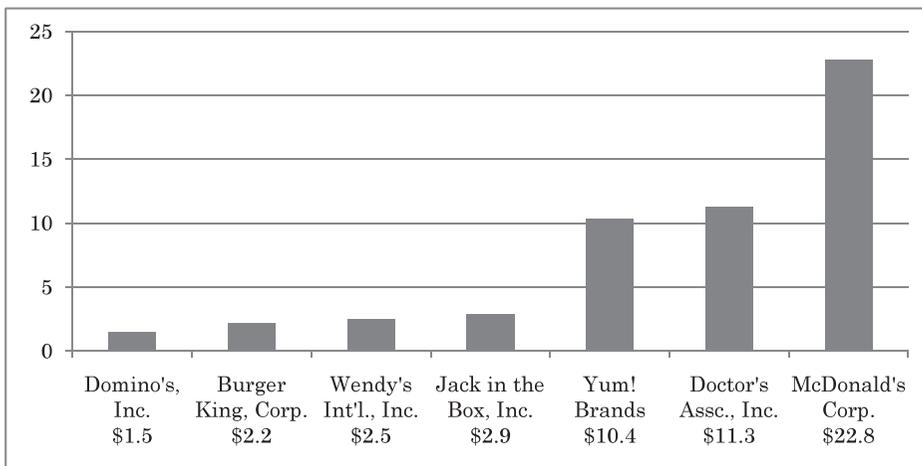
According to an official report, in 2003 one in three children in Israel was living below the poverty line. [Leyden] McDonald's Israel tried to help the children by opening one McDonald's 4 or 5 days a week to feed 250-300 children a day. McDonald's is certainly making a difference in the lives of these families.

How Successful is McDonald's?

When Ray Kroc pitched expansion to the McDonald brothers at their San Bernardino hamburger joint it was 1954. The first McDonald's under Mr. Kroc's grand scheme was opened in 1955 in Des Plaines, Illinois [McDonald's History]. Now, 53 years later there are 31,377 restaurants operating in 118 countries [McDonald's Annual Report p.24] (see Table 2 for a list of countries).

Since McDonald's was first founded in the U.S., it has always been one of the classic places for a teenager to get his or her first job, and now the benefits are better than ever. In the U.S. McDonald's provides part time workers with free uniforms and meals. There is paid vacation, a 401K retirement plan and a McDonald's stock purchase plan. If the student should want to further his or her education, McDonald's is the only restaurant organization to be recognized by the American Council on Education (ACE) for their restaurant management curriculum. Therefore, while training on the job, a student can earn up to 46 college credits towards a 2-year or 4-year degree program. Best of all, there is plenty of room for advancement. [Opportunity].

Financially, according to McDonald's Corporation 2007 Annual Report, the company is stronger than ever and, by far, the strongest fast food chain in the United States (see Graph 1). In 2007 the company posted sales growth for the fifth consecutive year. In fact, McDonald's showed a 6.8% increase in global sales in 2007 over the prior year. The cash generated by operations for the last three years was \$4.3 billion in 2005, \$4.3 billion in 2006, and \$4.9 billion in 2007. [McDonald's Annual Report p.3] In total revenues, McDonald's Corporation posted a record high of \$23 billion in 2007 which enabled them to give a 25% three-year compounded annual return to shareholders. That is more than double the three-year returns of S&P 500 and the Dow Jones Industrial Average.[McDonald's Annual Report p.3] In short, McDonald's Corporation is extremely successful.



Graph 1. Top U.S. Fast Food Chains-2007 Total Revenue in Billions USD⁸

Table 2 McDonald's International Expansion Timeline

1955	United States
1967	Canada, Puerto Rico
1970	U.S. Virgin Islands, Costa Rica
1971	Japan, Guam, Netherlands, Panama, West Germany, Australia
1972	France, El Salvador
1973	Sweden
1974	Guatemala, Netherlands Antilles, the U.K.
1975	Hong Kong
1975	The Bahamas, Nicaragua (Operations ceased during the Nicaraguan civil war and re-established a presence on 11 July 1998 after an absence of two decades.)
1976	New Zealand, Switzerland
1977	Ireland, Austria
1978	Belgium
1979	Brazil, Singapore
1981	Spain, Denmark, Philippines
1982	Malaysia
1983	Norway
1984	Taiwan, Andorra, Finland, Wales
1985	Thailand, Luxembourg, Venezuela, Aruba, Italy, Mexico, Bermuda
1986	Cuba (Guantanamo Bay only; inaccessible to Cuban citizens), Turkey, Argentina
1987	Macau, Scotland
1988	Serbia & Montenegro, South Korea, Hungary
1990	Union of Soviet Socialist Republics, People's Republic of China, Chile
1991	Northern Ireland, Indonesia, Portugal, Greece, Uruguay, Martinique
1992	Czechoslovakia, Guadeloupe, Poland, Monaco, Brunei, Morocco
1993	Iceland, Israel, Slovenia, Saudi Arabia, Saipan
1994	Kuwait, New Caledonia, Oman, Egypt, Bulgaria, Bahrain, Latvia, United Arab Emirates
1995	Estonia, Romania, Malta, Colombia, Slovakia, South Africa, Qatar, Honduras, Jamaica CLOSED-Bermuda (1985-1995)
1996	Croatia, Samoa, Fiji, Liechtenstein, Lithuania, India, Peru, Jordan, Paraguay, Dominican Republic, Belarus (the 100th country), French Polynesia (Tahiti), Sint Maarten
1997	Ukraine, Cyprus, Macedonia, Ecuador, Réunion, Isle of Man, Suriname, Bolivia, Trinidad & Tobago
1998	Moldova, Lebanon, Pakistan, Sri Lanka
1999	Georgia, San Marino, Gibraltar, Azerbaijan
2000	American Samoa, French Guiana
2001	Mauritius
2003	CLOSED-Paraguay (1996-2003), Trinidad & Tobago (1997-2003), Bolivia (1997-2003)
2005	CLOSED-Jamaica (1995-2005)
2006	Zimbabwe

Source: NationMaster Encyclopedia, "List of Countries with McDonald's Franchises". The exception is data for 2003 which is from Watson's "Golden Arches East", p.190.

Conclusion

The combination of strict guidelines for corporate standardization with the localization of menu items and community programs is a winning one for McDonald's. The familiarity of the system allows customers to feel confident no matter what language or country they are ordering in. Indeed, with the proliferation of blogs containing menu information and commercials from numerous countries on Internet, many people seem to be curious about the subtle difference that each culture plays on *our* restaurant.

There is no denying that a company with the local feel and global reach of McDonald's has had an impact on us all. When the restaurant enters a foreign country, it does seem to have a ripple effect through the society. James L. Watson, editor and contributor to *Golden Arches East: McDonald's in East Asia, 2nd Edition*, credits McDonald's with teaching the people of Hong Kong how to line up, and also for making public restrooms there cleaner for everyone. McDonald's came in with clean facilities that other restaurants had to live up to in order to keep their customer base. The same phenomenon was observed when McDonald's opened in Taiwan and South Korea [Lucien p.9].

McDonald's in Beijing, where the children play with "Aunt McDonald" or "Uncle McDonald", is considered a more expensive choice for dinner than local cuisine, but worth the price as an investment in a child's future. In general, eating in Beijing is often treated as an educational act. Chinese parents and/or grandparents save to buy their only heir a Big Mac, Coke and fries because they believe that learning to eat McDonald's is as important to their child's future success as English tutorials, computer sessions, and piano lessons. [Watson, p.65]

When McDonald's arrives in a country it is a sign that prosperity is arriving as well. The timing of McDonald's market entry indicates that the country has a growing middle class with adequate discretionary income to support the investment of building a McDonald's.

Moreover, where McDonald's goes, so do jobs both directly and indirectly. Despite the fact that French farmers are the first to protest against anything McDonald's, France's 857 McDonald's buy 80% of their ingredients in France, sustaining 45,000 French beef producers [Goldburg], not to mention the bakers, vegetable farmers, truckers, uniform manufactures, paper manufacturers, etc. Buying the food and packaging locally is standard operating procedure for McDonald's.

The financial world was shocked when McDonald's started to make a retreat from countries experiencing economic difficulties in the early 2000s. Bolivia in particular reacted with outrage. "They felt betrayed by a company they had associated with modernity and progress. [Watson p.190] As long as there are McDonald's restaurants, the country is part of the modern world.

The Golden Arches represent so much more than fast food. They offer customers young and old an inexpensive, hot meal in a clean, safe environment. Meanwhile, the restaurants send out economic tendrils in the community that act as stabilizers for the local economy and support charitable programs.

The McDonald's model for global strategy which incorporates both bottom-down and top-up approaches, is a winning one for McDonald's. For any company hoping for the sale of close to standardized products and long-term local success in varied locations around the world, I recommend their business be based on this model.

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Notes

- 1) The original table that includes 1990 and 1995 for most of the countries listed in Table 1, is from Watson's (2006) "Golden Arches East", p.3
- 2) Most 2007 data is from NationMaster.com. "McDonald's restaurants by country". Retrieved on Oct. 8, 2008. http://www.nationmaster.com/graph/foo_mcd_res-food-mcdonalds-restaurants#source
- 3) This number is from a report by the US Embassy in Brazil retrieved on October 3, 2008. [http://www.embaixadaamericana.org.br/csr-index.php?action=materia&id=5969&submenu=padrao.inc.php&itemmenu=100012.DownloadFiles.0001.File.tmp/Brazil_Economic_Impact_Study_\(Final\).pdf](http://www.embaixadaamericana.org.br/csr-index.php?action=materia&id=5969&submenu=padrao.inc.php&itemmenu=100012.DownloadFiles.0001.File.tmp/Brazil_Economic_Impact_Study_(Final).pdf)
- 4) From the website "Welcome to McDonald's India"
- 5) The first McDonald's in Israel opened in 1993 (Welcome to McDonald's Israel)
- 6) This number is for 2006 not 2007. Yefet (10.29.06)
- 7) Relaxing at McDonald's is a phenomenon noted in Asian countries according to Watson and the other contributors to "Golden Arches East: McDonald's in East Asia", 2nd Edition (2006).
- 8) [McDonald's (MCD)]. Note: Yum! Brands include KFC and Pizza Hut restaurants. Doctor's Associates, Inc. operates Subway sandwich shops.