

Strategy and Repositioning the Brand McDonald's in India

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Abstract- Despite global slowdown, Indian economy is resurgent and offers fresh opportunities as well as challenges to global players. McDonald's still treats the Indian market as one of their young markets although what they have achieved in 15 years here, it would usually take them 25 to 30 years in another market. McDonald's philosophy of Quality, Service, Cleanliness and Value (QSC&V) is the guiding force behind its stellar service to the customers. However there is still a huge potential in the Indian food market that remains untapped in terms of family restaurants, quick service restaurants and breakfast eateries. Coming in the wake of these, their rebranding effort requires much more than a mere change of the logo or signage. There is a need to critically evaluate the right marketing mix. The article is focused upon assessing the marketing efforts in India in terms of positioning of McDonald's.

Index Terms- *Rebranding, Repositioning, Demography, Marketing Mix*

I. FAST FOOD INDUSTRY IN INDIA

The Indian fast food industry has evolved over time and always has been in line with the needs of people of all ages and segments. There are enterprises which scale from one room outlet to a chain having hundreds of outlets like McDonalds in India.

As per new research report "Indian Fast Food Market Analysis", India is blessed with one of the fastest growing fast food markets in the world. The Indian fast food market is growing at an annual growth rate of 30-35%. Almost all big fast food brands of the world have succeeded in making their presence felt in the country and most of them posting an appreciable growth. Although the market has witnessed robust growth in the past couple of years, it remains largely under penetrated and concentrated in the metropolitan cities. However, there is large room for growth in tier-II cities, tier-III cities which are mostly untapped. Therefore, the future of Indian fast food industry lies in masses that live in tier-II and tier-III cities.

In 2013, the global fast food market is forecasted to have a value of \$200 billion, an increase of 29.3% and a volume of 94.7 billion transactions, an increase of 10.4% since 2008.

The consumer spending on processed food has increased at an average rate of 7.6 per cent annually from 2008 to 2010 and this is expected to rise at an average of around 8.6 per cent until 2012, according to a report by ASSOCHAM.

Almost all big fast food brands of the world have succeeded in making their presence felt in the country and most of them are posting appreciable growth.

It is estimated through the Euromonitor International and Credit Suisse Emerging Consumer Survey, that the average

Indian spends just \$ 11 as compared to his Chinese counterpart who would ideally spend \$ 20 on fast food. Yet, if we see the Indian spending on food in totality, they spend 23 % of their earnings on the same while the Chinese spending is 20 %. So, the inference that can be drawn is that owing to the eating pattern of Indians they prefer to eat at home and would spend on cooking ingredients over fast food. However, this does not spell good news for the industry. It is set to witness the entry of new fast food players that plan to hit the Indian market with a vengeance with international giants like Dunkin Donuts and Starbucks being amongst them.

II. THE COMPETITION


People prefer fast food because it's cheap, easy to prepare, and heavily promoted. India is a developing country with 2 percent of organized and 98 percent of unorganized sector. So most of the fast foods that came into Indian market as India has a high growth in every sector. Major players in fast food in India are:

McDonald's	KFC	Pizza Hut	Dominos	Café Coffee Day	Barista
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More than 75% of McDonald's restaurants worldwide are owned and operated by independent locals.

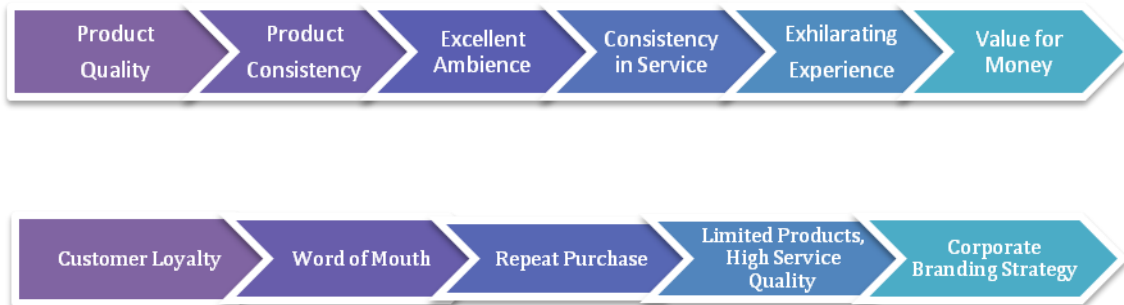
McDonald's product line in India is almost similar to other burger chains with a dominant Indian flavour. Perhaps, it would be correct to say that their only similarity with their foreign outlets is that they have French Fries and still use buns. Examining the immense Indianization they have attempted in their menu here it wouldn't be surprising to see Indian Chapatis in place of buns. Their current offerings reflect the same.

Table I : Present Menu for McDonald’s India

Menu Ranges	Burgers and other Bites				Desserts	Beverages
Spicy Delights	McSpicyPaneer	Big Spicy Paneer Wrap				
Extra Value Meals	Chicken McNuggets Meal	Filet O Fish Meal	Maharaja Mac Meal	McVeggie /McChicken Meal		
Happy Price Menu	McAloo Tikki	Soft Serve (Strawberry /Chocolate)	Veg Pizza McPuff	Chicken McGrill	McSwirl	Iced tea/ Cold Coffee
Breakfast Menu	Sausage McMuffin with egg	Veg Supreme	Veg McMuffin	Sausage McMuffin	Pancakes	Minute Maid Pulpy Orange/ Cappucino/ Tea
Favourites	French Fries	Filet O Fish	Chicken Maharaja Mac	McChicken/ McVeggie	McFlurry	
Happy Meals	McAloo Tikki Meal	McChicken meal	Chicken McGrill Meal	McVeggie Meal		
Source: McDonaldsIndia.com						

III. BUSINESS MODEL

The Business Model of McDonald’s is a franchise-based model coupled with strong corporate branding. The focus is on the branding of McDonald’s as a globally accepted service provider with strong customer perception about:



Happy Employees means Happy Customers -

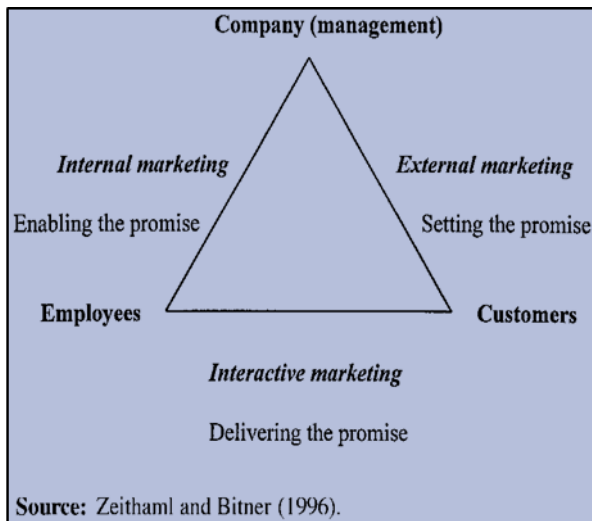


Figure 1: The Service Marketing Triangle
Zeithaml and Bitner (1996)

McDonald's realized very early in their business that in order to achieve happiness amongst customers; the possible route is through happy, motivated and committed employees. In accordance with this they played on the customer first strategy. Even in India, their efforts clearly indicated that they were keen to understand the Indian consumer. Hence they adapted themselves to tickle the taste buds of their Indian customers to become a brand that enjoys a very high brand recall.

Therefore they focused on internal as well as external marketing. The level of importance has changed to be in the following order (the most important people are now at the top).

Corporate Branding - The marketers are shifting the branding efforts from their product brands to a more holistic corporate branding. The reason for the shift can be traced to the belief that, it is the corporate image that carries a great impact on the buyers who are more aware and more exposed to media coverage on various issues be it environmental responsibility, being corporate social responsibility or be it responsibility towards health of future generation.

McDonald's describe a corporate branding framework that is based on three elements:



Figure 2: McDonald's Service Pyramid

McDonald's Efforts of repositioning its Brand-Recently, McDonald's management has decided to change its strategies. They now want to provide not only a place to sit and eat but also an experience that can be enjoyed by their customers.

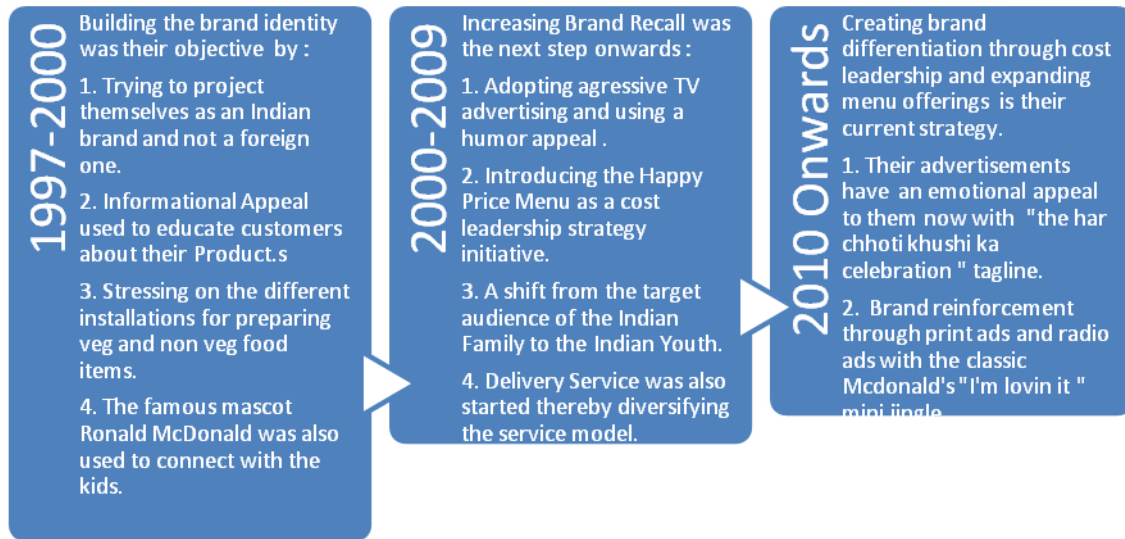


Figure 3: Corporate Branding
Source: Hatch and Schultz (2003), "Bringing the Corporation into Corporate Branding", European Journal of Marketing,

The recent McDonald's rebranding strategy is a part of this thought and vision. McDonald's road to success has not always been rosy. They have been at the receiving end of the media's onslaught. There was a huge uproar in US after media exposure against McDonald's unhealthy menu that was affecting the nation and leading it to a generation suffering from obesity and heart diseases among many more ailments.

There were employment issues internally which showed that they did not treat their workers well. Hence they assessed their strategies again and came up with new objectives that strengthened their previous aims and gave a new direction to them as well.

McDonald's Marketing Efforts Over the Years –



Proactive Rebranding – A Proactive strategy includes a new line of business or market that does not conform to the existing brand identity. When McDonald's once referred to itself as Mickey D's to target kids in a commercial, it had just coined a new way of catering to an audience separate from its traditional family audience.

Objectives of McDonald's Repositioning Strategy- McDonald's, the promise of American fast food anywhere in the world, has had to rethink and reposition its brand offerings in different countries. While some basic elements like Ronald were left in place the menu underwent an overhaul. For example, in India, the menu has no beef dishes since it is not considered religiously correct to eat cow's meat: there is the very popular McAlooTikki, a potato-based patty in burger buns; the Big Mac is replaced by the Maharaja Mac, the Big Mac in chicken; there is also the paneer (cottage cheese) McVeggie burger.

The Italian McDonald's has a special coffee spot. To celebrate its 20th anniversary in China, McDonald's rebranded under the "Make Room for Happiness" campaign. They had all you want coffee refills; Wi-Fi and a more modern restaurant design were unveiled. This was done exclusively for China, where McDonald's positioned itself as a place to relax away from the high demands of the average Chinese's life. Its "I'm Lovin' It" slogan made way for "Make Room for Happiness," and McDonald's became the place where the stressed young Chinese can spend quality time rejuvenating after working for long hours. The result was an 18% increase in sales, and an increasing legion of fans that is fueling McDonald's' growth in China.

McDonald's Changing Markets Changing Strategies
Decades after its launch, the Big Mac is changing colours, literally. The world's largest fast-food chain is letting go of its familiar red-and-yellow colours for more muted tones as it goes for its biggest and costliest revamp in the country, in line with its global strategy of attracting more adults. For the next generation of consumers McDonald's plans to cultivate a very different image from its existing one. After revamping 280 stores in

various markets last year, McDonald's is now opting for the Tampa model and will spread that design to upwards of 800 locations this year — roughly triple what it did last year. The company is donning a new look when India is on its way of becoming a global hotspot for food retailers, with chains like Starbucks, Burger King planning to enter the country. Some McRemodel highlights include :

•**Redoing roofs** - The bright red roofs that have topped McDonald's for several decades are getting the heave, replaced with flatter, more conventional roofs.

•**Muting paint** - The neon yellows and reds common to the interiors and exteriors are becoming history, replaced with much more subtle oranges, reds, yellows and even greens.

•**Updating chairs** - Those industrial steel chairs are giving way to wooden chairs, colorful stools and, in some cases, vinyl-covered chairs that resemble leather. Some stores will have larger lounge chairs similar to the kind you might expect to find in a coffee shop.

•**Doubling drive-through** - To ease lines inside and outside stores, many locations are adding second drive-through windows to speed up service.

•**Splashing colour** - McDonald's hasn't junked its familiar red and yellow colors altogether, but it is making them far less obvious. Instead of filling the restaurants with them, it's splashing bright yellow and red here and there for effect.

•**Dividing dining areas** - The sea of tables and chairs is history in the remodelled stores. The new dining rooms are divided into separate eating zones for larger groups, eat-and-run customers and folks who want to stay and lounge.

•**Adding flat-screen TVs** - Large, flat-screen TVs — some playing contemporary music — are showing up in many locations, though fewer than half of the remodelled stores will display them.

The new design makes the customer feel more comfortable and at leisure to enjoy their surroundings. This offers to McDonald's two key opportunities- firstly, to shift to another

customer base with high spending power and then to broaden their menu with offerings at a higher price point.

Risks Involved - When a global organization like McDonalds is going in for rebranding, a lot of financing is involved and the global impact is huge. Though the step taken by the managers of McDonalds is well calculated but speculations are on till the time it doesn't fair well in the market and most importantly to the customers. This kind of rebranding in the Indian Food Industry can help change the image of McDonald's completely like in the case of Pizza Hut, which has become a part of fine dining segment, which it was not earlier. The Indian consumer is considered to be loyal but still the risks involved are high.

1. A trade-off between what is expected from a company and what a company has to gain from the consumers -

One can see that one facet raises the scale while the other weighs it down making it a tough task. In order to sustain the balance, it requires big investments which will surely add to the costs incurred in the rebranding. If the rebranding falls flat, it will result in a major profit decline.

2. Store positioning -

McDonald's needs to have the most current information to determine if present outlets are cannibalizing each other's business. To achieve this McDonald's team will need comprehensive, demographic data of India along with both their and competitors' outlets.

IV. CONCLUSION

The task is mammoth as McDonald's tries to keep up in the race for a piece of the great Indian pie. As per Forbes, McDonald's India operations contribute 30% to their sales which is a considerable share. It might become imperative to create a Point of Difference to fight it out in the Indian market as all fast food brands have modelled themselves on local flavours now, the latest being KFC with its 'Streetwise' menu. While McDonald's does have the edge with its excellent supply chain and distribution network the customer ultimately does become the king with low brand loyalty in this category being the generalisation. The rebranding effort on their part seeks to bring

in a new flavour to their brand offering but what remains to be seen is whether they are still able to strike a chord with the customer.

ACKNOWLEDGEMENT

We would like to express our heartfelt gratitude to the people who assisted us in this endeavour of ours. First and foremost, we would like to thank Mr. Praveen Gupta, HOD, Lal Bahadur Shastri Institute of Management for his valuable time and support. Also, a special mention to the staff of McDonald's Jor Bagh, Delhi who was very patient and helpful during our visits to the outlet for the study.

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