

ENTRY STRATEGY OF McDONALD'S TO THE NATIONAL MARKETS OF THE HOST COUNTRIES

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Businesses need to be flexible to react quickly to changes in competition and the market. must constantly compare to achieve best practices. They must aggressively outsource to gain in efficiency. And they have to develop some basic racing skills to stay ahead of its rivals. Both operational efficiency and strategy are essential for performance, which is the primary goal of any business. But they work in different manners. Main objective of all organizations established is to have superior performance [1].

In 2016 McDonald's generated total sales of \$22 billion. The statistics shows the sales of McDonald's franchised restaurant world wide from 2006 to 2019 (Table 1).

Table 1

McDonald's total sales 2006-2019

Sales in billion U.S. dollars	
2019	90.76
2018	86.13
2017	78.2
2016	69.71
2015	66.23
2014	69.62
2013	70.25
2012	69.69
2011	67.65
2010	61.15
2009	56.93
2008	54.13
2007	46.94

Source: [2]

Company-operated restaurants and franchisee past nine fiscal years, McDonald's revenue peaked in 2013 a US \$ 28.11 billion. Since that pick revenue peaked in 2013 at us \$ 25.4 billion in 2015, a total lower than, 2011 revenue. In 2015 \$ 8.56 billion was recorded in the United States. The other major markets, including Australia, Canada and France, ranked as second-largest contributor producing US \$ 7.62 million.

McDonald's was defined the most valuable Quick Service Restaurant brand worldwide in 2020. McDonald's franchise restaurants generated a total of 90,76 billion dollars in sales.

Over 80% of McDonald's restaurants around the world are owned and operated by franchisees. The company regularly ranks in the Top 10 of the world's franchises in Entrepreneur Magazine, and Franchise Times Magazine ranks McDonald's number 1 among the top 200 franchises [3].

The first McDonald's restaurant was an unassuming hamburger stand owned by Richard and Maurice McDonald in California, opened in 1940. But in 1954 a man named Ray Kroc, who had sold his milkshake makers Multi mixer to McDonalds, returned restaurant visit, then offered to open several more McDonald's restaurants. Kroc ultimately bought the company from Dick and Mac McDonald and oversaw McDonald's global growth to more than 30,000 restaurants today with more than \$ 22 billion in annual revenue.

Most McDonald's owners entered the company by purchasing an existing restaurant. To open a McDonald's franchise, however, requires a total investment of \$ 1 to \$ 2.2 million, with available liquid capital of \$ 750,000. The franchise fee is \$ 45,000 [4].

Since the total cost varies from restaurant to restaurant, the minimum amount of a deposit will vary. Typically, you need a minimum of \$ 500,000 of non-borrowed personal resources to be able to open a McDonald's franchise. People with additional funds may be better prepared for additional or multi-restaurant opportunities, which McDonald's encourages. In 2016, the initial investment ranged from \$ 1,003,000 to \$ 2,228,000, with a cash requirement of \$ 500,000. There is also an upfront franchise fee of \$ 45,000 [5].

In most franchise systems, when opening a new franchise site, it is the franchisee's responsibility to locate a site that meets the franchisor's standards. It is then approved by the franchisor for the franchisee to grow. McDonald's is different; he acquires the real estate and builds the site for you.

McDonald's primary generic strategy according to the Porter model is cost leadership. In Porter's model, this generic strategy involves minimizing costs to offer products at low prices. As a low-cost provider, McDonald's offers products that are relatively cheaper compared to competitors like Arby's. However, the company also uses broad differentiation as a secondary or supporting generic strategy. This secondary generic strategy involves developing the business and its products to make them distinct from competitors. For example, through McCafé products, McDonald's applies the broad differentiation generic strategy [6].

McDonald's success is based on the success of its global marketing strategy that presupposes the right mode of entry through its international marketing strategy by choosing a strategy of combination of direct investment and franchising strategy in its entry into the new market.

McDonald's for its penetration uses the license and the franchise to manufacture the company's product is given to a local player to sell the product in the local country. The licensee company receives an annual fee from the licensee company for the use of its technology and brand minimizing the risk of the business.

McDonald's strategic goal has always been the delivery of highly consistent and standardized products and services to its restaurants around the world. Its strategy for entering the world market serves this purpose. It invests directly in new markets so that it can establish leading stores operated by the company in those countries.

References:

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