

McDonald's Business Model in India: Localized Paradigm

Food chains should fit its services mix according to the local community to create service differentiation

McDonald's India opened its Quick Service Restaurant (QSR) in 1996 and there are more than 310 McDonald's across the country by now. McDonald's is growing at a faster rate of 26% and doing more than Rs. 1000 crore business in India. The success story of McDonald's lies in its service differentiation based on localized products and appropriate pricing point. Before the products and pricing, McDonald's put greater efforts on changing the consumer perception of global QSRs.

The following were the existing perceptions of Indians about global QSRs:

- **Products are very costly:** Indians thought they would be charged exorbitant price for global brands
- **Western tastes are not suitable to Indian palate:** The taste of western countries may not be suitable for local people
- **Global players may exploit local players:** The perception among Indians that 'MNCs may damage Indian economy and suppress the local players for their advantage'.
- **Western products are insensitive to local cuisine:** MNC food chains are more focused on beef/pork which may not be suitable to local tastes and food habits.

The unique characteristics of services such as intangibility, heterogeneity, inseparability, and perishability make it difficult for marketers to **distinguish** their **services** from that of the competitor. Nevertheless, marketers search for opportunities and means that help them in setting their services as distinct from the competitors' and also to position their services as superior to the competitors' offerings.

McDonald's attempted to change the perceptions of Indians with the following innovative strategies to become the favorite destination for Indian food lovers.

- **Respecting local cuisine:** Many of the products developed based on local cuisine such as McVeggie, McAloo Tikki, Pizza McPuff, Mc Curry Pan Etc. McDonald's has taken serious steps to avoid beef/pork in all the outlets to respect local and cultural sentiments.



For e.g. McDonald's first vegetarian outlet in the world has been opened near the Golden Temple in Amritsar recently. The Golden temple is a holy place for Sikhs which attracts thousands of visitors a day. The second vegetarian outlet is to be opened at Vaishno Devi temple, a holy site for Hindus, in the small town of Katra, The temple attracts 8 million pilgrims a year.

- **Accommodative pricing:** McDonald's kept all the prices within the range of Indian middle class. The local products are offered at minimum Rs. 20 in tune with the local players. The ice-cream price is fixed at Rs. 7 and pricing is more attractive to student community.

For e.g.

McDonald's Price	Local Players Price
Mcaloo: Rs. 25	Vada Pav: Rs. 15
Pizza McPuff: Rs. 20	Veg Puff: Rs 40
McVeggie Meal: Rs. 80	Veg Combo: Rs. 65

- **Pleasant Dining Experience:** Well demarked and designed spaces for children, students and families to provide pleasant dining experience.

For e.g. children play areas, baby seats, and large booths for college students and extended families.



McDonald's Indian business model is based on 'Think Global; Act Local' strategy

Topic	Course
Service differentiation: Marketing of services: Unit 25.7	Marketing management

Source: Booz & Co., and Rai (2013), *Successful Innovations in Indian Retail &*
<http://travel.cnn.com/mumbai/life/worlds-first-vegetarian-mcdonalds-open-indian-holy-sites-895961>