The links in the lesson slides don’t give you the answers, they are to help you better understand each of the strategies in the context of McDonald’s so you can then take that understanding to explain why McDonald’s use that strategy to **grow** and **operate internationally**.

**FOR P8:**

As well as generally defining/describing the strategy you need to describe how McDonald’s use it and **explain WHY** McDonalds use franchising.

Consider issues like the ease or speed of growth/establishing operations overseas, growing the brand, cost control, access to local knowledge, risk control, etc. What is the benefit of using that strategy to grow/operate internationally?

See table 5.15 in the scanned text book pages on Godalming Online (under the heading ‘Reasons for using a selected strategy’ on page 4)

McDonald's use the following strategies for growing and operating internationally:

(Remember they are a US company)

- Franchising

Franchising is how most of their restaurants are operated around the world.

The first link in the P8 slides takes you information on the US website about their “business model” (i.e. franchising) and has some useful data and explanation of WHY they use franchising to grow/operate internationally.

You can also access more on franchising via the links at the bottom of the ‘business model’ page

Info on franchising in UK <https://www.mcdonalds.com/gb/en-gb/franchising.html>

This link on franchising generally may also help

<https://www.tutor2u.net/business/reference/franchising>

-Subsidiary companies/businesses

Alongside franchising, McDonald’s use this to expand into other countries.

McDonalds is a US company, they can’t export their product internationally to grow, so they set up 'subsidiary companies' all around the world to be able to grow and operate in those countries. These subsidiaries can then facilitate the franchise model

Subsidiary companies are smaller off-shoots of a businesses that can be registered and managed in different countries (e.g. McDonald’s Restaurants Limited (United Kingdom).

The parent company (McDonald’s Corporation in the US) has overall control, but the subsidiary operates independently (i.e. there is a CEO of McDonalds UK who is responsible for running the business in the UK but they are owned by and have to follow the direction of the parent company, McDonald’s Corporation)

The second link in the lesson slides lists their subsidiary businesses – look through them to see which countries they have companies in

-Licencing

A firm can make a product under licence on behalf of another business, e.g. a toy manufacturer might be used to make toys for another company’s brand.

The link in the slides demonstrates a licencing example.

Why do McDonald’s do this – a way to grow the brand through a new product –

<https://www.licensing.biz/mcdonalds-taps-into-growing-appetite-for-licensing-with-joester-loria-group/>

<https://www.licensing.biz/mcdonalds-rolls-out-big-mac-inspired-apparel-line/>

<https://www.licensing.biz/mr-men-little-miss-launch-into-mcdonalds-happy-meals-with-reusable-cup-collection/> this is also useful for partnerships

<https://www.licensing.biz/us-mcdonalds-partners-with-nintendo-for-super-mario-happy-meal-toys/>

-Agencies: McDonald’s would likely hire expert agencies (e.g. marketing, PR) to help them to develop marketing campaigns etc.

<https://adage.com/article/agency-news/mcdonalds-picks-wieden-kennedy-new-york-lead-us-creative-agency/2196756>

<https://www.mcdonalds.com/gb/en-gb/help/faq/19265-which-agencies-do-mcdonalds-use-and-how-would-a-different-agency-apply-to-work-with-mcdonalds.html>

<https://www.agencyspotter.com/brands/mcdonald-s?seed=49950>

-Subcontractors: e.g. could include:

The actual production of much of the raw products which go into McDonald’s meals, from burger patties to sauces, is subcontracted to different suppliers

Cleaning companies (to clean the restaurants)

Shop fitting/construction companies to fit out any new McDonald’s restaurants with fixtures and fittings etc. It all has to be in McDonald’s brand and from their suppliers but will be fitted by a sub contracted firm.

- Outsourcing

Outsourcing the Corporation’s accounting activities

<https://www.cnbc.com/2016/06/17/mcdonalds-slims-contemplates-outsourcing-jobs-to-india.html>

-Joint venture

(You will need to copy and paste the link below into your browser)

<https://www.foodbev.com/news/mcdonalds-plots-path-to-growth-in-china-after-jv-deal/>

You may find this link helpful overall but do not copy and paste directly from it

<https://www.ukessays.com/essays/marketing/the-international-market-strategy-of-mcdonalds-marketing-essay.php>

**For M5**

**Make sure you have read through the M5 text book pages on Godalming Online**

You are to add to your case study on McDonalds by *analysing the effectiveness of the resources* they use. In doing so, please consider the following:

* Capital costs - i.e. how effectively they have used their capital in host countries, where it gets it’s capital from to develop internationally and the importance of this to the firm’s international growth
* Revenue costs - i.e. how effectively they have used revenues (revenue expenditure) in host countries and the relative importance of revenue to McDonalds international development
* Expertise and intellectual capital - e.g. how effectively they have used their branding, reputation, goodwill, managerial expertise etc. in host countries

For all of the above, you will find information in their annual report:

<https://corporate.mcdonalds.com/content/dam/gwscorp/nfl/investor-relations-content/annual-reports/2019%20Annual%20Report.pdf>

Start by looking under the headings: Description of business and Financial Performance.

* Training costs for local labour - i.e. how the local workforce in host countries has been used and trained and if this has been done effectively

<https://www.mcdonalds.com/gb/en-gb/help/faq/18362-what-kind-of-training-do-you-provide.html>

<https://people.mcdonalds.co.uk/early-career-opportunities/management-degree-apprenticeship-programme/programme/>

* Organisational structure of international business – i.e. how the business is structured and organised to incorporate the international elements and things it might have to consider along the way when developing its structure.

<https://www.mcdonalds.com/gb/en-gb/help/faq/18509-whats-the-structure-of-mcdonalds-and-how-each-department-in-the-organisation-interacts-works-together.html>

<https://www.ukessays.com/essays/business/mcdonalds-corporate-organizational-structure-business-essay.php>

**When analysing how effectively they use these resources, you should link to specific strategies they used from P8**

Remember, it is all coming back to **how effectively they have used their resources to grow and operate internationally**