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COUNTRY SPECIFIC MARKETING STRATEGY FOR MULTINATIONAL CORPORATIONS; CASE STUDY OF MCDONALDS AND COCA-COLA: AN IN-DEPTH STUDY

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ABSTRACT

The paper analysed the growth of MNCs and how they became country-specific with respect to the demands and concerns as well as the religious sentiments of the country that they entered. The case study of Coca-Cola and McDonalds has indicated that they are sensitive to new issues that have risen around the world like sustainability, protecting the environment, as well as keeping the health of their consumers in mind.

Keywords: Multinational Corporations (MNCs)**,** Marketing strategies**,** Globalisation, Standardisation**,** Localisation, Foreign Direct Investment (FDI)**,** Sustainable development, Economic exploitation

Research Question: the paper would attempt to analyse the way multinational corporations change their marketing strategy depending on the country that they enter. An analysis would be researched on what are the main factors that these companies need to keep in mind to achieve a profitable venture in these economies. Is there a basic model that they follow? What are the major factors that these companies keep in mind? By following some basic models, does it lead to a sure shot formula for success? An attempt would be made to understand the strategies that McDonalds and Coca-Cola have followed in this respect.

1. Introduction

Multinational corporations (MNC) engage in exporting their products and services to various countries and at the same time importing goods and services from different nations. This dynamic interaction sustains international trade and fosters greater economic integration among countries. There has been a continuous increase in the spread of multinational corporations over the years. These corporations are also known as transnational enterprise (TNE), transnational

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corporations (TNC), and even state-less corporations. These companies own and control the production of goods and services in at least one country, other than its home country. It is important to distinguish this setup from international portfolio investment organisations for example- international mutual funds who invest in corporations abroad only to diversify financial risks. MNCs on the other hand, have a 'control' over their investment in other economies. Some definitions suggest that if the MNC derives 25% or more of its revenue from out of home country, it should be considered an MNC.

The history of MNC is synonymous with the history of colonialism. Britain was the first country to develop in the world and it had several colonies. It is being stated that Britain, when it was at its peak of being a superpower, 'the sun never set for it.' This meant that it had control over so many economies all over the world. The first multinational business organisation was the East Indian Company, which was established in 1609. When they set up their base in Calcutta in India, it became the largest company in the world for the next 2 years. These companies were primarily trading companies. One of the reasons that it captured and controlled other countries, was to expand its market that would provide impetuous to the products that it manufactured. This led to an increase in their GDP and employment. It also led to research and developments to produce commodities that were of better quality and cheaper prices.

Figure 1- Image of headquarters of East India Company (London)

Source: https://www.britannica.com/topic/East-India-Company

MNCs came up largely during the 1950s and 1960s as US businesses expanded world-wide and so did Western Europe and Japan. The earlier MNCs dealt with trading and mining. For example, Rio Tinto was founded in 1873 and started with the purchase of sulphur and copper mine from the Spanish government. Since then, it has expanded globally to mine aluminium, iron ore and diamonds.

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From the mid 1940s to the mid 1970s, it was multinational in global petroleum industry that dominated the world. These were known as the ‘seven sisters’:

- Anglo-Iranian oil company (now BP)
- Royal Dutch shell
- Standard oil company of California (now chevron)
- Gulf oil (now part of chevron)
- Texico (now merged with chevron)
- Standard oil company of New Jersey (now part of ExxonMobil)
- Standard oil company of New York (now part of ExxonMobil)

Prior to the 1973 oil crises, the ‘seven sisters’ controlled 85% of the world petroleum of the oil reserve. After the oil crises, most countries that had huge reserves of petroleum, nationalised their reserves and it is now part of the government. They initiated state-owned gas companies and the industry dominance shifted to the OPECK cartel. These state-owned companies are:

- Saudi Aramco
- Gazprom (Russia)
- China national petrol corporation
- National Iranian oil company
- PDVSA (Venezuela)
- Petrobras (Brazil)
- Petronas (Malaysia)

It this these companies that sold petroleum products to multinational companies (Shell, BP, and Chevron).

Figure 2- multinational corporations in petroleum

Source- https://www.flickr.com/photos/heatingoil/4204561138

The initial reasons for setting up MNCs were in those areas where there was an abundance of natural resources which were in demand, and they could be harnessed by investors who had access to a large amount of funds. In the 1930s, 4/5th of the international investment was concentrated in the primary sector- mining (oil) and agriculture (rubber, tobacco, sugar, coffee, cocoa). These companies were based in the newly industrialised economies of the world, and they had a captive demand from the countries (third world colonies) that were colonised by the European, American and the Japanese nations. This changed dramatically after 1945 as investors turned to industrialised countries and started investing in manufacturing (high-tech electronics, chemicals, drugs, and vehicles) along with the other commodities. It is after this period that Unilever, a prominent consumer goods company, produced everything from food, tea, coffee, cleaning agents, water, air purifiers, cosmetics, soap etc. They own over 400 brands and had a turnover of 51 billion euros in 2020. It has R&D facilities in China, India, Netherlands, United Kingdom, and United States.

Figure 3- Unilever headquarters in London, UK

Source: https://www.theguardian.com/business/2020/jun/11/unilever-picks-london-as-its-home-over-rotterdam

The rise of the number of MNCs was basically due to:

- a stable political environment that encourages cooperation
- advances in technology that enables management of distant regions.

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- favourable organisational development that encourages business expansion in other countries.

2. Definition

2.1 MNCs are corporations that are registered and operate in more than one country at a time. Normally, the corporation has its headquarters in one country and has wholly or partially owned subsidiaries in other countries. These subsidiaries tend to report to the corporation's central headquarters. 2 common characteristics that are common to all MNCs are:

- Their large size
- Centrally controlled worldwide activities

The activities that these MNCs are involved in are:

- Importing and exporting goods and services
- Making significant investments in a foreign country
- Buying and selling licences in a foreign market
- Engaging in contract manufacturing that is permitting a local manufacturer in a foreign country to produce its product.
- Opening manufacturing facilities or assembly operations in foreign countries

MNCs benefit from both vertical and horizontal economies of scale (reduction in cost that result from and expanded level of output and a consolidation of management) by spreading research and development expenditure as well as advertising costs over all their global sales. They pool in global purchasing power over all their suppliers as well as utilise their technological and managerial experience globally with minimum additional costs.

These companies take advantage of cheap labour services in developing economies in reducing their costs. The developing economies take advantage of the research and development capability and facilities of developed economies for their production.

The problem that arises are the morale and legal constraints on the behaviour of MNCs as they are effectively 'stateless' actors. This stateless state is an urgent global socioeconomic issue that has emerged especially during the late 21st century. This conception was clarified in 1993 which analysed the empirical strategy of an MNC with respect to demographic analysis and transportation research. Logistics management of MNCs are described as the rapidly increasing

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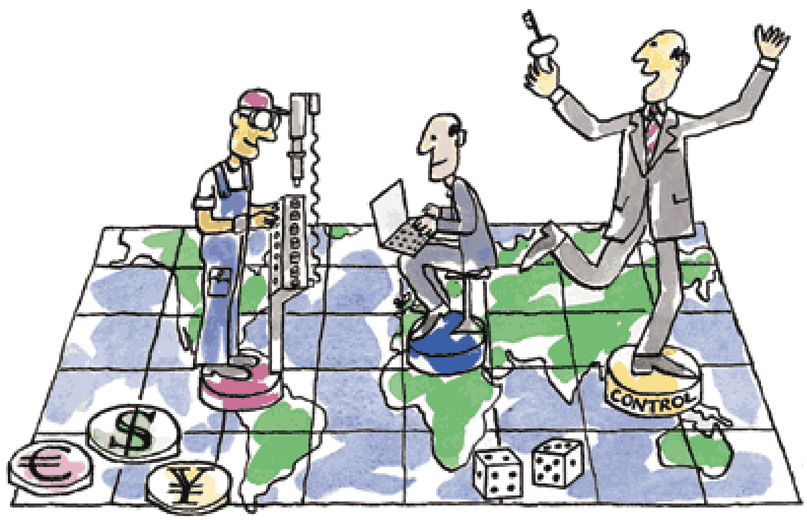
global mobility of resources. With rapid digitalization and globalisation, it has become possible to meet the needs of resource material on a worldwide basis as well as to produce and customize products for individual countries.

Some of these multinational enterprises engage in Foreign Direct Investment (FDI) as the firm makes direct investment in the host country's plant for equity ownership and management control to avoid transaction costs.

Figure 4: MNCs 'stateless corporations'



Source: https://businessadministration.ir/?p=474

Although cultural barriers can create unpredictable obstacles, the firms technical expertise, experienced personnel, and tried and tested strategies can be transferred from country to country. Some researchers consider the entry of MNCs, especially in a developing economy, as a political source of foreign domination. It is the developing countries who are particularly vulnerable to economic exploitation, monopolistic practices, human right abuses, and most important, the disruption of traditional means of economic growth.

3. marketing strategies of MNC

As the trade barriers in western Europe and most of the world, more and more companies have found attractive opportunities for expansion. With the spread of multinational corporations, operations abroad have become so extensive and complex that it requires significant changes in organization and operating methods. This growth has led to a number of questions and suggestions that range from the adoption of *uniform advertising approach* on the ground that consumer motives are essentially the same everywhere. But advertising approaches cannot be

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considered in isolation from *product line, packaging, pricing, distribution system, sales force, and other methods of promotion.* Thus, the issue that arises is that marketing strategies should be the same in totality. But George Weissman, President of Philip Morris, Inc, has concluded “until we achieve one World, there is no such thing as international marketing, only local marketing around the world.” It would not be correct to dismiss universal marketing completely as research has indicated that all though there are many obstacles to the application of common marketing policies in different countries, there are at the same time tangible potential benefits too. The relative importance of the pros and cons will vary from industry to industry and from company to company. But it does merit careful analysis by the management.

When we talk about standardisation, it does not necessarily mean offering identical product lines at identical prices through identical distributions systems supported by identical promotional programs in several different countries. On the other side of the spectrum, are completely localised marketing strategies that contain no common elements whatsoever. But neither of these extremes are feasible or deniable.

The question then arises *standardisation but to what degree?* Most multinational corporations employ strategies that would be closer to the “localised” end of the spectrum, rather than the opposite one. The potential benefits of increase standardisation would be to incorporate certain basic common elements. Each aspect of marketing should be considered first in its own right, and second, in relation to the other elements of the “mix.”

Figure 5: Universal use of the McDonalds symbol

Source- https://www.business-standard.com/article/economy-policy/next-big-shift-in-global-economic-policy-takes-shape-under-covid-19-shadow-120101200117_1.html

Standardisation strategies are initiatives that are applied by MNCs with respect to branding, costs and production. These result in companies having similar brands globally reducing production costs and improving production techniques. This initiative allows similar marking campaigns and messaging across different countries cultures and markets. Besides, McDonalds, Coca-Cola uses similar branding, packaging and distribution in all their products globally.

Though the brand campaign may be similar in countries all over the world, care need to be taken over certain local ingredients as well as certain religious sentiments.

Besides marketing strategy, another aspect that is considered is the product standardisation. This is especially true for Coca-Cola, where the timeless beverage tastes and looks the same all over the world.

Figure 6: Coca-Cola product image used worldwide

Source- https://www.shutterstock.com/search/coca-cola

4. Complex challenges that multinational corporations face

The most complex challenge for an MNC is harmonizing the opposing forces of standardisation vs localisation. Most of the MNCs are headquartered in America, Japan and Germany.

There are different levels of standardisation which can be defined as ***global best practices***. The problem arises in managing the objective of 'localisation' vs 'standardisation' and both moving

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towards ***global best practices.*** This essentially means that localisation and standardisation have to conform to the global best practices that have been stated by the MNC headquarter. Globalisation and MNC are intrinsically linked to each other. But as globalisation becomes universal, MNCs need to become more and more competitive to survive. The debate is always between global integration and local responsiveness, or in other words, between standardisation or localisation. Many Japanese companies, like Toyota and Cannon, have traditionally emphasised global integration and efficiency. While European companies, like Unilever and Nestle, emphasise on local responsiveness. Standardisation is defined with respect to management practices towards headquarter practice. A large number of MNCs localise promotion and distribution practices even though they have a global advertising strategy. IBM and Proctor and Gamble have relatively standardised Human Resource Management (HRM) with regard to recruitment and training. But it is difficult to completely transfer the HRM practices as they are limited to localise issue. For example, with respect to promotion incentives structure, the MNCs outside the headquarters may have different yardsticks. This is true for Japanese concept of seniority and German manufacturing in Germany which tend to work in largely non-unionised setups. The two factors stated above may not be possible to follow in other parts of the world; a delicate balance would have to be struck between standardisation and localisation.

5. Case study of Coca-Cola as an MNC

The Coca- cola company is a manufacturer, retailer and marketer of a range of beverages since it started in 1886. It has expanded its product portfolio to over 200 brands and in more than 200 countries. It works with 225 bottling partners across 900 bottling plants serving an estimate 30 million retail outlets in total.

The company has managed 13th rank in the food and agriculture benchmarks, demonstrating good performance across measurement areas. With respect to governance and strategy, they follow sustainable development targets. The areas that they need to improve are;

- Stakeholder engagement activities
- Governance for sustainable development objectives
- Accountability for sustainability objectives
- Aim to reduce plastic use and packaging waste

The company needs to address environment nutrition and social inclusion areas. It has started reducing greenhouse gasses (GHG) as well as food loss and food waste. It seems to be lagging

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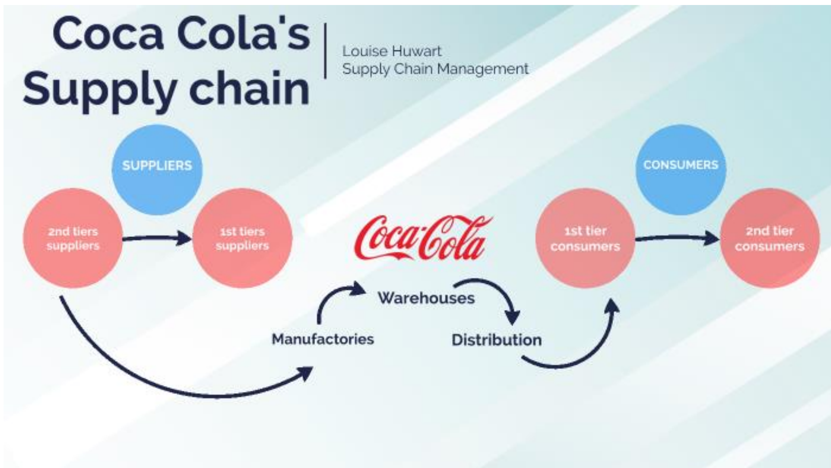
behind in terms of protecting human rights of workers in its own operation as well as its supply chain. The efforts that the company has made to improve soil health and agrobiodiversity as well as the optimal use of fertilizer and pesticides have paid results and have resulted in the company outperforming its peers.

Figure 7: Coca-Cola's Supply chain



source- https://senicessm.live/product_details/24956908.html

Figure 8: sustainable practices followed by Coca-Cola

source- https://sharmilog.wordpress.com/2013/04/07/sustainability-practices-coca-cola/

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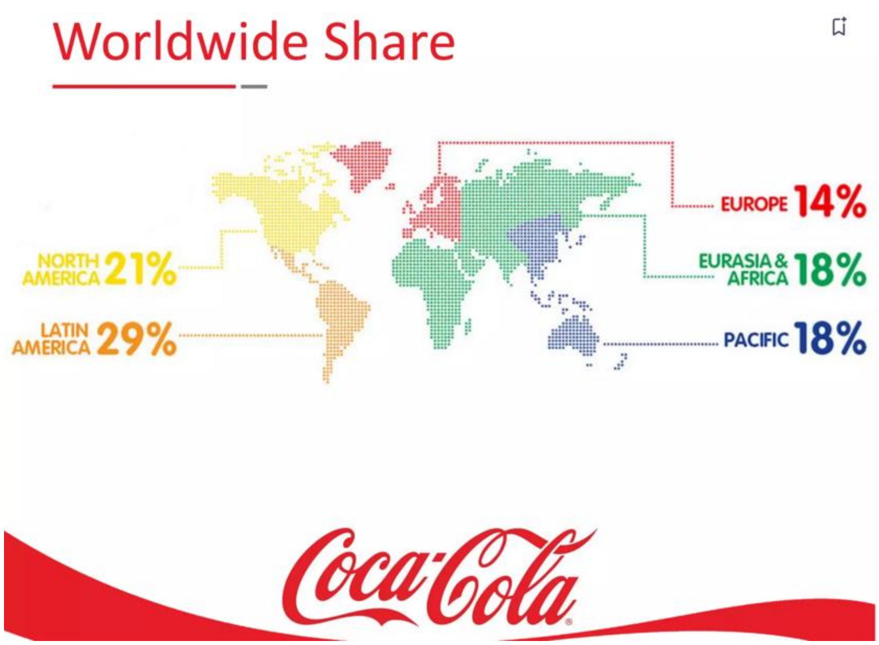
The Coca-Cola company has set the following 4 targets;

1. To reduce the use of virgin plastic derived from non-renewable sources over the next 5 years.
2. To make 100% of their packaging recyclable globally by 2025.
3. To use 50% recycled material in its packaging by 2030.
4. To collect and recycle a bottle or can for each one it sells by 2030.

The company has engaged with relevant stakeholders across its value chain around issues related to the environment, nutrition and social inclusion. It discloses very clearly the outcomes of its activities around sugar reduction, water reduction and human rights.

The Coca-Cola company, being the multinational it is, has taken up on itself to follow good practices with respect to sustainability and social inclusion. This sets an example for other MNCs to follow suit in the countries that they exist. The responsibility of MNCs is not only towards its parent company, but to all its subsidiaries and stakeholders all over the world. The system of following 'best practices' works in a positive manner in all the countries that they exist.

Figure 9: Worldwide share



Source- https://www.slideshare.net/markedme/practice-of-management-of-coca-cola

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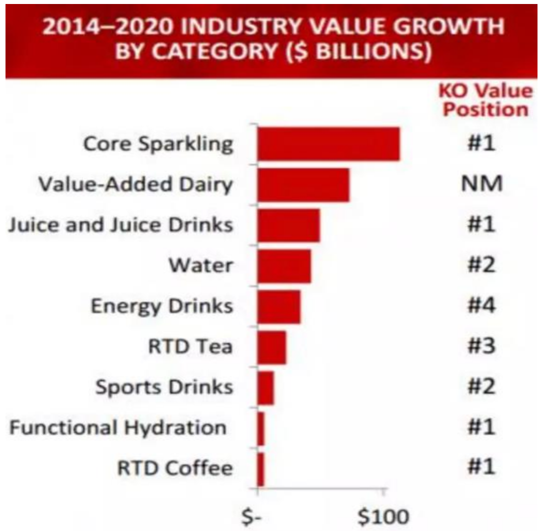
Figure 10: 2014-2020 Industry Value Growth by Category



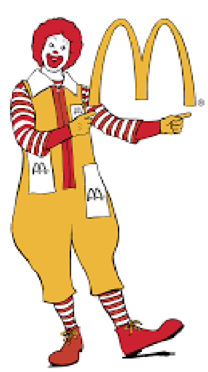
Source- https://www.slideshare.net/markedme/practice-of-management-of-coca-cola

2014 - 2020 NARTD Industry Value Growth: › $300B

Figures 9 and 10 indicate the main reasons as to why corporations want to become multinational. Both the figures show a huge amount of growth in terms of share in the market as well as in terms of profit.

6. Case study of McDonalds

Figure 11: logo of McDonalds



Source- https://worldvectorlogo.com/logo/ronald

McDonalds Corporation is an American multinational fast food chain founded in 1940 by Richard and Morris McDonald in California, United States. They rechristened their business as a hamburger stand and later turned the company to a franchise. In 1955, Ray Kroc joined the company as a franchise agent and in 1961, bought out the McDonald brothers. It was previously headquartered in Oak Brook Illinois, and it moved to Chicago in June 2018. McDonalds is also a real estate company as it owns 70% of restaurant buildings and 45% of the underlying land. It is the world's largest fast food restaurant chain serving over 69 million customers daily in over 100 countries. In 2021, it had more than 40000 outlets. The McDonald Corporations revenues comes from the rent, royalties and fees paid by the franchisees, as well as sale in company operated restaurants. In 2022, McDonald had the 6th highest global brand valuation.

The products that it sells predominantly consists of hamburgers, sandwiches, French fries and soft drinks. Products are offered as either in 'dine in' or 'take out.' The takeout meals are delivered with the contents enclosed in a distinctive McDonalds branded brown paper bag. The McDonalds menu is customised to reflect consumer tastes in their respective countries. Local deviation from the standard menu is a characteristic for which the chain is particularly known and which it abides by, according to the regional food taboos. In India, the religious prohibition of beef has led to McDonalds not offering beef burgers. In Indonesia, they offer McRice. In China, it includes fried buns and soy bean milk. In countries like Germany, they sell beer at their outlets.

To meet the demands of the various countries with respect to palate, taste and religious reasons, the company has adapted themselves according to the local requirement.

Criticism

The corporation was criticised for its negative impact on the environment, especially its contribution to greenhouse gas emission. In the early 21st century, McDonalds launched initiatives to reduce emissions at its restaurants as well as its suppliers production of beef.

The other factors that it has been criticised for has been;

- Health effects of its product: it was claimed that the fast food from the outlets adversely impacted blood sugar, blood pressure, increase in inflammation, heart health and obesity.
- Its treatment of employees
- Environmental impact of its operations and other business practices: the challenge for the company with respect to the environment is to integrate sustainability into its business model and adapt to local differences and changing environmental trends while keeping intact its core ideas.

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- In the year 2010, criticism of McDonalds happy meal became more explicit as the centre for science in the public interest accused the company of using happy meal toys to ensnare children to get addicted to their unhealthy products.
- Overdependence on the franchisee model
- Lack of innovation
- Some research analysts have indicated the negative impact of the McDonalds outlet vis a vis the local traditional food outlets. The opening up of McDonalds at times have led to the closing down of local street food vendors.

During the 2023 Israel Gaza war, amidst the Israeli blockade of supplies in Gaza, McDonalds in Israel was condemned when they gave free food to the Israel defence forces who were accused of committing war crimes against Palestinians. Due to this, McDonalds in countries like Turkey and Pakistan distanced themselves from the brand. Due to this, several markets of the MNC were adversely impacted by this misinformation leading to a serious downturn in business. This resulted in McDonalds buying back all 225 outlets from the Israeli franchisee in April 2024 back to the parent company.

Conclusion

Multinational corporations have proved to be an immense source to reduce unemployment in an economy as well as to increase investment entering a country. Besides this, there is great scope of skilling unskilled workers especially in developing economies as well as transference of work ethics and some technology. These firms work on the same quality and the same work management setup throughout the world in whichever country they enter. The profits earned by them are enormous.

In recent times, there has been a great pressure on MNCs to follow sustainable practices both in terms of environment as well as social responsibility to the various countries that they exist. Good practices with respect to treatment of labour as well as respect to customers has become an important part of their work ethos. This can clearly be seen in both the case studies that have been undertaken where the health effects of drinking coke and eating junk food on obesity and other health related ailments are being brought to the notice of the consumer. To counter this trend, both corporations have made a serious effort to move towards more healthy ingredients being used in their products.

The type of models that the two cases researched have followed are entirely different. Coca- cola works on an ownership model while McDonalds works on a franchisee model. In fact, McDonalds was one of the corporations was caught in an adverse controversy during the current Israel Gaza crisis. This was finally resolved by them buying over all the outlets.

The growth of MNCs definitely increases profits but like in any other industry care needs to be taken for the firms to practice sustainable to growth and to be sensitive and careful to follow regulations and social norms of the country that they set up their business.

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