

Golden Arches bridge local tastes

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McDonalds wants to cater for customers in emerging markets yet maintain its iconic American appeal, writes **Jeremy Grant**

By the time winter starts to arrive again across China this year, diners at the roughly 800 McDonald's restaurants open in the country by then will notice something different on the menu: rice burgers.

Launched last year in Taiwan, the rice burger consists of crispy chicken - or sliced beef - with a mixture of cabbage and lettuce, served between two lightly toasted and flavoured "rice patties".

Its success in Taiwan, where it accounted for six per cent of sales growth last year, has inspired McDonald's to expand the concept to Hong Kong, Singapore, the Philippines and Malaysia this year.

The task of devising food for local palates has moved centre stage for the world's largest fast food chain as it expands into emerging markets such as China. It is also addressing a proliferation of tastes and incomes among consumers in mature markets. Three weeks ago, McDonald's started testing four soups in Portugal. There are plans for pasta in Australia.

For a fast food chain that operates in 118 countries, offering locally appealing food beyond its core menu of burgers and fries is not new. When the US-based company opened its first European outlet in the Netherlands in 1971, the menu included breaded meatball *kroket*s. In Australia, a McOz Burger arrives with a slice of beetroot (the New Zealand version used to add a fried egg). Pork teriyaki burgers have been on the menu in Japan for a few years.

But the current drive is about more than one-off alterations to the menu. It is

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a systematic approach to localisation that is prompting changes ranging from the design of kitchens to how the company manages its regional businesses.

Significantly, McDonald's country heads for Europe and Asia have in the last six months moved to be based in their regions, not at company headquarters in Oak Brook, Illinois.

"McDonald's was built on a strong foundation of a core menu that we took around the world but we need to make sure we are more locally relevant," says Ken Koziol, vice-president of worldwide restaurant innovation. "Taste profiles and desires are changing."



Chinese takeaway: McDonald's initiatives in markets such as Hong Kong (above) include a new food studio' where chefs will devise meals for different regions **Anat Givon/AP**

Dan Coudreaux, head chef at McDonald's, says: "The world is getting smaller and flavours are travelling. We're going to be working increasingly with the individual tastes of a region and what makes sense for guests there."

Faith Popcorn, chief executive of BrainReserve, a brand specialist, says the days of "hero worship" of American cuisine are over. "A brand had better start to make friends with the culture it's in, because that's the only way to weave its story in."

Others argue that the attempt to show more of a local face around the world poses a challenge to the way McDonald's manages its brand, long perceived as a global icon whose survival has depended on maintaining trust with a mass of consumers interested in a familiar core menu.

Lovers - and haters - of fast food have for decades known the Golden Arches as the global flag carrier for convenience eating, US-style. Simon Anholt, a British author and founder of Nations Brand Index, a quarterly global survey of countries as brands, says the increasing localisation of McDonald's menus may end up being counter-productive.

While the anti-American mood in many parts of the world appears to be punishing sales of US-branded goods, he says, McDonald's brand identity means, paradoxically, it cannot stray too far from its core menu.

"By putting local food on the menu all you are doing is removing the logic of the brand, because this is an American brand. If McDonald's serves what you think is a poor imitation of your local cuisine, it's going to be an insult," he says.

He suggests a better strategy would be similar to one adopted by soft drinks group Coca-Cola, which has made a virtue out of buying local drinks companies as a way of making itself more locally appealing, without emblazoning its name or logo on such products.

"The reason they do that is simply to spread risk. It seems to me that's the only viable business model for them [McDonald's], as the brand can't be altered," says Mr Anholt.

Such dilemmas may have prompted the company to do some soul-searching of its own. In its first European Corporate Responsibility Report, issued in Novem-



Flip side: the rice burger pushed sales growth in Taiwan last year

ber, McDonald's says: "Ask people a simple question: 'Do you trust McDonald's?' and you will get a huge variety of answers."

It continues: "Many of those answers reflect the fact that as a global icon, people's opinions about McDonald's are shaped by factors that go way beyond what we actually do as a company. Attitudes towards the USA. Perceptions of 'fast food'. Views about globalisation itself."

Yet the company believes it is possible to be global and local at the same time. Mary Dillon, chief marketing officer, says: "The business at McDonald's is much more about local relevance than a global archetype. Globally we think of ourselves as the custodian of the brand but it's all about relevance to the local markets."

McDonald's current advertising drive - which uses the slogan "I'm lovin' it" - is the company's first unified global marketing campaign. Yet "I'm lovin' it" is also translated into the local language of the country wherever it runs.

Asia is where the localisation strategy faces arguably its biggest test. Tim Fenton, McDonald's head of Asia-Pacific, Middle East and Africa, recently arrived in Hong Kong to manage a business spanning 15 time zones and embracing a region that - by McDonald's calculations - includes people speaking 800 different languages and dialects. A new "food studio" will

open in Hong Kong in May, where chefs will devise meals aimed at specific local markets in the region. The studio is similar to one already open in Paris, which is doing the same job for European palates.

Robert Goldin, executive vice-president at Technomic, a Chicago-based food service consultancy, says McDon-

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aid's may find it hard to match locals' expectations for domestic offerings. "That's not to say they shouldn't try, but I think it's a very difficult proposition."

Mr Fenton acknowledges that McDonald's competition in Asia - where the most popular menu item is not a burger, but the Filet-O-Fish - will be tough. "Most consumers frequent market stalls, food courts, hawker stands and convenience stores for fast meals. This is our competition, it's non-traditional and at times very random," he says. But he adds it is "untapped potential".

He says McDonald's is already "meeting the needs

of our consumers' local tastes in ways that are different from the corner noodle shop".

The company is also trying to connect with young consumers in such local markets by using local sports stars in promotions, not just the iconic Ronald McDonald clown character that the company has relied on since the 1960s to carry the brand among youth.

By 2007, McDonald's will also be ready to roll out a "flexible operating platform" - a modular kitchen that can cook more than one type of meal in the same restaurant. This involves a "combi oven" - still at the prototype stage - that can cook several varieties of dishes at once.

These include as yet undeveloped offerings such as a tilapia sandwich, McRoasters (a type of roast potato), salmon with lemon and dill sauce and Flautas, a Mexican dish consisting of tightly rolled corn tortillas with a variety of fillings.

Mr Goldin says this will inevitably add complexity to the business. "I'm not sure that the return is there to support it."

Mr Koziol says the company is "very aware" of the extra investment needed but says: "It's a migration, to be done in a staged manner."

Such concerns are unlikely to stop McDonald's for now. Jim Skinner, chief executive, says: "We don't run our business from Oak Brook. We're a local business with a local face in each country we operate in."