

McDonald's in India

In many ways, McDonald's Corporation has written the book on global expansion. Every day, on average, somewhere around the world four new McDonald's restaurants are opened. The company has some 30,000 restaurants in more than 120 countries that collectively served close to 50 million customers each day.

One of the latest additions to McDonald's list of countries hosting the famous golden arches is India, where McDonald's started to establish restaurants in the late 1990s. Although India is a poor nation, the large and relatively prosperous middle class, estimated to number around 200 million, attracted McDonald's. India, however, offered McDonald's unique challenges. For thousands of years, India's Hindu culture has revered the cow. Hindu scriptures state that the cow is a gift of the gods to the human race. The cow represents the Divine Mother that sustains all human beings. Cows give birth to bulls that are harnessed to pull plows, cow milk is highly valued and used to produce yogurt and ghee (a form of butter), cow urine has a unique place in traditional Hindu medicine, and cow dung is used as fuel.

Some 300 million of these animals roam India, untethered, revered as sacred providers. They are everywhere—ambuling down roads, grazing in rubbish dumps, and resting in temples—everywhere, that is, except on your plate, for Hindus do not eat the meat of the sacred cow.

McDonald's is the world's largest user of beef. Since its founding in 1955, countless animals have died to produce Big Macs. How can a company whose fortunes are built upon beef enter a country where the consumption of beef is a grave sin? Use pork instead? However, there are some 140 million Muslims in India, and Muslims don't eat pork. This leaves chicken and mutton. McDonald's responded to this cultural food dilemma by creating an Indian version of its Big Mac—the "Maharaja Mac"—which is made from mutton. Other additions to the menu conform to local sensibilities such as the "McAloo Tikki Burger," which is made from chicken. All foods are strictly segregated into vegetarian and nonvegetarian lines to conform with preferences in a country where many Hindus are vegetarian. According to the head of McDonald's Indian operations,

"We had to reinvent ourselves for the Indian palate." Indeed, 75 percent of the menu in McDonald's in India is Indianized.

For a while, this seemed to work. Then in 2001 McDonald's was blindsided by a class-action lawsuit brought against it in the United States by three Indian businessmen living in Seattle. The businessmen were all vegetarians and two of them were Hindus, and they sued McDonald's for "fraudulently concealing" the existence of beef in McDonald's French fries! McDonald's had said it used only 100 percent vegetable oil to make French fries, but the company soon admitted that it used a "minuscule" amount of beef extract in the oil. McDonald's settled the suit for \$10 million and issued an apology, which read, "McDonald's sincerely apologizes to Hindus, vegetarians, and others for failing to provide the kind of information they needed to make informed dietary decisions at our U.S. restaurants." Going forward, the company pledged to do a better job of labeling the ingredients of its food and to find a substitute for the beef extract used in its oil.

However, news travels fast in the global society of the twenty-first century, and the revelation that McDonald's used beef extract in its oil was enough to bring Hindu nationalists onto the streets in Delhi, where they vandalized one McDonald's restaurant, causing \$45,000 in damage; shouted slogans outside of another; picketed the company's headquarters; and called on India's prime minister to close McDonald's stores in the country. McDonald's Indian franchise holders quickly issued denials that they used oil that contained beef extract, and Hindu extremists responded by stating they would submit McDonald's oil to laboratory tests to see if they could detect beef extract.

The negative publicity seemed to have little impact on McDonald's long-term plans in India, however. The company continued to open restaurants, and by 2008 had over 136 restaurants in the country with plans to triple the number of restaurants by 2011. When asked why they frequented McDonald's restaurants, Indian customers noted that their children enjoyed the "American" experience, the food was of a consistent quality, and the toilets were always clean!¹

1. McDonald's in India - Discussion Questions
2. Describe the nature of the case filed in USA against McDonald.
3. What went wrong for McDonald in India? Is there anything that McDonald's could have done to have foreseen or better prepared itself for the negative publicity associated with the revelation that it used beef extract in its frying oil?
4. What effects that McDonald has from the Indian Culture?
5. How far should a firm such as McDonald's go in localizing its product to account for cultural differences? At some point might it not lose its advantage by doing so?
6. What lessons does the experience of McDonald's in India hold for other foreign fast food chains.?