

BUSINESS STUDIES

Business Report with McDonalds and Harvey Norman Case Studies: How do the marketing Strategies impact upon the methods of global expansion?

Synopsis

The marketing strategies used by any global business should be carefully considered when implementing methods of global expansion. McDONALDS and HARVEY NORMAN are two global businesses who have demonstrated these consideration of market segmentation, product, price, place and promotion in their own ways of expanding into the global market.

Methods of global expansion

Businesses choose to expand globally in a number of different ways depending on the level of risk, opportunity and to reap the rewards of competing in the global market. There are five methods of expanding globally, these are; management contracts, relocation of production, foreign direct investment and licensing or franchising.

Management Contracts

Management contract is where a branch of the business is developed overseas and they are contracted to be managed by the business headquarters. When HARVEY NORMAN expanded globally in the 1990's, before the store were franchises, many stores in New Zealand and Singapore were under management contracts so the HARVEY NORMAN remained in control over their new overseas venture. To enter new markets the management had to consider how they needed to diversify their product and alter pricing to meet the standards and quality expected in the local communities. HARVEY NORMAN had an unrecognised brand name in the new countries and so had to concentrate on promotion of product to develop some respectable reputation as in Australia. Under management contract this was a challenge due to the inertia of managers not wanting to change business practices. The distribution of products was also a challenge as the less established networks and intermediaries lead to issues with distribution channels. Nevertheless, HARVEY NORMAN have since been able to have well developed specialised marketing strategies in their 210 overseas stores in 2010.

Relocation of production

Another way in which HARVEY NORMAN has expanded globally is relocating their production warehouses to countries where resources are cheaper and production costs are lower. In having more resources available in product development HARVEY NORMAN have been able to diversify the product mix and cheaper product supplies have enabled them to lower the cost of item priced in the cost plus method. Also distribution channels have enabled HARVEY NORMAN to have easier access to exporting by being in a more central position.

Foreign direct investment

McDONALDS is the business that have used foreign direct investment as a result of their marketing strategies. Their market segmentation does not divide age groups or males and female but rather tastes and preferences of different communities around the globe. For instance in some Asian countries the menu offered at McDONALDS is different as it includes locally supplies from production plants they have been directly invested in by McDONALDS. Also McDONALDS have located many of their company stores around the world, which are directly invested in and maintained by the headquarters in America. This method is most suitable to maintain their brand development and image in the marketing strategies so as to keep the "golden arches: as a recognisable symbol around the world.

Exporting

Exporting is the easiest and lowest risk method of overseas expansion as business sell their product overseas whilst keeping their management and headquarters in the same location HARVEY NORMAN continues to export their product as per their marketing strategies. HARVEY NORMAN is a recognisable and trustworthy Australian brand with a logo that all their packaging bares. HARVEY NORMAN faces a competitive domestic market especially with BING LEE and JB HI FI so their global pricing and quality interaction is vital to remain market dominate both domestically and overseas. HARVEY NORMAN products are now placed in over 200 countries and in most continents. Their products are easily accessible to buy online and promote as quality products. Therefore HARVEY NORMAN thrives on its export business in maintaining all their marketing strategies.

Licensing and franchising

Both HARVEY NORMAN and McDONALDS use licensing and franchising as ways of global expansion. Licensing is the selling of the rights to open a business under the same name and operation. McDONALDS sell the licences to many overseas entrepreneurs. The rigid product structure and pricing strategies enables thousands of McDONALDS stores around the world to uphold the McDONALDS standards and values. Whereas HARVEY NORMAN chooses to only offer each owner can ever own the franchising and only one. HARVEY NORMAN target specific market segment and therefore is restrictive of their franchise opportunities.

Conclusion

As discussed above each method of global expansion is impacted upon by each of the marketing strategies. Both McDONALDS and HARVEY NORMAN have well-established global networks that have successful product, price, place, promotion and market segmentation strategies.