

CHAPTER I

INTRODUCTION

1.1 Research Background

As a phenomenon that occurs all around the world, globalization create a possibility for every country to be introduced to a new set of activities or things as it also reduces the entry barriers and if it done properly, it will bring about a fairer reality where things are conveyed equally. Globalization helps presenting a product to another place or country and it led to the emergence of new business actors in economic activities like export import, foreign direct investment, franchising etc. This then raises the form of International Business phenomenon.

International business is an activity of exchanging service and goods among individuals or group of people where all the parties engaged in business among multiple countries. It grew in scope to a size and to where the worldwide economy is presently overwhelmed by multinationals from all nations in the world(Friedman, 2017). The world become more borderless with less limitation of domestic boundaries and conducting any business activities all around the world are possible. Many companies now can sell and produce anywhere and companies that engaged in international business is called Multinational Company (MNC).

One of the industries that have a lot of multinational company is the culinary industry or the food and beverage as it also has a dynamic market movement with never ending demand that is motivated by food as a basic human need. A branch of the food and beverage industry that is popular among the public is fast food

restaurant. A high demand of fast food make it grew from a restaurant into a new lifestyle and culture. The development of fast food marked by the increasing number of restaurant outlets and numbers of key player that mostly a multinational company.

Similar to what happened in Indonesia, the popularity of fast food has become an unavoidable phenomenon and we can easily find a variety of fast food outlets all over Indonesia. From big cities to small towns, the existence of fast food cannot be spared.

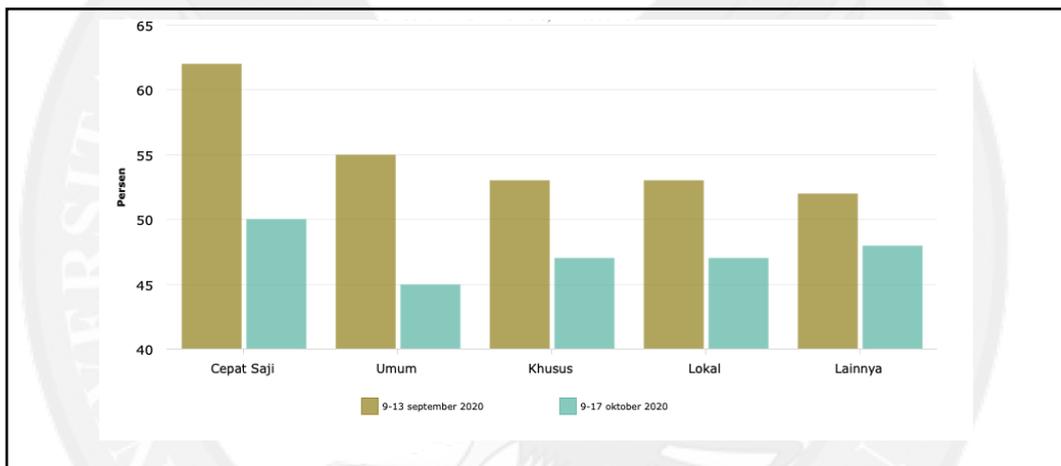


Figure 1.1 Percentage of Public Visits to Restaurants

Source: Mandiri Institute (2020)

According to survey by Mandiri Institute (2020), public visits to fast food restaurants reached 62% of normal visits on September 2020, but dropped to 50% the following month. Even so, this percentage is the highest compared to other types of restaurants.

Promising prospect and promising market of fast-food restaurant industry in Indonesia leads to increasing number of company that would compete to enter and become the key player. It is proven by the tight competition in Indonesia's fast food restaurant business, where there are a lot of multinational company joining the

industry. Kentucky Fried Chicken, McDonald's (United States), Burger King, Pizza Hut, Pepper Lunch are some examples of global company expanding to Indonesia.

According to Top Brand Award, an award that is given to brands that won top predicate in view of an appraisal got from the aftereffects of a public scale overview under the association of Frontier Consulting Group, below are the fast food companies that have successfully entered the Top Brand Award from the last three years.

Table 1.1 Top Brand Index of Fast Food Restaurant in Indonesia

Brand	2018	2019	2020
KFC	42,7%	26,2%	26,4%
McDonald's	24,3%	22,4%	22,8%
Hoka-Hoka Bento	5,8%	5,4%	6,5%
A&W	6,3%	5,4%	5,9%
Richeese Factory	2,7%	4,3%	4,9%

Source: Top Brand Award

These result show how tight the competition in Indonesia's fast-food industry with KFC and McDonalds as the top players. KFC is currently the best brand of consumer choice. It also shows that KFC gets a higher brand index compared to other fast-food brands, followed by McDonald's, Hoka-Hoka bento and so on. But there is a decreasing top brand index pattern for KFC while the others looking more stable with a slight change. This creates a possibility for each of the company to become the best brand of consumer choice including McDonald's.

McDonalds, world's biggest fast-food marks initially entered Indonesia in 1991 by opening its absolute first outlet in Sarinah, Thamrin. Up to this point, there are in excess of 200 McDonald's outlets spread across different urban communities in Indonesia, upheld by in excess of 14,000 representatives. To face the highly

competitive industry, each of the company engaged is required to determine a strategy that can create more value for customer to influence their brand preference. If we analyze deeper to the marketing strategy applied by McDonald's, there is something unique about it. They don't really force their mainstay menu for individuals in different regions of the world. All things considered, they are attempting to move toward the neighborhood local area with a unique menu that has been altered from their main menu and this strategy is called Glocalization. It is a strategy to do a balance combination of international quality and local aspects to attract both global and local consumers and to gain a place in consumers heart, increasing its value to influence consumer brand preference(Grigorescu & Zaif, 2017). Basically, it is an endeavor by multinational companies to fulfill the needs and demands of local and international communities.

As indicated by Sayogi (2013) the objectives of glocalization are (1) customers feel that the brand is relevant and in accordance with their needs and wants, (2) creates agreement and harmony between various marketing levels, (3) brands get bigger market share.

The limitless challenges faced by food industry companies competing in global marketplace make the glocalization strategy become more important. The glocalization strategy in the food industry can be done through the formation of a corporate image or build a better branding, adjusting the menu to local tastes, as well as the services provided to the condition and culture of the local community (Sayogi, 2013).

A clear example of the glocalization strategy effort done by McDonalds are the special or local menu in each country. For example, the crispy chicken is only available in Asia, some countries have rice menu but some replaced with potatoes, there is no beef in Indian McDonalds but instead there are lamb, chicken and other vegetarian due to the majority of Indian are Hindus.

In Indonesia itself, McDonald's applied the glocalization strategy through its menu where it offers menu like Nasi Uduk McD (a combination of Betawi's popular nasi uduk and McDonald's crispy chicken), Burger Rendang, a menu that was launched specially for Indonesia's 72nd Independence Day that is a combination of burger and Padang's style food which is rendang. Other than that, there are also ayam kremes sambel uleg, burger sate, mcflurry markisa etc. Besides menu, glocalization strategy also applied to the service aspect of McDonalds where it was adjusted to the characteristics of Indonesian. For example, the interior of McDonald's in Indonesia are specially designed with more existence of chairs, sofas and tables ass Indonesian tend to hang out for long in restaurants including McDonald's.

As a global brand operating in Indonesia, the glocalization strategy implied by McDonalds combines two aspects which is the global and local aspects, and it might create a perceives within the consumers like perceived brand globalness and perceived brand localness and it is important to understand how global brands operating in a country are seen today and whether they are preferred by the market(H. Liu et al., 2021)

The perceived brand globalness and perceived brand localness often raised within the customer when they are associating with a global brand that operating in certain country like McDonald's. Perceived brand globalness arises when they are convicting that this certain brand is a global brand whether through its country of origin or the product or service of this brand has been sold globally. Meanwhile, perceived brand localness arises when customers convicting that this product or service from this certain brand is market locally and have a connection with the local culture.

The main goal of the implementation of the glocalization strategy by McDonald's is to influence the consumer brand preference. Brand preference indicates that consumer choose this brand over its competitors consistently. According to Haider et al., (2012) there are seven factors which affecting the brand preference in fast-food restaurant including, staff, environment, availability, delivery of product, price of product, value of money, taste and quality. Another research conducted by Shen & Xiao (2014) indicates that the presence of both KFC and McDonalds help to cultivate consumer taste and generate demand, which can be said that the brand preference can be increase as the tight competition will reveal the customer demand and perception of the brand itself and which factors they need to improve.

This research is a modification of the research conducted by Yeboah-Banin & Quate (2021) which examines how the perceptions shape the brand value assessments as well the formation of the brand preference. The study found out that the perceives value impacts the brand preference and it highlights things about

global and local brand preference that might be beneficial for the international marketing and the branding professionals.

From the background above, it could be seen that there is a tight competition in Indonesia's fast food industry and McDonald's, a leading global fast food brand faces a challenge to become the best brand in the Indonesia local market where they are still ranked below another global brand and this was also proven by the research by Haider et al., (2012) that found out KFC got higher rating and win the brand preference in Indonesia because they have better pricing and higher rating in market survey in terms of taster & quality and to face the challenge McDonald's adapt the glocalization strategy. Therefore, this research was conducted to analyze whether this strategy will influence the brand preference under the title *“The influence of glocalization strategy by McDonalds towards Indonesian consumer brand preference”*

1.2 Research Question

In view of the research background above, the researcher formulates some questions for this research as follows:

1. Does the glocalization strategy implemented by McDonalds positively influence the perceived brand globalness?
2. Does the glocalization strategy implemented by McDonalds positively influence the perceived brand localness?
3. Does the perceived brand globalness positively influence the customer perceived value?

4. Does the perceived brand localness positively influence the customer perceived value?
5. Does the customer perceived value positively influence the customer brand preference?

1.3 Research Objectives

As per the research problem, the objective of this research are as follows:

1. To examine if the glocalization strategy implemented by McDonalds positively influences the perceived brand globalness
2. To examine if the glocalization strategy implemented by McDonalds positively influences the perceived brand localness
3. To examine if the perceived brand globalness positively influences the customer perceived value
4. To examine if the perceived brand globalness positively influences the customer perceived value
5. To examine if the customer perceived value positively influences the customer brand preference

1.4 Research Usefulness

The result of this research hopefully can contribute for both practical and academic benefits as follows:

1.4.1 Practical Benefits

To provide ideas and suggestions to parties related to the fast-food industry, especially for McDonalds Indonesia to increase its brand preference using certain

strategy and other benefit such as consideration and contribution for parties related with same problem.

1.4.2 Academic Benefits

As a means of applying international business and global marketing, as well to add insight and knowledge in terms of glocalization strategy and brand preference. This research can also be used as a reference and study for other researchers who wants to continue or have similar research in hope of being able to contribute solution or improvement for the advancement of fast-food industry.

1.5 Chapter Outline

To make this research and its content understandable, a methodical structure created with a concise portrayal of each part of the research.

CHAPTER I: INTRODUCTION

This section clarify about the background, problem, objectives, as well the benefits and the methodical discussion.

CHAPTER II: LITERATURE REVIEW

This section describes the theories that is being used as a base and an explanation about the existing variables.

CHAPTER III: RESEARCH METHODOLOGY

This chapter potrays the types, procedures or techniques, theoretical and operational definitions of the variables, the testing and analysis tools.

CHAPTER IV: RESULT AND DISCUSSION

This chapter explain the analysis of variable in form of data and problem solving supported by statistics and test result.

CHAPTER V: CONCLUSION AND RECOMMENDATION

The final chapter will be about the conclusion of the research based on the result and the implication, limitation, and suggestion for future research.

