THEY CALL IT LE BIG MAC: THE IMPORTANCE OF ADAPTING TO LOCAL PREFERENCES IN MARKETING STRATEGY

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When McDonald’s entered France in the 1970s, critics did not believe it would be a success. France is a country with a strong and longstanding gastronomic tradition, and it is proud and protective of its culture. In addition, the country has been known for its anti-globalization views. However, France is today the largest market for McDonald’s, outside of the United States. How was McDonald’s able to win over the French market and become so successful? This thesis analyses adaptations to marketing strategy that McDonald’s undertook in France to better appeal to the local audience and connects these adaptations to trends in the company’s financial history to show their impact on the company’s earnings. The findings show that adapting its marketing strategy to account for local preferences was critical in the country’s long-term success in France.
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Introduction

“The restaurant chain had to adapt its model. The French consume ‘McDo’ like no other population. They visit us at meal times, 70% of our revenue is made at lunch and dinner time, unlike in the United States where consumers come in all throughout the day. McDonald’s has therefore not changed their habits. This has, however, had an indirect impact on the cost of the average meal, which is around 11 euros. This is the highest in the world, because the French eat a full meal: an appetizer, a sandwich, fries, dessert, and a coffee. However, he frequency of visits, once a week, is the lowest in the world. In parallel, we have found a new way to serve our clients in our restaurants and we are considering a proposition for table-side service. It is actually being tested in 50 restaurants.”

–Xavier Royaux
Senior Vice President CMO, McDonald’s France

When I applied to study abroad in France, I was excited to live in a country with a rich cultural heritage. I was prepared to spend my days in a café sipping on locally-made wines and eating baguettes from the neighborhood boulangerie. I spent the year preparing myself to walk along the Seine, and to know exactly when to tutoyer and when to vouvoyer. What I had not prepared myself for was French dining. I of course knew about France’s haute cuisine and about French pride for the nation’s gastronomic history dating back hundreds of years. I knew that the French appreciate quality in all aspects of life, be it everyday clothing or a croque-monsieur. It was not the quality of the food that jarred me. Rather, it was the quantity.

As an American (and not a particularly health-conscious one at that), I was accustomed to eating large meals complemented with unlimited free refills and snacking constantly in-between. What I was presented with in France was the polar opposite. Portion sizes in France are modest to say the least. Anywhere you eat in France, you are presented with the one serving size that we Americans are accustomed
to multiplying by the number of sizes indicated on the nutritional facts. And don’t
expect to get away with saving money by ordering water. There’s a charge for that too,
and the refill costs extra. The differences in food culture in France versus the United
States was evident from the first time I ate out and certainly explained why everyone in
France seemed to have a thin waistline.

So, I was slightly surprised early on in France when a friend asked to meet up at
the McDo on the town’s main boulevard. When I got there, I discovered a thriving
business with a youthful atmosphere tightly hidden along a row of picturesque French
buildings. I found out not long after that the modest-sized city actually had two
McDonald’s, and that the second location even had a drive-thru. (In all my time in
France I never saw a single drive-thru attached to any business.) Rotating posters at bus
stops throughout the country encouraged passengers to “venez comme vous êtes” (the
company’s French slogan meaning “come as you are”). In the same country where mal-
bouffe (a French word that means bad eating) is thrown about with the same acidity as
swearing, the American-based fast food company was obviously doing very well.

The numbers clearly show a thriving market for McDonald’s in France, which is
now the second most profitable market for the company, behind the United States. In
2015, McDonald’s served approximately two million meals per day in its 1,384
restaurants across the country and enjoyed €4.59 billion in before-tax sales,¹ a success
that nobody could have predicted when the company first entered France in 1972. At
the time, few critics believed the American fast food giant would last long in the land

¹ “McDonald’s en France : Faits et Chiffres 2015,” (McDonald’s France, 2015).
that created Michelin stars, and one reporter wrote that the company would have trouble getting “the French to eat with their hands.”

To put these numbers into context, McDonald’s two largest competitors in the French fast-food market, Subway and Quick, have 501 and 397 locations, respectively. Compared to Burger King, which trails behind even these companies, with a meager 25 points of sale in 2015. In terms of sales, McDonald’s is the clear leader in the fast-food market, holding nearly 79% of fast-food sales in France. Quick, being the largest competitor, had €818 million in sales, just 18% of McDonald’s reported sales in 2015. Burger King made 46 times less than McDonald’s with just €100 million.

![Chart 1: The Fast Food Market in France (2014) by Number of Restaurants and Sales](chart1.png)

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3 Benoît Zagdoun, "INFOGRAPHIES. Burger King, Quick, McDonald’s : Le Marché Très Déséquilibré de la Restauration Rapide En France," (*France Info*, 30 September 2015.)

4 Zagdoun, Benoît.
In its first few decades in France, however, the numbers were not quite as favorable. Although McDonald’s effectively created the fast-food market when it opened its first Parisian restaurant in 1972, the country was hesitant to accept the new industry. McDonald’s first entered the country via a franchise agreement with a single franchisee overseeing twelve outlets in and around Paris. After years of substandard operating conditions, the McDonald’s Corporation took legal action to regain control of its French outlets and did not expand further into the country until securing a legal victory in its 1982 lawsuit. McDonald’s was not isolated in having problems warming up the French to the idea of fast-food. Despite a dramatic increase in the number of fast-food restaurants in the 1980s from 109 establishments in 1980 to just 1,629 in 1988, these numbers are proportionally below those boasted by the United States and several neighboring countries in Europe. Still, by 1990 McDonald’s was clearly the biggest name in fast-food. Of all franchised fast-food outlets in 1990, the company’s 105 franchised stores represented 70% of the total market. Competitor Quick followed with only 19 franchised outlets.

By 1999, McDonald’s was realizing nearly FF 2 billion in sales, roughly €302 million. The French section of operations was running at a low profit margin of 3.7% and

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6 Benjamin Neumann, "Un McDo effacé de l'histoire," (L'Expansion, 1 March 2010).
7 Dayan v. McDonald's Corp. 125 Ill. App.3d 972. Appellate Court of Illinois — First District (1st Division), 16 Apr. 1984.
8 Fantasia, Rick.
9 Fantasia, Rick.
had only been experiencing positive profit margins since the year before. More importantly, the French had come to see fast-food in general as an invasive American product, and therefore an extension of American cultural and economic imperialism. A study from earlier in the decade suggests that French teenagers viewed McDonald’s more than any other commodity as “distinctly American.” All but one group of French teenagers in the study associated McDonald’s with their idea of America, a distinction not shared by any other item, just above Coca-Cola, which was agreed unanimously to be distinctly American by all but two groups.

In August of 1999, French farmer and political activist José Bové rallied an angry Confédération Paysanne (an agricultural activist group) to dismantle a McDonald’s in construction in the French town of Millau. According to Bové, McDonald’s was chosen because the franchise “represented everything they despised—cultural imperialism, capitalism gone mad and, possibly worst of all, tasteless muck, which he labelled mal-bouffe.” Bové was made into a national hero, a champion of the anti-globalization movement. The French press heralded him as a modern-day Vercingetorix, the French historical icon who rallied the Gauls against the invading Roman Empire.

How was McDonald’s able to so radically change its image in France and become so successful? And what steps did it take to alter its marketing strategy throughout

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10 Data is drawn from McDonald’s France annual reports, 1994-2014.
11 Fantasia, Rick.
years to attract such a strong French consumer base? These are the questions this thesis hopes to answer.

In Quentin Tarantino’s 1994 cult hit *Pulp Fiction*, there is a scene in which Vincent (played by John Travolta) is in a car speaking to his colleague Jules (played by Samuel L. Jackson) about his experiences in Europe. He tells Jules that the funniest thing about Europe is “the little differences. I mean, they got the same shit over there that they got here. It’s just over there it’s a little different… In Paris, you can buy a beer in McDonald’s. You know what they call a Quarter Pounder with Cheese in Paris?” The answer? “They call it a Royal with cheese.” “What do they call a Big Mac?” asks Jules. “Big Mac’s a Big Mac, but they call it *le Big-Mac.*”

While I am not sure Tarantino wanted to make any particular point with this discussion of the McDonald’s menu, what Vincent has to say about “the little differences” is a helpful illustration of McDonald’s marketing strategy in France. The little differences in the core of McDonald’s menu that have allowed the fast food giant to become so popular in France. McDonald’s has learned to adapt its image to consumers in 119 countries using a “brand globally and think locally”\(^\text{13}\) strategy, and France has been the forefront of innovation in McDonald’s marketing adaptation for years.\(^\text{14}\) This thesis will explain how McDonald’s has utilized this strategy in France and examine the success of adaptations made to the marketing strategy.


\(^{14}\) Marie-Juliette Levin, “McDonald’s, symbole d’une belle intégration,” (Emarketing.fr, 1 March 2011).
My first chapter will discuss the history of McDonald’s in France, beginning with the opening of its first restaurant in the Parisian suburb of Créteil in 1972. I will discuss problems that the company faced in its early years that lead to the closure of 14 locations in and around Paris. I will then address the issues that worried many French consumers throughout McDonald’s first thirty years in France.

This early history is important to answering the main question of this thesis, as it lays out the major problems facing McDonald’s by the beginning of the new millennium, when the company’s image began to turn around. This chapter will demonstrate the widely held French image of McDonald’s as a symbol of American cultural imperialism, introducing a population with a proud cultural history that views the rise of the golden arches as an attack on French values and economy, as well as a danger to the country’s health.

Chapter 2 will consist of an analysis of McDonald’s marketing mix in France. The marketing mix is a common tool used in marketing that defines a company’s options for selling a product within a given market. The mix is commonly divided into four sections known as the four Ps. The four Ps consist of: product, price, place, and the promotional mix. As such, this chapter will be divided into four sections corresponding to each of the four Ps of the marketing mix.

The first section will analyze the product. In this section, I will describe the adaptations that have been made to the menu offerings in France. I will discuss why the regional specialties offered are more palatable to French consumers and discuss how the core menu has been adapted to account for a French audience. Then I will describe
the new products introduced in the country that contributed to the image the filial company wishes to project of a truly “frenchified” company that respects the customs, tastes, and traditions of French society.

Next I will analyze the price aspect of the marketing mix. I will mention McDonald’s localization pricing strategy that sets prices reflective of and particular to each market it enters. I will then discuss how the company’s affordable menu allowed it to gain market share during the economic crisis of the late 2000s.

The third section will analyze the third P, place. In this section I will explore the differences in eating habits between Americans and the French and how these differences led to an approximately US$5 billion renovation campaign to better accommodate the dining habits of French consumers. This section will discuss the physical environment of a McDonald’s restaurant in France and will demonstrate the adaptations the company has made to differentiate the restaurant environments, even amongst the different regions of France.

Finally, I will discuss the promotional mix. It is commonly broken down into advertising, public relations, personal selling, and sales promotions. In short, it describes the various media used by marketers to sell a product. I will discuss how each aspect of the promotional mix has been adapted and utilized to draw in a larger French audience. This section will show the ubiquity of McDonald’s advertising in France, from print to multimedia advertisements. I will explore how McDonald’s responded to the negative

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press surrounding the Bové incident with an advertising campaign informing the French
public of the nutritional content of its menu and how French the company had become.
Former president of McDonald’s France, Dennis Hannequin, claims this advertising
campaign was key to the company’s long-term success in the country.¹⁶

The final chapter will be an analysis of financial information found in McDonald’s
France annual reports. I will use the company’s net income and profit margin
throughout the years to show its financial history, correlating trends in the financial data
to key marketing decisions made by the company to show the direct effects of
adaptations to marketing strategy on the company’s success.

¹⁶ Wile, Rob.
Chapter 1: Big Mac En Bref: A Short History of McDonald’s in France

“We wanted the authorities to be fully aware of what was going to happen, so we explained to the police in advance that the purpose of the rally was to dismantle the McDonald’s. The police notified the regional government, and they called back to say they would ask the McDonald’s manager to provide a billboard or something similar to demolish. This, he said, would allow for symbolic protest. We replied that this idea was ludicrous, and that it remained our intention to dismantle the doors and windows of the building.”

–José Bové
French Farmer and Politician

The Dayan Years

From the start, McDonald’s faced many problems in entering France. One of the largest impediments to the company’s success was the centuries-long gastronomic traditions. For the French, the experience of eating is what truly counts. They have a relationship with food based around the pleasure of eating with a group of friends or family. They are accustomed to lingering in restaurants, spending an hour or more socializing while enjoying a full-course meal. It was no surprise that fast food, which connotes “speed, standardization, and the homogenization of taste”\(^ {17} \) was not warmly welcomed in France.

McDonald’s states in its official history that the first restaurant to open in France was in Strasbourg in 1979.\(^ {18} \) The company had, however, opened a series of restaurants earlier in the decade under a franchise granted to a French businessman named Raymond Dayan. The first of his restaurants opened in 1972 in the Parisian suburb of

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\(^ {17} \) Fantasia, Rick.
\(^ {18} \) “Notre Histoire,” (McDonald’s France).
Créteil. In opening the Créteil location, Dayan became the first fast-food franchisee in France, in effect setting the stage for the country’s budding fast-food industry.\textsuperscript{19} Dayan would open 14 McDonald’s locations in France in the years to come, including one location on the Champs-Elysées. These restaurants opened to a skeptical French audience, and French journalist Stewart Tony wrote in a 1972 article of \textit{L’Expansion} that McDonald’s would have trouble “convincing the French to eat with their hands.” Indeed, the early years saw few French citizens willing to take part in what Tony decried as an “American phenomenon.”

However, despite troublesome openings, Dayan’s McDonald’s locations in and around Paris soon become a moderate success, catering largely to American tourists and French citizens looking to experience a taste of America. Inspired by the McDonald’s model, several fast-food restaurants opened in France during the 1970’s. Many such restaurants sported distinctly American-sounding names such as Manhattan Burger, Magic, Burger, France-Quick, and Love Burger. The majority of these restaurants served hamburgers and other American foods. Food was produced in an assembly-line fashion that modeled itself after the American industry, and their buildings sported “designs and internal spatial symbolism borrowed heavily from the American model.”\textsuperscript{20}

Dayan received vast support from McDonald’s American headquarters, as the company considered its success in France to be “key to its European strategy.” As such, it received millions of dollars in advertising (most of which was spent on television

\textsuperscript{19} Neumann, Benjamin. \\
\textsuperscript{20} Fantasia, Rick.
advertisements), and received help securing spaces in central locations.\textsuperscript{21} This allowed McDonald’s to become the most visible fast-food company in France, despite most fast-food restaurants at the time being French-owned. By 1989, only 159 of the total 777 fast-food hamburger restaurants in France belonged to McDonald’s and Burger King, the two largest American companies in the market.\textsuperscript{22}

Though Dayan’s restaurants seemed to be doing well, McDonald’s headquarters sent a group of inspectors to the French locations in 1977. During their inspections, they encountered sanitation violations in all of Dayan’s restaurants. “Quality, Service, Cleanliness, and Value” (QSCV) is McDonald’s vision statement, and each of these four areas of service are stressed in the company’s training and in all its manuals.\textsuperscript{23} When the inspectors visited Dayan’s restaurants, they found the locations be in gross misconduct of the company’s QSCV standards, and each restaurant “was given failing grades by the McDonald’s inspector in one or more of the three categories of quality, service, or cleanliness,” according to all reports given by the McDonald’s Corporation.\textsuperscript{24}

McDonald’s did not want its first foray into the Parisian markets to be a failure, and thus gave Dayan several chances to improve the sanitation conditions in his chain of restaurants. Then-president of McDonald’s international division Steven Barnes testified to having travelled frequently to Paris between the years of 1970 and 1977 to assist

\begin{itemize}
\item \textsuperscript{21} Dayan v. McDonald’s Corp.
\item \textsuperscript{22} Fantasia, Rick.
\item \textsuperscript{23} Mary-Angie Salvá-Ramirez, "McDonald's: A Prime Example of Corporate Culture," \textit{(Public Relations Quarterly} \textbf{40.4}: 1995).
\item \textsuperscript{24} Dayan v. McDonald’s Corp.
\end{itemize}
with financing and securing supply chain partners for the new French operation. During this period, several other McDonald’s higher-ups travelled to Paris to help Dayan with the operation of his restaurants. Despite this effort on the part of the parent company, Barnes was quoted as being “upset and disappointed” at the state of the restaurants and stating that the only likeness they had to a McDonald’s was their infamous “golden arches.”

In retaliation to years of unfulfilled promises to improve the sanitation of his restaurants, McDonald’s attempted to buy back its Parisian chain of restaurants from Dayan, whose special franchise agreement required him to pay only 1.5% in royalties to McDonald’s, compared to the usual agreement of 10%-20%. Upon Dayan’s refusal, McDonald’s decided to take legal action. In a court decision, Dayan was permitted to retain ownership of his 14 locations around Paris, but was no longer permitted to operate under the McDonald’s name. Dayan changed the name of all his locations to O’Kitch until Quick Restaurants, one of McDonald’s biggest European competitors, later bought them all out.

After the Dayan incident, McDonald’s continued to slowly expand its fast-food empire throughout l’hexagone, re-entering the country’s capital and installing its French headquarters there in 1984. Two years later, the French would finally get to experience

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25 Dayan v. McDonald’s Corp.
drive-thru ordering and pickup when the first *McDrive* was constructed in a McDonald’s in Mantes-la-Ville.\textsuperscript{27}

By the end of the 1980s, there were just over 1,600 fast-food establishments in France, up from 109 in 1980. By 1991, that number had risen 25% to just over 2,000 establishments. Despite this expansion, the French still viewed fast-food (and McDonald’s in particular) in a negative light. Though the numbers might appear to show healthy growth in the fast-food industry, France’s numbers were outperformed by the fast-food industry’s growth in the United States and in other European countries.\textsuperscript{28}

Notably in this time, McDonald’s largest worldwide competitor Burger King closed its 42 locations in France after losing FF 10 billion, approximately USD$ 1.7 billion over the course of the 1990s. Despite doing well in the neighboring European countries of Germany and Spain, as well as several other countries across the continent,\textsuperscript{29} Burger King could not find a foothold in the French market. News articles from the time cite a lack of adaptation as a major cause for Burger King’s failure in France. Unlike McDonald’s and Quick, who had 540 and 258 respective locations in France in 1997, Burger King had refrained from adapting its menu from its American model from the time it entered France. By 1997, McDonald’s had already begun introducing French

\textsuperscript{27}“Notre Histoire.”

\textsuperscript{28}Fantasia, Rick.

ingredients to its core offerings, and Quick had begun to branch out from hamburgers, offering a larger range of “French” products like niçoise salads and French yogurts.\textsuperscript{30}

\textit{José Bové and the Confédération Paysanne}

Perhaps the biggest constraint to McDonald’s growth in France (and, consequently, the growth of the larger fast-food industry), was that the French viewed McDonald’s as an invasive American company and an affront to traditional French values. In France, the idea of patrimony is an important concept that unites French citizens by appealing to their sense of fraternité, one of the three core values of the French Republic reflected in its official motto “Liberté, Egalité, Fraternité” (freedom, equality, brotherhood). Patrimony is a unique concept to French cultural heritage, and includes all facets of French culture, from art and language to cuisine and philosophy.\textsuperscript{31} The French show great pride in their patrimony, and many consider outside influences on their culture as an endangerment to French customs.\textsuperscript{32}

Unfortunately for McDonald’s, the French had already decided the company was distinctly American, and therefore “other” even before it had entered the company. During the 1968 Winter Olympics in Grenoble, American figure skater Janet Lynn told an interviewer that she missed eating McDonald’s. The company then sent a few hundred hamburgers to Grenoble for Lynn and the other athletes. The move caused a discussion

\textsuperscript{31} Dianetti, Amanda.
\textsuperscript{32} Fantasia, Rick.
in the French media, and a McDonald’s PR spokesman present for the games recalls the move as cementing the concept of McDonald’s as a product of Americana in French consciousness.33

When McDonald’s entered France, many analysts considered France immune to the spread of fast-food, and a leading sociologist noted that “for many French people there is an association that good food is French and fast-food is American and foreign and bad.”34 However, after McDonald’s regained control of its French restaurants following its legal victory against Raymond Dayan in 1982, the French fast-food industry was slowly growing. The French government responded to this perceived threat to its culinary patrimony by creating the National Council of Culinary Arts in 1989. Its purpose is to protect culinary patrimony through an array of programs including a “national day of gourmandise” and the creation of “a conservatory of culinary heritage.”

The Minister of Culture who was responsible for the council’s formation was Jack Lang. Lang was openly outspoken in his distaste for America’s “cheap commercialism.” When interviewed about the relation between the council and fast food, he stated, “I am no fan of burgers,” and went on to explain that French children are better off without the invasive American fast-food industry corrupting the French “art of living


which we all need to rediscover and safeguard.” Similar groups arose over the course of the 1980s, like the Brillat-Savarin Foundation, formed in 1986 to “defend the culinary patrimony” against homogenizing forces.

McDonald’s association with “Americanism” was still concrete in French consciousness by the beginning of the 1990s. A 1991 study asked groups of French youths aged 16 to 19 years to agree on commodities and brands they considered to be “distinctly American.” The most unanimous decision held McDonald’s as the clearest symbol of America in the eyes of French youth. Coca-Cola and “Military and Space Technologies” both were agreed upon as distinctly American by one less group, beating blue jeans and “big cars.” “Military and Space Technologies” received its distinction in the study largely due to media coverage of the recent Gulf War.

With anti-American sentiment on the rise and the longstanding French tradition feeding the rise of anti-globalist parties within the country, McDonald’s future success in France was becoming less and less certain. By the mid-1990s, McDonald’s France was operating on consecutively negative profit margins.

The economic state of the world during the 1990’s saw European farmers at odds with the United States via the World Trade Organization (WTO), which was perceived to be acting on American interests. The WTO placed harsh restrictions on the

36 Fantasia, Rick. 203.
37 Fantasia, Rick. 217-218.
38 McDonald’s France Annual Reports.
exportation of European products while allowing easier importation of American agricultural products that did not always meet the alimentary standards of the European Union (notably the importation of hormone-induced beef).\textsuperscript{39}

These economic aggressions led to the rise of nationalist agricultural parties, notably the \textit{Confédération Paysanne}. A co-founder of the group, José Bové took on the role of spokesperson for the \textit{Confédération}. A sheep farmer from the Midi-Pyrénées, Bové’s own farm suffered due to the WTO agreements, as the Roquefort cheese made on his farm was met with heavy tariffs. In retaliation, he and several other members of the \textit{Confédération} tore down a McDonald’s restaurant under construction in the town of Millau in November of 1999. Feeding off a decade of food scares in France, such as mad cow disease, Bové cited the unknown integrity of genetically modified organisms (GMOs) and of hormone-induced meat products as one of the main calls to action for the incident.\textsuperscript{40}

Bové quickly became a national hero and an icon of the anti-globalization movement. As leader of the demonstration, Bové served several weeks in jail, over which time he became an inescapable figure in both national and international media coverage, gaining support from thousands inside France and internationally. 40,000 people from around the world appeared at his trial to show support the anti-

\textsuperscript{40} José Bové, François Dufour, and Gilles Luneau, \textit{The World is Not for Sale: Farmers Against Junk Food}, (London: Verso, 2001) 12.
globalization movement. The Confédération’s choice of demonstration—the demolition of a McDonald’s—was a conscious choice to demonstrate at once against the economic position of the WTO and the invasive American cultural imperialism of American corporations. According to Bové,

“We didn’t want McDonald’s to be seen as the prime target. It’s merely a symbol of economic imperialism. Besides, we never called for a boycott of McDonald’s. The journalists grasped that pretty quickly, and most of them latched on to the ideas behind the McDonald’s symbol. Our political leaders, however, tried to talk up the anti-American element: some by playing the “typically” Gallic card, others by invoking “sovereignty” in a way that fueled nationalism. This was the populist side of things: it’s easy enough to rubbish America, to discard a problem as not being of direct concern to us, rather than to confront it.”

Targeting a McDonald’s further solidified the company’s image with American imperialism and the evils of globalization. In the years after the Confédération Paysanne’s dismantling of the Millau McDonald’s, multiple McDonald’s locations in the country became sites of demonstration and violence perpetrated by various nationalist and regionalist movements, including the Breton Revolutionary Army (ARB), which was implicated or took responsibility for at least two bombings in McDonald’s restaurants.

41 Northcutt, Wayne.
These demonstrations were not meant to be anti-McDonald’s, but rather anti-globalization. Despite their intentions, however, the demonstrations caused much bad publicity for the brand, and the company would have to work hard to convince the French public that McDonald’s is more than a cultural American import.
Chapter 2: The Marketing Mix

“McDonald’s France was emancipated in the 2000s. In the hexagon, the debate over malbouffe was wrong about the maker of the Big Mac, which overhauled its marketing policy and the composition of its menus, changing its logo—it has become green—and ‘Frenchified’ its products.”

–Julien Pruvost
Journalist, Libération

The marketing mix is a marketing model that helps define a company’s marketing options for a given market. The most common way of defining the marketing mix is by using the four Ps: product, price, place, and promotion. The first P, product (or service) describes the thing being marketed to consumers. In the case of McDonald’s, the product is all the offerings on restaurants’ menus. The second P, price, refers to how much the product is valued by both the producer and consumer. Place, the third P, describes the physical environment where consumers interact with and purchase the product. For the purposes of this study, place will refer to McDonald’s restaurants. The final P is the promotional mix, which is largely considered to be itself comprised of four different aspects: advertising, public relations, personal selling, and sales promotions. The promotional mix covers the innumerable ways in which marketers attempt to sell the product. By analyzing McDonald’s France’s marketing mix, this study will demonstrate the importance placed on adapting the company’s marketing strategy to local tastes and how these adaptations allowed for the success of the company in France.
Product

It is said that food is the way to the heart, and McDonald’s learned early on that to attract a larger French market, it would first have to win over their stomachs. In its early years in France, McDonald’s offered the same menu it used in the United States with little variation. McDonald’s was at the time operating under its “one world, one taste” strategy, offering the same menu across the world. As the President of McDonald’s France said, “For the first 15 years, from 1980, what we did above all was offer people a slice of America.” Eventually, however, the novelty of the American menu wore off, and beginning in 1995, McDonald’s began using French ingredients in its menu, adding French cheeses such as chèvre and cantal as well as whole-grain French mustard. With this move, McDonald’s began its strategy of adapting its core American menu to please a French palette. Such adaptations adhered to the company’s practice of keeping prices low, and using locally-sourced ingredients lowered overall costs by removing the burden of importing ingredients.

To offer a more “French” menu, McDonald’s had to establish a new supply chain within the country. One of the chief concerns of the Confédération Paysanne and other opponents of McDonald’s in France was the use of GMOs and hormone-induced beef and their potential adverse effects on consumer health. To this day, McDonald’s cannot

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44 Samuel M. DeMarie, Pam Manhart, and Charles B. Shrader, "McDonald’s: From Big Mac to P’tit Plaisir." (Thesis, Iowa State University, 2010).
45 “Born in the USA, Made in France.”
shake being pejoratively categorized as *mal-bouffe* by much of the French population. However, it has taken steps to ameliorate this image.

The push to alter McDonald’s image into a truly French company coincided with the announcement in 2003 of the company’s new worldwide “Plan to Win,” a strategy to switch the emphasis from expanding locations to improving existing restaurants. Part of this shift to improve locations included using a larger number of local suppliers.

McDonald’s began sourcing its beef from local cattle farms where all cattle are grass fed. Therefore, there is no risk of purchasing hormone-induced beef because of strict health codes in the European Union that prohibit the practice. Other products are similarly protected by strict EU health ordinances. Chicken nuggets, for example, are not rinsed in chlorine as they are in the United States, as harsh chemicals are banned from the poultry industry. A document available on the McDonald’s France website boasts that it takes at maximum eight hours to trace the grain wheat used in its buns back to the field in which they were grown, and only three hours to trace chicken back to the farm where it was raised.

The company attempted to make its menu healthier by choosing healthier ingredients and stressing the importance of eating fast food only in moderation. For example, advertisements often remind consumers of the importance of eating out only in moderation. A legal notice on fast-food advertising in France reminds the viewer “For

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46 DeMarie, et al.
47 Eleanor Beardsley, “Why McDonald’s In France Doesn’t Feel Like Fast Food,” (NPR, 24 January 2012).
48 “McDonald’s en France : Faits et Chiffres 2015.”
your health, eat at least five fruits and vegetables per day.” Restaurants use whole-grain bread for hamburgers, and the French cheeses used are generally of higher quality than the packaged cheese used in the United States. NPR’s Amy Guttman attributes much of McDonald’s success in France to its emphasis on “fresh ingredients and local tastes” rather than on fried food.\(^{49}\)

In 2011, McDonald’s opened the McSalad in Paris’ business district known as La Défense. The restaurant does not serve the traditional McDonald’s menu of cheeseburgers, fries, and chicken nuggets. Rather, it serves only salads. The first of its kind, the restaurant targeted the upscale clientele of businessmen and women looking for a healthy alternative to traditional fast food. The average time of the French lunch break continues to diminish, down to 22 minutes in 2011 from 82 minutes in 1978. The McSalad was a success amongst both consumers and reporters, with one journalist reporting that the dressing was “just like I make at home.”\(^{50}\)

One of the problems facing McDonald’s France is the temporality of food culture in France. Not only are the French proud of their quality cuisine, they also have a tradition of fixed meal times. Most French people have breakfast at home, then lunch around midday, then dinner. Snacking between meals is discouraged in French culture. This means that between lunch and dinner restaurants were not seeing much traffic. The solution to this problem came with McCafé, an affordable alternative to Starbucks or traditional coffee shops that plays on the French café culture.

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\(^{49}\) Amy Guttman, “Mon Dieu! Fast Food Now Rules In France,” (NPR: NPR, 30 April 2013).

\(^{50}\) Guttman, Amy.
McCafé is in fact originally an Australian invention. The first McCafé opened in Melbourne in 1993 and was a huge success with 300 locations in 17 countries before the concept made its way to the United States in 2001. The first McCafé in France opened in la Défense in 2004 to much success. McCafé in France offers high-quality coffees, as well as a selection of French pastries. As with all other areas of its menu, McDonald’s prides itself on the quality of its McCafé offerings, even hosting a competition for the best McCafé baristas in France. The contestants are judged in 6 categories: latte art, innovation, using surprise ingredients, culinary art, handling a rush, and a quiz over technical and cultural information.

Unlike American McCafés, where coffee drinks are all that is served, French McCafés also offer a range of high-end pastries developed by the Holder Group that operates the famous Ladurée brand macarons. The lineup of McCafé offerings includes such well-known French pastries as the pain au chocolat, a variety of macarons, and, of course, the croissant. McCafé even offers traditional seasonal baked goods, such as the gallette des rois or king cake that is served during the Christmas season. The McCafé website reminds consumers of the quality of each product (“Quality and food safety have always been at the heart of our concerns. This requirement begins with the production of raw materials and continues until the restaurant.”)

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51 Entrepeneur, “McDonald’s Opens First McCafé In U.S.,” (Entrepeneur, 14 May 2001).
53 Beardsley, Eleanor
54 McDonald’s France, “L’Offre McCafé,” (McDonald’s France).
Such offerings attracted French audiences to familiar products that are part of French gastronomic tradition. Were McDonald’s to not offer such staples of French dining as baguettes, croissants, and the “Croque McDo”\(^5\), the French would search elsewhere to dine. By introducing these and other staples to its menu, McDonald’s made itself a fierce competitor for traditional cafes and restaurants. Further, these products are generally cheaper to make than the rest of the menu, with many McCafé products boasting a profit margin of more than 80\%.\(^6\) The arrival of McCafé came at a time when traditional French cafés were on the decline. The French marketing group Gira Conseil estimates that the number of cafes in the country decreased from over 200,000 before WWII to 32,000 in 2013.\(^7\) Devanne Julien, who works for Gira Conseil, says that the consumer has changed and that cafes “have not been able to adapt and compete with fast food.” The addition of McCafé both increased revenues by 5% and boosted the company’s image as a French institution.

McDonald’s strategy of product adaptation is well illustrated using Ansoff’s Opportunity Matrix (see Figure 1).\(^8\) The Ansoff Matrix is a common tool used when deciding the direction of marketing strategy. It relates products to markets based on how new each is to determine what type of marketing strategy a company should follow to promote a given product.

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56 “Born in the USA, Made in France.”
57 Guttman, Amy.
Figure 1: The Ansoff Matrix

Entering the French market, McDonald’s used a market penetration strategy to offer its existing core menu to an existing market –mostly American tourists. It then entered a phase of market development, changing its ingredients to attract the new French market. Once it successfully attracted enough of the market, it turned to a product development strategy, introducing new products tailored to a French audience. It is during this stage that McDonald’s introduced many unique French menu offerings, such as the McBaguette. Speaking of the casse-croûte menu, the president of Mcdonald’s France, Nawfal Tabelsi admitted in 2013 to having “had to wait to have legitimacy in France before we could offer such a product.”

Finally, it reached the diversification stage. After attracting a large market share serving hamburgers and fries,

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59 The Connexion, "France as a Fast Food Nation." (The Connexion: English Languague Media, 14 February 2013).
the company entered new markets with new products. Such is the case with McSalad, which was the first fast food location to serve nothing but salads.

Price

McDonald’s attempts in all countries to provide affordable fast food. The company uses a localization pricing strategy that increases market share by charging ideal prices for each market it enters. In France, like in the United States, McDonald’s offers all its products at affordable low prices. Customers are reminded of their saving in several ways. The price of a meal is cheaper than that of its separate components (i.e. the price of the sandwich plus the price of fries and a drink). Happy Meal toys are included in the price of the meal, and additional items are often offered at a lower price with the purchase of a meal. Young adults may receive a price reduction by showing a student ID or a “Carte Imagine’R,” a travel pass for public transport in Paris available to people between the ages of 12 and 25.

Though McDonald’s did not need to do much to adapt its pricing strategy for France, this study would be remiss to leave out one of the major economic influences that have affected the company’s position in the French market. The company’s low-price strategy was tailored perfectly to fit the evolving French economy following the

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2008 financial crisis. In a time when most business were reporting severe losses and unemployment was skyrocketing across Europe, McDonald’s reported steady earnings throughout the recession. As family incomes decreased, McDonald’s presented itself as an affordable alternative to the regular dining experience. Seeing a growing market, the company announced an expansion across Europe that would cost more than half of McDonald’s global investment funding for 2009, a move that expanded access to the restaurants and created opportunities for steady employment in an uncertain economy.

Sticking to its localization pricing strategy of keeping costs low, McDonald’s was able to profit from an economic crises wherein most firms As Raphael Berger of France’s Research Center for the Study and Observation of Living Conditions in Paris is quoted in an article for *Time*, “People forced to economize by forgoing outings to restaurants will visit McDonald’s to compensate, while lower-income people already frequenting McDonald’s will tend to choose cheaper options there rather than giving it up.”

*Place*

One of the obstacles that McDonald’s had to overcome in France was the tradition of dining habits dating back for generations. The French generally eat three times a day, and the culture discourages snacking between meals. They also tend to view dining as an experience to be enjoyed over multiple courses spanning a longer time than most American consumers would spend in one restaurant. As such, McDonald’s

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France decided to adapt its restaurants to create an environment that is more appealing to French diners.

In the 2000s, McDonald’s France spent approximately US$5 billion on restaurant renovations. Most of this sum was spent renovating restaurant interiors, which were given a sleek and modern appearance. Comfortable seating and flat screen televisions invite customers to take their time dining, a marked difference from American locations which instead emphasize custom turnover. Beginning in 2005, McDonald’s restaurants began offering free wireless internet in all its restaurants in France. American locations would not offer this same service nation-wide until 2010. McDonald’s had been testing free Wi-Fi in restaurants beginning as early as 2002, hoping to promote a more convivial environment. The move to wireless internet in restaurants supports French habits of staying in restaurants for a much longer time than Americans, where customer turnover is essential to profitability.

Globally, McDonald’s promotes itself as a “neighborhood restaurant” and this is apparent in the design of its French locations. While every McDonald’s location will evoke a certain sense of familiarity no matter where on Earth, there are distinct differences in the design of each restaurant in France that is specific to that location. Unlike the cookie-cutter restaurants found in the United States, each French location is

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64 “Born in the USA, Made in France.”
65 Levin, Marie-Juliette.
designed to evoke the cultural values not only of France, but of each region within the
country. The restaurants in the Alsace-Lorraine, for example, would have a more
German-styled interior, whereas Parisian restaurants reflect the chic, Haussmann-
inspired architecture of the French capital.

Though the insides of these locations boast strikingly convivial environments
that conform to the company’s self-projected image “as a festive and affordable dining
option to young and less-affluent people,”68 the exterior of any given restaurant would
usually not have the same effect. Unlike in the United States, McDonald’s locations in
France do not have tall, imposing golden arches overlooking the surrounding area. Quite
the opposite, McDonald’s France generally advertises its restaurants inconspicuously,
with a signage on the windows or doors. (Figure 269 shows the McDonald’s location at
Time Square, whereas Figure 370 shows the façade of a French restaurant in
Charpennes.) The idea is to preserve the integrity of the neighborhoods wherein each
location is installed. Often, they are in old buildings where McDonald’s has renovated
the interior to create a youthful, welcoming environment.

68 Crumley, Bruce.
69 Sallicio, “McDonalds Times Square,” (Wikimedia, 3 January 2009).
70 “Extérieur Charpennes,” (McDonald’s France).
Since most business in French McDonald’s restaurants happens at lunch and dinner hours, the company sought to free up labor that was spent attending mostly empty lines at registers. Therefore, it introduced self-ordering kiosks to allot labor elsewhere. For example, employees frequently make rounds throughout the restaurant to survey the customers and to take any additional orders from patrons already dining in the store. Though the kiosks do mean that restaurants operate with less workers, McDonald’s spends its savings on labor to provide better pay and benefits to existing
employees, rather than directing the savings to the company.\textsuperscript{71} The touch screen kiosks allow customers to place their order themselves, without human interaction. Aside from freeing up labor, they also shorten lines at cash registers during rush hours and have proven to increase customer satisfaction.\textsuperscript{72} France is a technologically advanced nation and is amongst the top 10 global investors in research and development. Further, it ranked 14\textsuperscript{th} in a study comparing overall technological advancement.\textsuperscript{73} It is fitting, therefore, that France would be the testing place for this new technology.

These kiosks quickly became standard throughout the country, with 90\% of restaurants in France have self-ordering kiosks in them by 2016.\textsuperscript{74} Some locations, like the one in Les Halles (the famous upscale shopping center in Paris), have completely digitalized the ordering experience (see Figure 4).\textsuperscript{75} The kiosks’ popularity spread across Europe, and approximately 45\% of European restaurants now feature them.\textsuperscript{76} The United States is currently testing similar kiosks in hundreds of stores in California, New

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\textsuperscript{71} Dianetti, Amanda.
\textsuperscript{72} Levin, Marie-Juliette.
\textsuperscript{73} Richard Florida, Charlotta Mellander, Kevin Stolarick, Kimberly Silk, Zara Matheson, and Michelle Hopgood, "Creativity and Prosperity: The Global Creativity Index," (\textit{Martin Property Institute}, January 2011).
\textsuperscript{74} Brian Sozzi, "McDonald's Rolling out Self-Ordering Kiosks in Europe; Will U.S. Be Next?" (\textit{TheStreet}, 13 April 2016).
\textsuperscript{76} Sozzi, Brian.
\end{flushright}
York, and Florida. Likewise, China has begun to adapt the kiosks, testing them in its Beijing locations.\textsuperscript{77}

![Figure 4: Self-Service Kiosks in Les Halles, Paris](image)

Promotions

The promotional strategy of a company can be broken down into the promotional mix, consisting of four parts: advertising, public relations, personal selling, and sales promotions. Because the four components of the promotional mix are so closely related and often promotions fall into more than one part of the promotional mix, this chapter will analyze all four at once to give a view of how McDonald’s France has utilized promotional strategy to gain equity.

\textsuperscript{77} Beth Kowitt, "McDonald’s To Roll Out Self-Order Kiosks and Table Service in the U.S." (\textit{Fortune}, 18 November 2016).
On the topic of marketing strategy, senior marketing director Xavier Royaux said in a 2011 interview that McDonald’s attempts to integrate its restaurants into the culture of the country where they are installed. He remarks that this practice in France has been particularly difficult due to its longstanding gastronomic cultural history, but also notes that the result of this difficult process is that “France has often been a pilot in terms of innovation.”\(^{78}\) It is no surprise, therefore, that many of the company’s promotions have been innovative efforts to convince the French to “come to the table in a different way, more relaxed and less formal.”

Following the Bové incident, McDonald’s responded with an aggressive advertising campaign to prove to the public just how French the company had become. Advertisements reminded the public “how many French cows, chickens, lettuce and tomatoes it uses annually.”\(^{79}\) This campaign hoped to attract a larger customer base while assuring naysayers of both the social responsibilities of the company and the steps the company had taken to distance itself from its image as an imported American cultural item.

One of the ways the company attempted to erase this image is by rebranding a large part of its menu with more French-sounding names. Hence, the Quarter Pounder becomes \textit{le Royal} (with cheese or \textit{sans} cheese), while the double cheeseburger dons the slightly less English-sounding eponym of \textit{le Double Cheese}. Such “franglais” titles assure

\(^{78}\) Levin, Marie-Juliette.
\(^{79}\) Akhmurzina et al, 3-4.
French consumers of a home-grown product without changing the names of its core menu items beyond recognition for tourists looking for something familiar to eat.

McDonald’s advertisements include television commercials, or publicités as they are called in French, billboards, and emailing. Like most of the world, the popular tagline “I’m lovin’ it” was originally used as the company motto and is still recognized by much of the population under the French translation “C’est tout ce que j’aime.” However, in a step that at once distanced the company from anti-American sceptics and invited the population at large to eat chez McDo, the French branch of the fast food giant decided to instead use the tagline “Venez comme vous êtes” (come as you are).

The venez comme vous êtes campaign, launched in 2008, has been successful in France for years\(^{80}\), and 80% of French citizens reported recognizing the slogan.\(^{81}\) The campaign was born out of a perceived need to connect more closely with its French audience, particularly the youth market. It projects a “cool” image and assures the public that the company exists to serve its clients, not the other way around. The series of advertisements features images of people from all walks of life eating at McDonald’s. Several prominent French cultural icons also make an appearance, including such notable figures as Astérix, Darth Vader, and Cinderella\(^{82}\) (known in the tale’s native

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\(^{80}\) Olivier, Mongeau, "McDonald's Donne de la Voix," (Stratégies: NewsCo Group, 15 March 2012).

\(^{81}\) Mercedes Erra, "Cas N°11 : McDo « Venez Comme Vous êtes »," (IONIS Brand Culture).

\(^{82}\) "Astérix Fait La Publicité De McDonald's," (Tribune De Genève, 19 August 2010).
country as *Cendrillon*). The campaign reportedly increased McDonald’s revenues by 7.7%.  

Figure 5: Astérix (left) and Cinderella (right) appear in advertisements for the Venez Comme Vous Etes Campaign.

One of the publicités of the venez comme vous êtes campaign caused a lot of backlash, particularly in Anglophone countries. In it, a teenager is in a McDonald’s with his father. Unbeknownst to the father, the teenager is on a phone call with his boyfriend, as is revealed when his all-male class picture is presented and his father comments that he wishes the school were co-ed so that his son could find a good girl. Shortly after, the slogan “Venez comme vous êtes” appears on screen. This simple commercial created a media storm amongst anti-LGBT groups as well as some LGBT support groups. Gay rights activists questioned the purpose of the advertisement,

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83 Erra, Mercedes.
84 Picture of Astérix at McDonald’s, *(IONIS Brand Culture)*.
85 Picture of Cinderella at McDonald’s, *(IONIS Brand Culture)*.
decrying the message of gay man who is shown to remain closeted to his family as being an impediment to the advancement of LGBT rights. Anti-LGBT groups equally decried the immorality of such a topic on a televised advertisement. In France, however, the commercial went mostly unnoticed by the media. A senior executive of McDonald’s France says that the commercial is indicative of the differences in societal norms between France and the United States. In France, the culture has become more tolerant and homogenous, and the average French citizen is much more accepting of lifestyles unlike their own. As such, a commercial that invites gay teenagers to “come as they are” to eat McDonald’s was not seen as a stretch of social norms.

McDonald’s often partners with well-known consumer brands like Coca-Cola and Disney to attract consumers with familiar products and promotions. The McDonald’s in Disneyland Paris is one of the most profitable in the country, along with the Champs-Elysées and la Défense locations. In France, McDonald’s promotions feature French footballers, and the company even hosts a soccer tournament for children called the McDonald’s Cup. Additionally, McDonald’s is an official partner of Paris Saint-Germain and frequently presents the team in its advertising (see Figure 6). From time to time the company will also give away Paris Saint-Germain merchandise with the purchase of

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87 Akhmurzina, et al.
89 “McDonald’s Cup,” (McDonald’s Cup: Site Officiel du Turnoi de Foot de St. Omer).
a meal. In Figure 6, for example, customers are offered either a Paris Saint-Germain official soccer ball or a team scarf with the purchase of a meal from the Best of menu.

Figure 6: McDonald’s Promotional Image Featuring Paris Saint-Germain Soccer Team

In an effort to further distance itself from American hegemony, McDonald’s France changed its famous red and yellow color scheme to one that better fits the image it wishes to convey in the country. In France, the golden arches are emblazoned on a green background, and much of the company’s advertising uses this green and yellow color scheme. The green background communicates the “greening” of the company, which has committed to reducing its impact on the environment. McDonald’s advertises its commitment to reduce gas emissions by 50% by the year 2020, and it currently recycles some 7,000 tons of frying oil from restaurants for use as bio-diesel fuel.91 The green background was quickly adopted by countries across Europe who, like the French filial, wished to express their commitment to an eco-friendly McDonald’s.

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91 “Born in the USA, Made in France.”
After McDonald’s Germany adopted the green background in 2009, a spokesperson for the company stated, “This is not only a German initiative but a Europewide initiative.”

The green background also communicates a healthier image to combat the French public’s idea of McDonald’s as *mal-bouffe*. McDonald’s has taken great strides in France to create a healthier image. The French are very conscious of their health, particularly regarding obesity. As a country, France is celebrated for its citizens’ thinness and longevity and is considered, along with Italy and Switzerland, to be amongst the slimmest countries in Europe. There are several myths that the French never gain weight, and this has often been attributed to traditional French cuisine. From an early age, French children are educated in food health, and the country has been called the “nutritional role model for Europe.”

McDonald’s France demonstrates nutritional and caloric information on all its product packaging, despite France having no laws requiring restaurants to do so. Further, McDonald’s has reduced the amount of salt on French fries and offers the choice of a whole-wheat bun for *le Big-Mac*. In 2007, McDonald’s began offering fruit packets as a healthier alternative to French fries. The fruit packets also offer a response

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95 Victoria Lambert, "The French Children Learning to Fight Obesity," *(The Telegraph: Telegraph Media Group, 08 March 2008).*

96 “Born in the USA, Made in France.”
to the legally-mandated reminder appearing in many advertisements to eat “five fruits and vegetables per day.”

In the vein of maintaining a healthier image, McDonald’s stresses the importance of eating its menu only in moderation. In a Times interview, Raphael Berger commented that “McDonald’s and France have worked out an understanding that [its] kind of fast food is all right – albeit in moderation.” Indeed, the majority of McDonald’s advertising in the country do not mention the Big Mac or other menu items, but rather, they communicate the freshness and traceability of its ingredients and remind consumers of the services the company provides, such as Wi-Fi availability.

One of McDonald’s most recognizable promotions is the Happy Meal. From the promotion’s beginning, Happy Meals have been successful with children who beg their parents to take them to McDonald’s for the newest Happy Meal toy. This promotion was not as happily welcomed in France, where it is generally seen as an incentive for poor eating habits and to blame for rising childhood obesity. Therefore, the company had to tread carefully when advertising Happy Meals. To begin with, French laws make it difficult to advertise to children. The Bureau de Vérification de la Publicité (BVD) strictly monitors advertising advertisements directed toward younger audiences and prohibits “providing misleading information to children, including restrictions on suggesting poor

98 Crumley, Bruce.
eating habits. The BVD illustrates a distinct cultural difference between the United States and France when it comes to raising children. In the United States, it is the responsibility of the parent to monitor the child’s wellbeing. In France, companies are expected to behave responsibly and is consequently to blame for children’s bad eating habits. As a result, Happy Meals in France began offering fresh fruit and yogurt well before American locations.

In addition, children in France have the option of receiving a children’s book with their Happy Meal instead of a toy year-round. This same promotion exists in the United States as a partnership with Reading is Fundamental, yet is only offered for short promotional periods. Beginning in 2017, Happy Meals in France offer completely new books written by Marc Levy as part of a partnership with Hachette Jeunesse, the childhood literature branch of the French publishing group Hachette. Offering books year-round and creating new books for French children is indicative of French parenting, wherein parents see their role in a child’s life as an educator rather than disciplinarian and teach their children from infancy to occupy themselves with books and other time-passing activities rather than doting on their children incessantly.

Another way that McDonald’s France has tried to win over the French is simply by paying them. While most companies lost much of their revenue after the 2008

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99 Dianetti, Amanda, 38.
100 Kristian Wilson, “McDonald’s France Offers Books in Happy Meals All Year Long,” (Bustle, 9 March 2016).
101 “L’Offre Happy Meal,” (McDonald’s France).
economic crisis, McDonald’s was not hit quite as hard, announcing $985.3 million dollars in earnings in the last quarter of 2008.\textsuperscript{103} Though down by 23% from the year before, the company was still in good health. As such, it made the decision to expand across Europe, creating new jobs as it gained market share by promoting itself as affordable eating during the recession. McDonald’s came to be appreciated as a major employer in France as well as a cheaper dining option for those hit by the economic crisis.

To this day, McDonald’s prides itself on its position as one of the largest employers in the country, and the company regularly produces literature reminding the French public of this status. In 2006, the company employed approximately 40,000 workers.\textsuperscript{104} By 2015, this number had increased to 73,000 French citizens, despite employing fewer employees per restaurant. Of these employees, 80% were working under an open-ended contract (CDI).\textsuperscript{105} CDIs are notoriously hard to find in France, as most positions operate under a fixed term contract (CDD), usually for 18 months or less. It is all the more remarkable that McDonald’s would employ so many people under CDI given that 87% of new positions in France in 2015 functioned under CDD.\textsuperscript{106}

\textsuperscript{103} Crumley, Bruce.
\textsuperscript{104} Jérôme Desvouges, "McDonald's France Confie Ses Réseaux à Une Société de Services," \textit{(BFM TV, 7 Apr. 2006)}.
\textsuperscript{105} “McDonald’s en France: Faits et Chiffres 2015.”
\textsuperscript{106} Marine Rabreau, “En France, 70% des Embauchements Sont des CDD... de Moins d’un Mois,” \textit{(Le Figaro, 12 April 2016)}.
Chapter 3: An Analysis of McDonald’s France’s Financial Data

The analysis of the marketing mix demonstrates several examples of the strides taken by McDonald’s France to earn its place amongst the French. Adapting its marketing strategy to account for local preferences in France allowed the country to overcome the cries of mal-bouffe and the hostility of anti-American and anti-Globalization movements that plagued the company during its early years. But how is this success reflected in the company’s finances? This chapter serves as an analysis of McDonald’s France’s annual reports, wherein the company publically discloses its finances for the year. The annual reports are available for download from the French website Société, which gathers legal and financial information from France’s National Registry of Commerce and Companies (RNCS). Using this data, this chapter constructs an image of McDonald’s financial history, allowing a view of the financial effects of the company’s marketing adaptations going back to the earliest available financial data from 1994.

Three important figures to consider when analyzing McDonald’s finances are net revenue, net income, and profit margin. Chart 2 graphs net revenue and net income together. Net revenue is the sum of all sales, less the cost of goods sold and is one of the most utilized signifiers of a company’s health. Net income is the result of all the company’s income less all expenses. While both figures provide a portrait of the company, profit margin can often be a more useful indicator. Profit margin measures how much a company earns for each monetary unit of income, and is calculated using
the formula \( \text{Profit Margin} = \frac{\text{Net Profit}}{\text{Revenue}} \). Chart 3 shows the progression of the company’s profit margin.

Chart 2: Trend Line of McDonald’s France’s Net Revenue and Net Income Over Time

Chart 3: Trend Line of McDonald’s France’s Profit Margin Over Time
The results indicate low revenues throughout the 1990s, increasing slightly in the early 2000s. This trend is in line with the company’s position at the time, McDonald’s saw little success throughout the 1990s when the fast-food industry was failing to see much growth. The company’s profit margins were running negative throughout the 1990s and did not become positive until 1998, when it reported a 3.47% profit margin. These numbers coincide with the peak of McDonald’s unpopularity in France when anti-American and anti-globalization movements were common and active in the country.

It is not shocking to see stronger sales beginning in 2000, as this was the turning point for the company’s image in France. Sales continued to rise in the middle of the decade while McDonalds continued to Frenchify its image. In 2004, McDonald’s launched its McCafés, offering a wide variety of traditional French coffees and pastries, this move happened in the middle of positive sales growth, and the introduction of such a large array of items with low production costs saw McDonald’s realize its highest profit margins up to that point. A year later, the company’s profit margin more than doubled from 12.8% to 26.74%. Sales began to rise significantly after 2005. This was the year McDonald’s spent $5 billion dollars in renovations to its locations. This was likely a major cause of the sharp decline in net income at the time, as the costly renovations would be a heavy expense not reflected in Net Revenues, as the only expenses included in this figure is the cost of the production of goods.

The only other drastic decline in net income appears after the European sector of McDonald’s made plans to spend nearly half of its investment budget on expanding
its stores across the continent after seeing steady sales during the recession. Though net income grows at a much slower rate after 2009, sales continue to show a steady growth.

The data in McDonald’s France’s annual reports shows that the company profited from its moves to adapt its marketing strategy to the local audience. However, it is not isolated from larger economic conditions. Chart 4 below plots net revenues against France’s gross domestic product based on purchasing power parity per capita. A regression analysis attempts to demonstrate the relationship between the two. The neat trend line shows a strong relationship between household income in France and McDonald’s France’ sales. The relationship is further supported by a strong coefficient of determination, which determines how closely the regression model predicts the real data. This relationship is not too surprising, as more income normally leads to more spending. Because dining “chez McDo” has become so prevalent in the country in the past two decades, the French are more likely to spend their money in one of McDonald’s restaurants, leading to increased sales.
This analysis has its faults, however. Société only has financial data from McDonald’s France beginning with the end of the 1990s. As such, the sample size is not ideal, and it is largely biased by not having access to the earlier years in the company’s history before it had molded itself into an integral part of the French economy. However, the relationship between the countries economic success and McDonald’s financial success is clearly a strong one in recent years if not before. However, it is clear from the company’s reports that adaptations to its marketing strategy

In all, the financial data provided by McDonald’s France annual reports suggests a financial history that is consistent with the company’s adaptations to the marketing mix throughout its history in the country. The early years reflect a country skeptical of an American fast food company. Increases in net revenue, net income, and profit margins are consistent with promotional campaigns and key changes in McDonald’s
product offerings. The two major decreases in both net income and profit margins coincide with high expenses associated with expanding and renovated restaurants, and net revenue results show that sales were not affected by the company’s spending during its expansions.
Conclusion

In this thesis, I have provided a picture of McDonald’s in France from the first restaurant opening in Créteil in 1972 to its place today as the second largest market for McDonald’s in the world and one of France’s top agricultural partners. I have given a history of the company that depicts a France weary of the onslaught of American cultural imperialism for which much of the French population believed McDonald’s to be a symbol leading into the new millennium. I have demonstrated various areas of protest to the company’s presence in France, most notably from the Confédération Paysanne and its leader José Bové as they tore down a location during a 1999 demonstration.

Chapter 2 presented an analysis of the company’s marketing mix, dividing it into the four Ps of the marketing mix (product, price, place, and the promotional mix). In the first section of this chapter, I presented an analysis of the various adaptations to the products offered by McDonald’s in France to gain market share and increase revenues. I introduced the beginnings of these adaptations which took place in 1995 when McDonald’s began using French cheeses and whole-grain French mustard. From that point, I discussed the new products developed particularly to suit a French audience. The end of this section relates the company’s history of product adaptation to Ansoff’s Matrix, illustrating how McDonald’s used different marketing strategies to correspond to the company’s growth of products and growth within market segments. These adaptations to product offerings allowed the company to draw in a larger consumer base while increasing the company’s profit margin by introducing items with low production costs through its McCafé line of pastries and coffees.
The next section analyzed the price component of the marketing mix and described the company’s localization strategy that allows it to set prices ideal for each market that it enters. This section was followed by an analysis of the place component of the marketing mix, which describes the physical environment of McDonald’s restaurants. I introduced the many changes to restaurants in the country that have created a more relaxed atmosphere that is hospitable to the particular dining habits of French customers. I discussed the costly 2005 renovation campaign that saw locations across the nation renovating their interiors for a more youthful, cozy atmosphere that encourages a lengthier dining experience to which the French are accustomed. Self-ordering kiosks in restaurants allow labor to be freed up while easing in-store traffic.

The last section of chapter 2 analyzed the promotional mix, itself comprised of advertising, public relations, personal selling, and sales promotions. This section discussed the intense advertising campaign McDonald’s France undertook in the early 2000s in response to the Millau incident involving José Bové. This campaign helped to attract more French customers to McDonald’s restaurants and helped to assuage some of the fears the public had concerning the company, such as the health content of its products and its image as an imported American cultural item. It also highlighted some of the key promotions that have allowed McDonald’s to rebrand itself as a truly French company, such as partnerships with the football club Paris Saint-Germaine.

The final chapter consists of an analysis of the financial data reported in McDonald’s France’s annual reports, dating from the earliest available data in 1994. The results show a financial history that is consistent with the company’s adaptations to its
marketing mix throughout the years. Low revenues and failing profit margins in the 1990s are reflective of the general uneasiness with the company at the time. Fluctuations in financial data can be linked to key adaptations to McDonald’s product offerings and to the physical locations, as well as important promotional campaigns. This analysis was admittedly limited, as it was impossible to find official financial data from before 1994. Having McDonald’s France’s complete financial history would have allowed for a more in depth analysis of the evolution of the company.

After analyzing McDonald’s France’s marketing mix and comparing changes made to it with the financial data provided by the company, I can conclude that the success of McDonald’s in France can be contributed to changes to the company’s marketing strategy that adapt to French preferences. These changes have allowed the company to become a top employer in France and has allowed France to rise as the second most profitable market for McDonald’s in the world.

Companies entering France in non-traditional industries should look to McDonald’s marketing adaptations as a model, and learn to adapt early. The French have proven themselves a prideful country, passionately protective of their patrimony. Moreover, they are not welcoming of industries it perceives as a threat to its culture.

In the future, I believe McDonald’s would do well to further adapt its menu to attract an evolving French population. In recent years, the country has seen an influx of immigration from former colonial holdings, particularly from the area of North Africa known as the Maghreb. Immigration from this area, including Morocco, Tunisia, Algeria, and Libya now make up a sizeable portion of the French population. Between 2006 and
2008, 16% of babies delivered in France had at least one Maghrebi grandparent.\textsuperscript{107}

Along with them, they bring cultural and gastronomic traditions from each country, as well as from the larger pan-Arab culture. Although the idea is against the idea of French patrimony, Kebab restaurants are now a major industry in France, particularly in urban areas.\textsuperscript{108} McDonald’s would do well to add Maghrebi-inspired items to its menu, perhaps even the McKebab.

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Picture of Astérix at McDonald’s. *IONIS Brand Culture*.

Picture of Cinderella at McDonald’s. *IONIS Brand Culture*.


