

# TORQUE COMMUNICATIONS PVT. LTD.

◆ Delhi ◆ Mumbai ◆ Bangalore ◆ Ahmedabad

Publication:	The Financial Express	Edition:	Mumbai
Date:	03.11.09	Page:	12

INTERVIEW AMIT JATIA, MANAGING DIRECTOR, WEST & SOUTH, MCDONALD'S INDIA

## With increasing purchasing power, comes new lifestyle options

Amidst retail revival growth, McDonald's has outlined vision for launching 17 to 20 Drive-Thru McDonald's restaurants in West and South India and 40 nationally in the next three years. It is also planning to promote the new breakfast meal concept, which is being currently tested at select McDonald's restaurants into a pan-India's presence. Amit Jatia, managing director, West & South, McDonald's India spoke to FE's Mona Mehta on how the company is constantly working towards value offerings and meeting the evolving demands of young adults no kids (YANKS) group of audiences, who have developed a taste for global palate and contributed 75% of McDonald's footfalls in recent months.

Amidst retail revival growth, what will be your new offerings?

The breakfast menu in India is still evolving and we see great potential in leveraging it to expand our customer base. With the breakfast menu we aim to reach out to a whole new customer segment while also offering existing customers a wider choice. We are testing the menu at select McDonald's outlets which includes new offerings such as Hash Browns, Cuppa corn, Veggie McMuffin, Egg & Cheese McMuffin, Spinach & Corn McMuffin, Sausage McMuffin, Egg McMuffin with Chicken Salami, Sausage McMuffin with Egg, Hot cakes with Maple syrup and butter, a vegetarian breakfast platter and a non vegetarian breakfast platter.

Will the above menu be part of the Drive-Thru concept as well? Between September 2008 to March

2009, how has McDonald's Drive-Thru concept taken off?

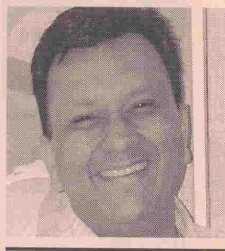
Drive-Thru is definitely unique to McDonald's as it is the only brand in the entire quick service restaurant (QSR) space in the country to offer this experience to its consumers. The breakfast menu will be available through this retail format as well. During the period of slowdown the retail format has come across as a boon as it acts as a convenience factor for the customers. We have added five new restaurants with Drive-Thru formats from September 2008 to March 2009.

How different will the "Breakfast Meal" concept be from the "Extra Value Meals"?

Breakfast is a huge success globally and we intend to initiate a habit of consuming breakfast among our consumers in India as well. Breakfast meal will be an altogether new category offered by McDonald's during specific timings in morning only. Whereas our "extra value meal" is a meal combo offered throughout the day to cater to meal options and is aimed to position McDonald's as a dining option.

Tell us as to how have the Drive-Thru restaurants taken off by McDonald's India?

Drive-Thru is an integral part of McDonald's business plan both in India and internationally and McDonald's is well positioned to expand on Drive-Thru locations in major cities across the country. Drive-Thru, which is unique to McDonald's only contributes 18 to 20% of the total sales. Out of 82 restaurants



by the company (West & South) 14 of them are Drive-Thru. The development of the Drive-Thru is a natural response to the changing lifestyles of the city's consumers. The purchasing power of the consumers have been growing rapidly in the country. And with this increased affluence also comes a faster pace of life, where people are looking for greater convenience and new lifestyle options. Keeping this in mind McDonald's will introduce close to 17-20 (approximately) Drive-Thru over next three years in West & South India and close to 40 (approx) nationally.

What are the challenges being faced by McDonald's in achieving profits and break even in the country in terms of retail, supply chain, raw material sourcing, pricing strategies and above all back-end integration? How is the company planning to tackle the challenges?

While McDonald's, globally was renowned for its Hamburgers, in India,

McDonald's will introduce close to about 17-20 Drive-Thru over next three years in West & South India and close to about 40 nationally. The company have observed double-digit growth in the same store sales this year and the overall footfall has increased by 40-45% over the last year

when the company decided to launch, the biggest challenge was to be able to cater to the local tastes and preferences, while maintaining its international USP of Quality, Service, Cleanliness & Value and sustain the image of a "family restaurant". In addition, when McDonald's entered the country, the QSR market was at a nascent stage. Customers were not certain of what to expect from QSR players in terms of price and were wary of consistent quality and service standards of the early players. Furthermore, there was lack of efficient supply chain in India at that point in time and there were no produce of essential components of a McBurger like lettuce.

McDonald's identified these challenges and established the brand as a familiar, comfortable place which provides convenience, quality and value. With respect to the cultural and traditional sentiments, McDonald's does not serve its most popular product the BIGMAC (a beef burger) in India. We have also developed an egg-less mayon-

naise for the first time in the worldwide system. Additionally, to suit the Indian palette, the McAloo Tikki burger, Veg Pizza, McPuff and Chicken McGrill burger were among other offerings that were formulated and introduced using spices favored by Indians.

One of the key reasons McDonald's has tasted success in the country is our supply chain. McDonald's invested Rs 1,000 crore in its backend integration and supply chain to offer its customer the best quality products at affordable price. McDonald's unique "cold chain", on which we have spent more than six years setting up in India, has brought about a veritable revolution, immensely benefiting the farmers at one end and enabling customers at retail counters get the highest quality food products, absolutely fresh and at great value.

What are your customer-focused strategies?

McDonald's as a part of its business strategy focuses on providing convenience to consumers. Hence it constantly works on formats that act as a means to reach out to the consumer. Today, from just attracting customers to the restaurant McDonald's has made every possible attempt to reach out to them and make their favourite meal available to them when and where they need it. From kiosks to petrol pump alliances, Drive-Thru to home delivery, the retail formats have been designed for customer's satisfaction. Also, at the restaurant level, McDonald's provides formats like Made for You, which is a customised form of the restaurant

which allows you to choose the ingredients of your burger and the burger is prepared only after receiving the order.

The constant innovation at retail format and menu level, dedicated supply chain and marketing efforts have led McDonald's achieving break even at the store level for a few years now. The company have observed double-digit growth in the same store sales this year and the overall footfall has increased by 40-45% over the last year.

Tell us whether McDonald's is planning to enter into strategic marketing arrangement with any other food/beverage retailing company? Is the company planning to phase out any existing products from the market? Please explain in detail.

At McDonald's, it has always been a constant endeavor to work towards innovating and upgrading product offerings to appeal to the local appetite. In 2008 the company introduced wholesome multi-cereal bread and a salad mix to make the new wraps lighter choices for McDonald's customers. Early 2009 we introduced the New Chatpata McAloo Tikki Burger and Shake Shake Fries that offered a new experience and a more localised flavour to customers. Recently, McDonald's introduced the globally renowned and appreciated Chicken McNuggets. Product innovation is an ongoing process at McDonald's and we will see something innovative happening on that front regularly. Currently, there are no plans to enter into any strategic arrangement with any other food company.