“Contrast two examples of TNCs and their global strategies and supply chains (16)”

Transnational corporations are corporations that have expanded to operate beyond the borders of their original countries. Corporations often expand because of interests that fit into their corporate strategy. When exercised at a global scale, these become the global strategies of the corporations. For these corporations, the different geographical locations take on different roles in their supply chains (the control of materials, information, and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer.) The two most influential transnational corporations within the fast food and technological industries respectively are McDonald’s and Apple. While both companies exert their influence all over the world, they manage these global operations in different ways.

A major way in which the two corporations’ contrast is in the structure of their supply chains. Whereas Apple’s supply chain is one series branching out as it reaches the consumer, the McDonald’s supply chain operates as a system of parallel, unconnected, flows from different suppliers to the consumer. This is because as one entity, it is more efficient for Apple to negotiate with dedicated contractors for each stage of production, such as Foxconn. Furthermore, due to the mass-produced scale of its products, Apple aims to take advantage of relaxed labor laws in developing countries like China, which ultimately saves costs for the company. McDonald’s, on the other hand, relies on individual negotiations between its franchises and local suppliers. Due to the inexpensive nature of their products, the cost of importing goods would be unaffordable and it is easier for each franchise to be supplied at a local scale, at the expense of slightly higher labor costs in LICs. It is also important to have more workers on-site to guarantee that food is prepared at a high standard of quality and in a timely manner. This is also in line with McDonald’s franchise structure, a hands-off approach that gives McDonald’s less control over the actions of individual franchises.

One way in which the two companies differ is the level at which the companies seek to adapt their products in relation to the local cultures and customs. As part of its global strategy, Apple has made its policy to standardize its products across the world market. This is highly effective for Apple as it creates a singular global phenomenon that can easily be advertised to consumers, and it increases consumer satisfaction as customers are acquiring the same features advertised around the world. Because of the expensive nature of its goods, maintaining an international standard makes it easier to exchange these goods across international markets, where a consumer would not necessarily have to be in the same country as the retailer to be able to buy an Apple product. This ensures the integrity of Apple as a singular organization. McDonald’s however, does not operate as a singular organization and does not maintain full control of all of the operations within its franchises, delegating that to the respective owners of those franchises. This gives McDonald’s more freedom to adapt its food products, as the scale is more local, in what is called glocalization. Examples of glocalized food items are the McItaly burger in Italy, the Maharaja Mac in India, the McLobster in Canada, and the Teriyaki McBurger in Japan. This practice is attractive to the consumer as it capitalizes on the values of the local market.

Another way in which the two companies differ is the ways in which they distinguish themselves from other industry competitors. As a high-end product, Apple mostly distinguishes itself by the quality of its products. At that end of the market, customers are less sensitive to pricing, so Apple is therefore able to mark up its products by a large margin and deliver higher dividends to its stakeholders. McDonald’s, on the other hand, is considered a low-end restaurant, and as such they try to make money off of quantity of sales rather than quality. Because of the price sensitivity at its end of the market, McDonald’s sacrifices some levels of quality on the beef in order to lower its expenses, therefore being able to lower the pricing of the food. McDonald’s also reduces inefficiencies by buying products like beef and potatoes in bulk quantities, therefore being able to obtain discounts and gain more purchasing power in that way. Additionally, McDonald’s differentiates itself from other fast food restaurants by priding itself on the cleanliness of its franchises, and particularly, its bathrooms, leading customers to a more appealing experience. McDonald’s even host special promotions like the Szechuan sauce promotion of 2018 to interact with popular culture and attract niche consumer groups, increasing the social media presence of the corporation.

Overall, the behaviors of McDonald’s and Apple as TNCs is largely influenced by the ends of the market that they are targeting, and the specific products they are selling. This affects the supply chains of the companies, their adaptabilities, but perhaps most importantly this affects the ways in which the companies try to differentiate themselves from other competitors within their respective industries.