

# McDonald Case Study



# About McDonald

## Brief History of McDonald's

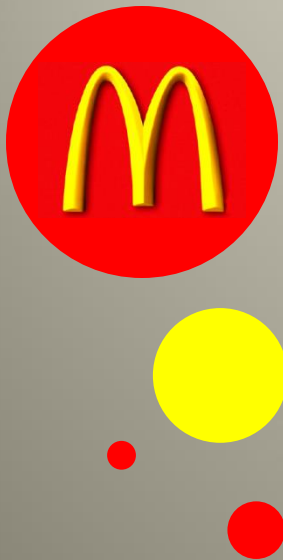


**The first McDonald's was built in 1940 by the McDonald brothers (Dick and Mac) .**

Started off as a hot dog stand in CA [1937]

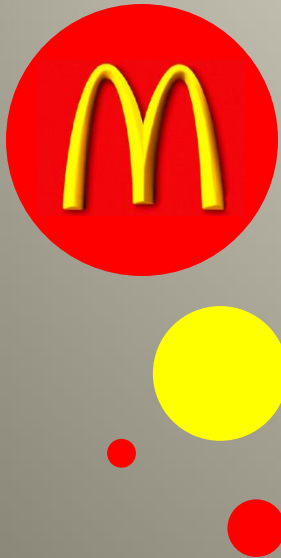
The McDonald brothers realized that hamburgers were their most profitable menu item, and changed their business to serve a limited menu.

# About McDonald



- McDonald's is a large corporation in the fast food industry.
- They have been around since 1955 when Ray Kroc started the chain of McDonalds. They have been growing ever since.
- The majority of the restaurants are owned through franchises.

# About McDonald



- They employ 447,000 people.
- They have over 3,200 restaurants in over 119 countries.
- The majority of the McDonald's franchises are owned by individual franchisees.
- Their primary competitors are other fast food chains such as Burger King and Wendy's. The competition can get pretty intense to build customer loyalty to their food.
- The McDonalds Brand is one of the most well known Brands in the world.

# Going International

The first McDonald's Drive-Thru opened in Sierra Vista, Arizona in 1975

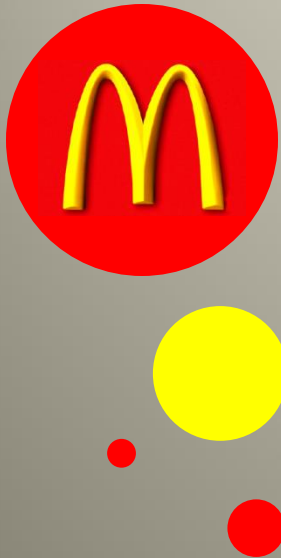
Happy Meals were added to McDonald's menu in 1979

McDonald's launched the new worldwide Balanced Active Lifestyles public awareness campaign in 2005

McDonald's celebrated its 50th Anniversary on April 15, 2005

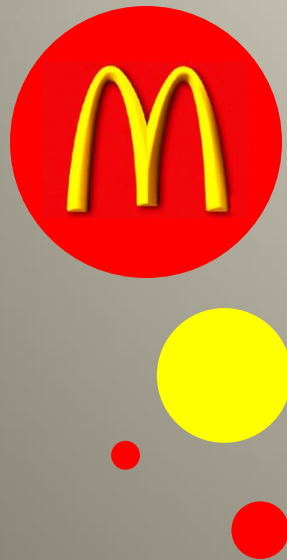


# Going International



- 1971 McDonalds really starts going global
  - Asian: Tokyo Ginza District, Japan
  - European: Netherlands, Munich, Germany
- 1967 - Canada & Puerto Rico (first restaurants outside the U.S.)
- 1971 - Tokyo, Japan, Amsterdam, Netherlands & Sydney, Australia
- 1979 - Rio de Janeiro, Brazil
- 1990 - Moscow, Russia & China

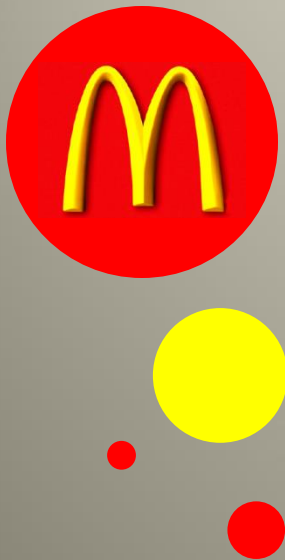
# SWOT Analysis



- Strengths:
- Brand Awareness
- Broad geographic locations
- McDonalds standard and conformed changes in large areas efficiently

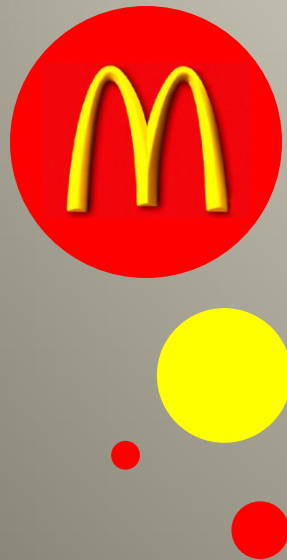
# SWOT Analysis

- Weaknesses:
- There is lower operating income in Europe and Canada – In Canada the operating income fell 12.6%, likewise the European restaurants operating income also fell at 1.5%.
- There is a relatively small revenue growth - In the last 5 years McDonalds revenues have grown at a rate of 7.5% compared to industry growth at 13.6%



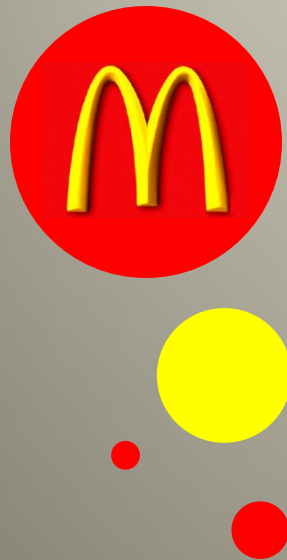


# SWOT Analysis



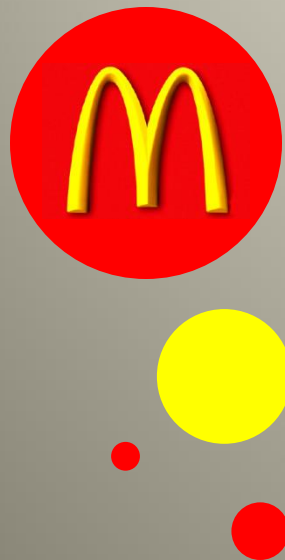
- Opportunities:
- Newer products
- More franchises - less risk
- High Growth in China and Russia

# SWOT Analysis



- Threats:
- Competition - global, national, regional, and local. Commodity
- Growing health conscious population
- Food safety – bacteria, e. coli, 41 - 150

# PEST ANALYSIS



To analyze the current status of McDonald's corporation, we chose to use the PEST method to evaluate the following categories

- P Political
- E Economic
- S Social
- T Technological

# Political Challenges

- Health and Safety Guidelines



- ✓ The director of the [obesity](#) program for the [Children's Hospital Boston](#), [David Ludwig](#), claims that "fast food consumption has been shown to increase calorie intake, promote [weight gain](#), and elevate risk for diabetes"
- ✓ [Center for Science in the Public Interest](#), a long-time fast food critic over issues such as [caloric content](#), [trans fats](#) and portion sizes

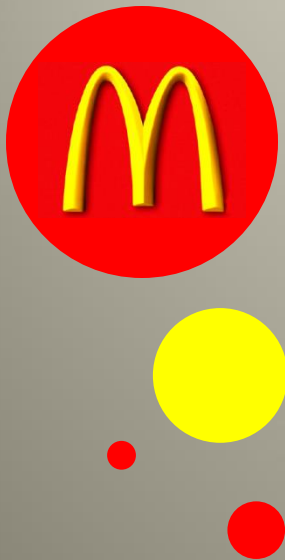
# Political Challenges

- Ecological/environmental issue
  - Fast food industry giants such as Wendy's, Pizza Hut, and McDonalds are some of the largest consumers of paper products in the US. "Every year millions of pounds of food packaging waste litter our roadways, clog our landfills and spoil our quality of life.
- Home market pressure-groups
- International pressure-groups
  - Pushing for increased regulations to make companies more responsible



# Political Challenges

- Wars and conflicts
  - ✓ war between countries where the company operates.
  - ✓ They have also become a symbol of capitalism and Americanism meaning that they have now become the target of terrorist group and attack.



# Economic Challenges

- McDonald's must consider economic challenges when expanding internationally.

Low set up costs = rapid expansion



One of the challenge for fast food industry is that to keep the price is low for the customer.

Franchising facilitates set ups

- » McDonald's corporation provides financing assistance and training for new franchise owners to manage cash flow and keep businesses profitable.

# Social Challenges

The main reason is the consumers worries had greatly increased with

- health fears
  - so customers now opted for more healthier options like **subway** which offered more of a variety for health conscious customers.





# Social Considerations

- To ease customers concern about health issues, McDonald's has made changes to the following;

- McDonalds changed its image vastly by evaluating the current menu and making changes to it from using organic products to revising the whole menu entirely by offering salads and vegetarian burgers.

- McDonald's serves a range of high-quality foods that can fit into a balanced diet. The accurate and accessible nutrition information help guests make informed menu choices.



## WELL-BEING: McDonald's Holistic Approach



# Social Considerations

- Emphasis on food safety:

McDonald's suppliers have food safety management systems in place, including Good Manufacturing Practices (GMP), a verified Hazard Analysis Critical Control Point (HACCP) plan and crisis management, food security and other applicable programs



# Technological Advantages

- McDonald's has taken advantage of technology to streamline their processes and improve efficiency.

Through technology enhancements such as FPI's Help Desk Service, network and application consolidation, and other technology implementations, operations of the company are greatly improved.



# Technological Advantages

- Touch Order Allows You To Place Order At McDonald's Via Handset



# Technological Advantages

- The customers can place their order directly from their tables, dubbed as “Touch Order”. It’s the first self-ordering system in the world to use RFID\*



**Technology  
Spotlight:  
McDonald's tests  
Speed pass  
cashless payment  
system**

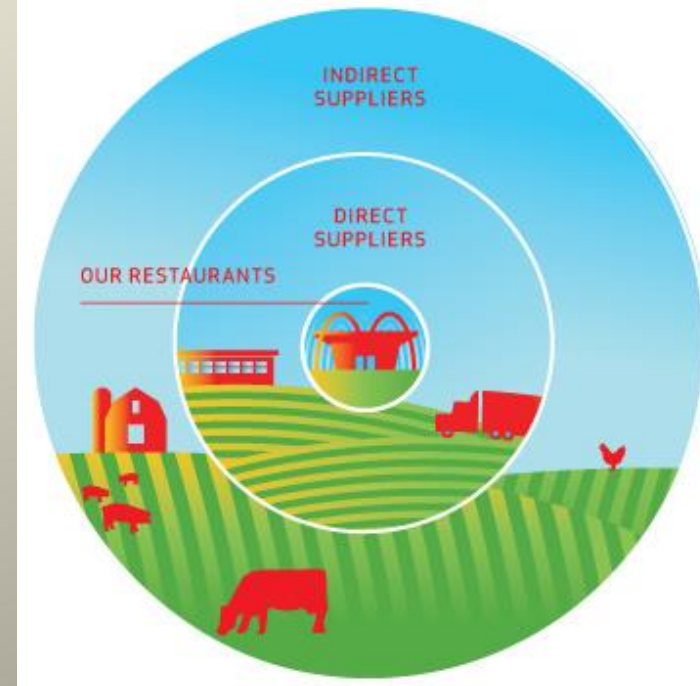


# Technological Advantages

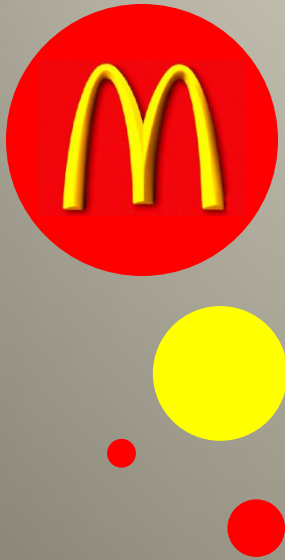
- McDonald's has also implemented technology to improve supply chain management, and allows customers to access this information to make more informed decisions about what they eat.



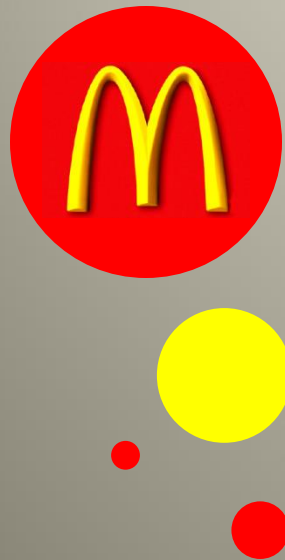
WHERE THE FOOD COMES FROM: McDonald's Supply Chain



# STRATEGY RECOMMENDATIONS



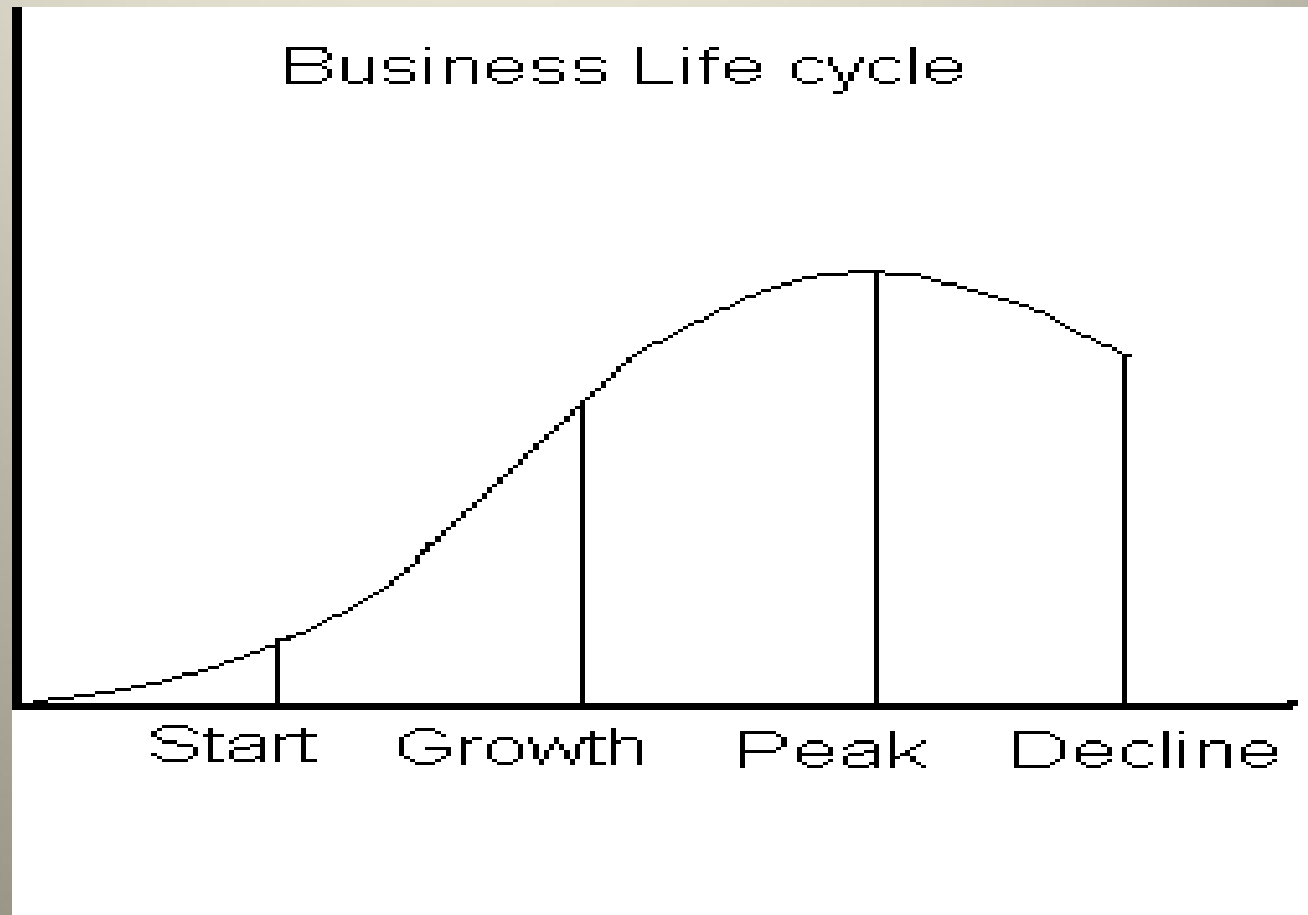
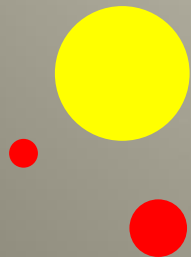
# McDonald's Strategies



- McDonald's real goal as a corporation is to make money for the stockholders. Their stated goal is Long term sustainable growth for all stakeholders.
- McDonalds has realized that they are reaching a big maturation stage in the business cycle, based on its profits slowing down more and more every year. It is going to be time to reinvent or re-image this corporation to try to start the business cycle over again.



# McDonald's Strategies



# Recommendations for McDonald's

- More Healthy Choices

- McDonald's should develop menu choices that are healthy and socially acceptable.
  - It is possible to develop a menu that people will enjoy and that also fits into the original “Speedy Service” model the company introduced in the 1950's.
  - Use local food sources where possible.
    - » Using local sources decreases the time to market, and also decreases the use of fuel to transport goods.



# Recommendations

- Locally focused menu choices
  - McDonald's in India has specific menu items
  - For the vegetarian market;



# Recommendations

- Increase presence in Asian countries

- McDonald's has most certainly had a profound effect on China.
- When the first McDonald's opened in Beijing more than a dozen years ago, 40,000 people lined up to observe a Big Mac and get their picture taken with the infamous Ronald McDonald.
- McDonald's is growing faster in China than in the United States.
- McDonald's owns & operates more than 600 stores across 105 cities in China.
- More than 100 more McDonald's stores will be added annually to Chinese cities within the coming years.



# Recommendations

- While offering the basic burger and fries, McDonald's in China also offers:
  - Szechwan-style spicy chicken wings
  - Seafood Soup
  - Rice
  - Oriental Sauces
  - Taro and Red Bean Dessert



Thank You!

