Overview of mcdonald’s

Overview McDonald’s was founded in 1937, by two brothers, Dick and Maurice McDonald. The first store the brothers owned was built in Pasadena, California and was originally a one window drive-in, serving only hot dogs and milkshakes. The success of this establishment led them to open their second restaurant in San Bernardino, California, where they actually employed twenty or more car hops and other staff with a much broader menu. These restaurants were incredibly successful and by 1948 the brothers had made more money then they had ever dreamed.

With their newly found success, the brothers decided to overhaul their operations. After analyzing their operations they noticed that hamburgers were the majority of their sales so when developing their new strategy they decided to cut their menu items to offer only nine items, set up the kitchen to work as an assembly line and implement a self-service restaurant without car hops. They closed their doors for three months to elaborate on their new strategy of “ Speedy Service System”. Initially the new strategy was not well received, but by 1952 the brothers we successful again and had signed their first franchise.

The brothers were very successful in the fast food industry from its inception, but they lacked many skills in developing franchises. They did however realize their inadequacy in this area and eventually hired Ray Kroc to become their franchise agent, though not without a stringent contract. Eventually, the McDonald brothers were ultimately squeezed out of the business, and were bought out by Kroc for $2. 7 million. In 1961 McDonald’s senior management were able to secure further funding not by just selling the franchises, but also by their real estate operations.

McDonald’s would buy land and lease it to their franchisees thus not only making money on the operations end but also on the real estate end. With the brothers out of the existing company and the increasing assets, Ray Kroc and his management team were able to grow the McDonald Corporation to the market giant that it is today. There were several keys to the success of McDonald’s in the early years. One key element was the inception of the Hamburger University Training Program which was required for all new franchiser owners and store managers to attend. A second key was that Mr.

Kroc insisted on not only making the franchise owners feel like partners but that each restaurant was uniform across the board so that customers got the same great experience no matter which location they ate at. The success factors allowed McDonald’s to hold two main firsts in the industry. Not only were they the first fast food chain to reach the capacity of selling one million burgers a day, but they also they were the first corporation to hold a national meeting with franchisers. Today McDonald’s has one of the most recognizable brands in the world, serving millions of customers a day, and have operations in more than 120 countries.

External Industry Overview As of 2003 the food industry was quickly becoming well established in the United States with an approximate $408 billion market, with the top ten chains in the fast food industry making up 14% of those sales. The food industry is broken up into several segments, with the sandwich segment making up around 16% of it and of that 16% the top ten chains made 88. 88% of the sales. The growth in the sandwich industry has been expected to grow approximately 2% annually. This industry is dependent upon customer loyalty which is derived from maintaining a menu incorporating the society as a whole.

Historically customers have been increasing focused on value, which was met with many chains adding value menus in the early 2000’s. In the recent decade health conscious consumers have increased and the industry has moved to position their offerings to meet those needs. Salads and healthy menu choices have become common place on most fast food chain menus. Another trend in the industry is realizing that customer loyalty does not just effect the current generation but that the hip youth of today will be tomorrow’s parents and introducing a new generation to their chains product.

Innovative products were masterminded by the large competitors to incorporate all of society. The beginning of this is the kids’ menus in order to include those demographics, all the way to the young adult world to capture the people who are constantly on the run. They soon began to include the more “ gourmet” items in order to bring in the more sophisticated demographics. Burgers and fries and salads and kids’ meals seemed to incorporate all the above. The fast food sandwich industry is extremely competitive and demand ever changing therefore it is very important that all chains keep alert and willing to make changes.

Economic Characteristics Most of the economic trends in the sandwich industry have evolved around value, convenience and quality. Although customers are concerned about the trends mentioned, one lawsuit quickly brought about sudden change. Teenagers were suing the fast food industry around the idea that fast food was making them obese. Thus, the industry needed to reposition their focus and offer a healthier menu to meet customer demand. Therefore, the industry focused on salads, turkey burgers and fire-grilled burgers rather than those cooked in their fat.

At the same time, the industry was beginning to focus on kid’s menus. While parents were beginning to branch out into the convenience of eating out versus eating at home, they were still concerned about the health of their children and the value. The industry then turned its focus on replacing milk in lieu of soft drinks and fruit instead of cookies. Customer loyalty is another focus that the industry realized was very important to current sales and future sales. As in any industry they knew that if you make a customer happy they will return and they will bring others with them.

Many campaigns began to focus on particular demographics and establishing loyalties within those groups. Healthy menus appealed to the health conscience, more gourmet offerings appealed to the sophisticated and older crowd, and advertising campaigns aimed at the youth were used to make chains choices seem “ cool”. The number of rivals in 2003 consisted of ten main competitors in the United States, with the top five chains accounting for nearly 72% of the industry. Within the sandwich shops themselves, they account for 40% of the system-wide sales.

Industry profitability has been at the heart of two main competitors in marketing their signature sandwiches. Again, the rivals shifted their focus on value, claiming that they could produce a signature sandwich for the low price of . 99 cents. Although, this value was still at the center of their focus they still needed to concentrate on market share. Another main macro environment was the threat of convenience stores offering prepared foods which could be reheated for a convenient type meal. This remains a strong competitor today.