

Example of case study on mcdonald's

[Business](#), [Company](#)



Why is it that you are probably not eating at McDonald's? How would you define the 'Millennial' Challenge?

People may not be eating as often as before at McDonald's because they may be growing tired of McDonald's menu. Nothing really great has changed through generations. Besides, the quality of food is not really good. The fastfood chain's chief advantage is speed, but even perception of that seems to be deteriorating. People's taste for food may have also changed, especially with so many migrants around and global influence. Image seems to be another problem. The idea of a kiddie place and a clown might not seem cool to teenagers and people in their 20s. McDonald's attempts to be a café does not quite seem cool and contrived. Perhaps, the name itself might have problems to some age group: It may sound old and dated, and therefore not cool.

The challenge for McDonald's—and perhaps many companies developed for the 1950s - 1970s generation—is to meet the demands and needs of the millennial generation. These are young people in their teens up to their 30s, born in the 1980s to early 2000s. This is a generation born into the computer or information age. They were born practically at the same time as the microcomputer was introduced to the market. The availability of computers and later the internet defines many of their knowledge, habits and lifestyles. Certainly, they, far more than generations before them are aware, of global trends as these trends occur. There is no time lag on trends in one country to another, especially in the developed world. The challenge for many companies is to be able to keep up with their developing needs and to be able to reach them through the evolving means of communication.

2. For your generation, what is the main problem with McDonald's? Are you tired of hamburgers generally? Or are you just tired of hamburgers at McDonald's?

The main problem with McDonald's is first its food and second its image. The problem is not the hamburgers per se; the problem is the kind of hamburgers that McDonald's serves. They are just too bland and safe, meant to address the majority of the mass market. There is little you could do to customize it or to improve its taste. The condiments and other add-ons available are very limited. So, one ends up with essentially the same hamburger all the time.

McDonald's has an image that feels too old for today's young generation. The place feels like something that one would go to with his or her parents as a young kid. It feels a bit awkward when one wants to shake off the feeling of eating with one's parents or somebody older to pay for one's meals. The outlets seem to be a bit out of touch with today's trends. It is still the same self-service kind of restaurant that some outlets have veered away from. It is not cool to talk on social media about McDonald's as regular eating place.

Another important reality into today's environment that could be affecting young people's attitudes toward McDonald's is the presence of internet and social media. Unlike for previous generations, the internet and social media is an important source of awareness for young people. Not only are these new media a source of information but they are also a way for young people to gain social acceptance. It is through the internet that many people today find out new trends that they could adapt. Because many new companies

are also small, they do not have as big a budget as big companies like McDonald's. So, they use alternative and cheaper means of communication. Happily for them, new media are cheaper and also reach a younger audience.

3. Beyond just your own impression, what FACTS are cited in the article about the competitive position of McDonald's? Which of these facts does McDonald's most need to focus on?

The 20s to 30s age group—part of the so-called millennials—is an essential part of McDonald's market. Unfortunately, it is this age group that are veering away from McDonald's. Availability of choices that customers find better than McDonald's is another important fact in the shift of patronage. Such brands as Chipotle, Panera Bread Co., Noodles & Co., and Corner Bakery Café are making inroads into this target group. Sit-down format and availability of customizable choices are among the important factors. Labor issues in some franchises are also becoming problems leading to some losses in competitive advantage. Being a brand very strongly associated with the US or as American, it has suffered from some kind of harassment in China and Russia. Some of its outlets have closed as the company has been accused of unsanitary practices and using expired meat. Perhaps, most important of all is changing demographics and lifestyles especially with regard to healthy eating practices. McDonald's products are perceived, rightly or wrongly, as unhealthy compared with those offered by competitors.

4. In terms of the organizational life cycle, is McDonald's now starting to decline? Or is this setback just a dip in a much more open-ended process?

McDonald's product or service concept may be starting to decline. The brand may have a chance to survive in the long term. The problem with McDonald's concept is that this was developed in the 1950s. The concept was greatly needed as there were no low-cost restaurants with standard and consistent products and service available around. Every restaurant was a stand-alone unit. No one knows the quality of products and service that these restaurants have. Quality varies from one restaurant to another, and from place to place. One would know what to expect and feel safe eating at McDonald's anywhere in the world. Besides, it was difficult to find out what alternative restaurants are available. Print and broadcast advertising were mainly the available source of information.

McDonald's needs to adjust itself to changing trends. Today, information about restaurants abound, and customer reviews—numerous of them—are available on the internet. If a new restaurant opens, people who try the place out would write reviews about them and any one could check out these reviews. Restaurants can also be compared easily. So, they try to always improve their products. Restaurants would outstanding recipes stand by and stick with these recipes; those with bad ones improve them. McDonald's should do something about their food given the bad and consistently bad reviews. It should keep in touch with the evolving tastes of customers.

McDonald's definite decline—that could lead to its demise—could still be arrested. It should break away from its old concept and study the customers closely.

Soda

Why are soda companies suddenly cooperating? Why is an agreement like this being made at an industry level, rather than separately and competitively by individual firms offering rival products with fewer calories? Coca-Cola Co. , PepsiCo Inc. and Dr Pepper Snapple Group Inc are working together through the American Beverage Association to lower the added sugar content of their products to help keep Americans healthy. The move seems to be more as a way to avert possible tax and other legislation that would lead to the control of sales of their products. It would take the companies until 2025 to fully implement the acceptable sugar content in their products. At the same time, the companies are undertaking this effort because they are truly concerned with the health of the people. If this is truly the case, they would not need to be working together. They will only have to reduce the sugar content of their products without having to work together or announce it as such. However, to prevent the legislation of any adverse laws, the companies need to work together. They are more powerful as a group—as a lobby group—rather than individually. As a group, they could consolidate the support of the individual company customers.

2. The story mentions a couple of NGOs. What kind of organizations are these? What role do they play in mediating an industry agreement?

The two NGOs mentioned in the article are the Alliance for a Healthier Generation (founded by the American Heart Association) and the Clinton Foundation. These are foundations concerned with health. They obtain funding to do research on various health issues including diabetes and obesity and find possible solutions to the problems. They are also lobby

groups that work with lawmakers so they can develop laws to prevent companies from doing any further harm. At the same time, they work with companies to force them to follow their recommended actions. Since they do many researchers, they are helpful to both government and companies in setting benchmarks and standards and in identifying problems. They will be particularly useful for the companies as they could provide credibility to the actions of the companies if their recommendations are followed.

3. To what extent are these propositions serious and to what extent are they simply PR and marketing? In other words, is this latest announcement a substantive or merely symbolic event?

Working with the NGOs provide the action with a more serious dimension. In making such a move, the companies cannot be accused of setting their own—possibly incorrect—standards. So, they need the help of independent bodies to set quality and performance standards. Since some sugar substitutes—like aspartame—are now being questioned, the companies need time to develop acceptable and healthier alternatives.

At the same time, the latest move seems to be more of a PR move rather than a truly sincere effort to help improve the health of the people. First, the companies could have done all of these without publicity much earlier.

However, only with the threat of higher taxes and legislation did they make the move. Second, changing lifestyles and availability of healthier competitors drinks are eating up these companies' sales. Such announcement could help in preventing further migration of customers to competitors. Third, it would be taking too long a time. The companies could quickly take action; unfortunately, this could affect the sales of existing

brands negatively.

If the companies lives up and fulfills it commitments, then the move would truly be a win-win situation: customers benefit with lower sugar content in their drink and the companies would not have to suffer from additional taxes which they would pass on to customers anyway.

German Auto Parts

1. Normally companies worry about losing bargaining power when their suppliers merge. What do auto makers like VW have to say in this case? Do they really mean it?

Suppliers have an economic purpose for merging. This is usually to gain economies of scale as the company admitted. The combined resources of the merged organization would greatly increase their capacities and capabilities. The combined strengths ZF Friedrichshafen AG of Germany and TRW Automotive Holdings Corp. of the US would make it the second biggest auto parts supplier in the world. It would also make increase its bargaining power against the auto makers. This could make the new company in position to control and dictate on the auto makers.

The auto makers have not aggressively blocked or objected to the merger. Interestingly, only a major competitor, Bosch, has complained. VW has even supporter the mover. The position taken by VW seems to be equally valid. Since the automakers are rushing to develop an working electric car, suppliers need to be big enough and capable enough could support the development requirements. A merger of two companies from different companies could be a solution to provide whatever requirements that the auto makers have.

2. In fact, what kind of scale is involved here? Is the merger objective of these auto suppliers to increase their bargaining power? What is the objective? What kind of scale is involved here, if not oligopolistic economies of scale?

The merger would result in bigger economies of scale and scope. The company would have manufacturing and distribution capabilities in two continents. This would also result an increase in their research capabilities much needed in the development of electric cars.

The merger seems to be more to increase the support capabilities of the suppliers. They should be able to respond to the fast changing needs of both the automakers and the market as electric motor vehicles develop and roll out into the market. The merger would theoretically increase their bargaining power. However, this would seem to have more impact on its major competitors rather than the clients. Historically, auto suppliers did not seem to have been in the position to controlling the auto makers. Auto makers are also very large companies capable of developing their own capabilities. They develop their own designs and suppliers mainly manufacture these designs. The merger is indeed oligopolistic but not in the negative sense in the context of the overall world economic environment. The merger would help hasten the development of electric motor vehicles as the suppliers themselves could develop capabilities to make their own designs. Should an oligopoly emerge and the suppliers attempt to control the auto makers and the market, the auto makers could easily retaliate. Governments could also take the necessary steps to control the occurrence. Besides, there is

competition coming from Asia, the European and American companies are trying to protect themselves from.