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McDonald’s is the largest food service retailer of the fast food industry. Ray Kroc started the group of McDonald’s in the year 1955 in Illinois, United States. The company employs 444000 employees in 35429 restaurants located across 119 countries . A majority of the restaurants operated by McDonald’s belong to individual franchisees. The key factors that contributed to the success of McDonald’s are its suppliers and franchisees. Over 80 percent of the restaurants run by McDonald’s belong to the franchisees. McDonald’s has a market share of 57 percent . The company enforces the “ Plan to Win” strategy to increase the market share and improve the economy. McDonald’s offers free Wi-Fi access in a majority of its restaurants. The major competitors of McDonald’s are Wendy’s, Popeye’s and Burger King . McDonald’s efficiently implements and meets the changing needs and preferences of its customers.
In order to serve the various communities across the world, the company provides locally-pertinent food experience to its customers. McDonald’s focuses on three growth priorities, such as optimization of the menu, broad accessibility to the brand and modernization of customer experience . The company executes its business strategy based on five market pillars, namely, place, price, promotion, people and products. McDonald’s manages its business in different geographic segments, which include the United States, Europe, Asia Pacific, Africa, Middle East, Canada, Latin America and many others . McDonald’s offers take away and home delivery services for its customers. The company also has several outlets in airports and high-traffic locations to attract a larger customer base.
McDonald’s offers a wide variety of menu to its customers worldwide based on the taste and preference of the local customers. The food products available in McDonald’s menu are cheeseburgers and hamburgers, vegetarian and chicken sandwiches, snack wraps, chicken McNuggets, Filet-O-Fish, Quarter Pounder with Cheese, salads, French fries, sundaes, soft-serve cones, coffee, soft drinks, McCafe beverages and other beverages, shakes, oatmeal, Big Mac, Snack Wraps, pies and many others . McDonald’s also introduces various products on a seasonal basis. The breakfast offerings of McDonald’s are one of the appealing products in the menu. Sausage McMuffin, Egg McMuffin, hotcakes, sandwiches, McGriddles, sandwiches and biscuits are a few examples of the breakfast offerings. McDonald’s also offers McFlurry, which is a variety of dessert. The “ Light and Healthy Menu” offers low-calorie products for health conscious customers. McDonald’s introduced the “ Dollar Value Menu” for the budget customers and the “ Happy Meals Menu” for children .
The international menu items differ from country to country. In Asian countries, McDonald’s offers soups to its customers. In India, due to religious prohibition, McDonald’s replaces lamb in the hamburgers. In countries like Germany and Western Europe, McDonald’s also offers beer. The menu items in Indonesia and Singapore include prawn and rice called Ebi and McRice. In the Middle East, McDonald’s offers McArabia, which contains pita bread stuffed with grilled kofta or grilled chicken . Due to the chances of increase in obesity, McDonald’s recently introduced low-calorie products, such as wraps and salads. McDonald’s has over 1500 McCafe locations in the European continent to serve the coffee lovers. In Europe, McDonald’s introduced the “ Little Tasters”, which is smaller in size when compared to the regular McDonald’s meal .
McDonald’s uses a standard investment policy to safeguard its brand name in the market. McDonald’s maintains an effective financial discipline by making investments that elevate the company’s sales and market share. McDonald’s possesses an equity investment in various foreign affiliated markets, called affiliates . The company has the maximum number of affiliates in Japan, which has over 3300 McDonald’s restaurants. On the basis of the percentage of sales in the market, McDonald’s receives certain amount of royalty. The company records the share of net results in equity earned by unconsolidated affiliates. In the recent years, the growth of net earnings, franchise revenue and operating revenue declined to some extent . It is important that the company becomes aggressive at the operational level to improve its return on invested capital. The capital expenditure of the company saw a steep growth due to the investments in new markets and reinvestments in existing markets. Higher investments in existing markets also increased the sales of McDonald’s.
New restaurant investments of McDonald’s incur acceptable returns for the long-term growth of the company. McDonald’s investment in restaurants depends on various factors, such as types of restaurants, cost of land, building and equipment, and construction costs . McDonald’s reviews its overall profitability based on the measure of return on incremental invested capital. The management of McDonald’s implements weighted cash in its investing activities to get an accurate picture of the investments and returns. The recent update of McDonald’s share is $92. 73 with a dividend of $3. 40 and dividend yield of 3. 49 percent . The lean cost structure of McDonald’s made it possible for the company to earn highest margins. The Student Investment Fund has a large amount of shareholders due to the strong dividends and consistent performance of the company. The new revitalization plan of McDonald’s helped the company to sustain its fiscal discipline.
The capital structure of McDonald’s explains how well the company manages its equity and debt. The company employs Type I structure, which includes 50 percent equity and 50 percent debt . McDonald’s was able to maintain a stable capital structure since 2000. The major factors that affect the capital structure of McDonald’s are foreign currency exchange rates and changes in the rates of interest. The debt to equity ratio of the company increased in the past years; however, the decline in the recent times indicates the growth of equity funds of the company . Though the times interest earned decreased, the income earned by McDonald’s is more than sufficient to meet the interest expenses. Due to larger capital investments, McDonald’s achieves higher return on investment capital and economic profits. The company plans to increase the capital expenditures in new restaurants in order to increase the revenue. The capital structure of the company directs towards new markets and the renovation of the existing markets . Large amount of remodeling in the conventional stores led to an increase in the capital expenditure.

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