

McDonalds analysing according to porter's five market forces

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McDonald's Introduction McDonald's is the runaway market leader in quick service restaurants. McDonald's is operating in the UK since 1974, and now it has 1, 200 restaurants nationwide in the UK, including 700 drive-thru outlets. Around 60% of these restaurants are running by franchises. Restaurants are located where they are most convenient to its customers including on the high street, drive-thrus and a range of sites at shopping centres, airports and leisure parks. McDonald's UK employ over 75, 000 staff, the majority them paid hourly or work part-time.

They serve more than two million customers each day. The UK Company owned subsidiary of the McDonald's corporation, with 3100 restaurants worldwide. Based on independent research CRF instate, McDonald's has been certified as one of the Britain's Top Employer 2010. The research shows that they offer you excellent working condition. McDonald's has a perfect vision and working accordingly. On 14 October, McDonald's UK held its 2009 Annual General Meeting, where the Executive Team presented the strategy for the year ahead to department heads, franchisees and suppliers.

Many of you will have already heard the highlights of this event from your franchisees, operations hierarchy or at your regional cascade meetings. I thought it would be helpful to summarise these highlights in one place and recap on what the drivers of success will be, for our business and brand, in 2010. I hope you find it easy and useful read and that you share it with your management teams. According to him they are in the final stages of completing an outstanding year for McDonald's in 2009.

Their operations improvements marketing plan and plan enablers are delivering record sales, changing perceptions and meeting the increasing demands of customers. If he could sum up how he feels about their business in one word, it would be confidence-in their brand, in their momentum, in our people and in our future. And their Business Managers have never been better placed to take advantage of what their investor has in their restaurants. So what are their plans for 2009? They are currently operating in an economic downturn-a time when people become more discerning, not less.

Their customers look more carefully at value and quality and are less willing to overpay. This is when they can at their best, offering a great value, quality service in a simple and engaging way. To support this, we will continue to focus on QAC, invest in re-imagining our restaurants, in developing leadership marketing campaigns, in food innovation and in creating opportunities for our people. They have proven themselves to be one of the best businesses on the high street. But they are also operating in a time of uncertainty, so they need to act nimbly if they are to continue to press home our advantage.

I am looking for you and your teams to address 2009 with the flexibility, enthusiasm and resolve that has transformed their performance over the last three years. McDonald's Strategy for 2010 Lauran Cody (Vice president for BS&I) " The McDonald's experience has got even better, through improved restaurants operations, a great marketing plan and strong food stories, focused Plan Enablers and continued investment in our people" The key

messages for 2010 were communicated under three main strategies- Upgrading the Employee, Brand Transparency and Local Relevance, Customer Experience.

The economic slowdown has seen a 'flight to value' across the UK, explained Chief Financial Officer Brian Mullens, and although general retail footfall has gone down, the number of people going to McDonalds has gone up. This is because the whole McDonald's experience has got even better, through improved restaurants operations, a great marketing plan, strong food stories, new premium food, focused plan enablers and continued investment in their people. Lauren Cody, Vice President for Business strategy and insights, said there is a 'silver lining of opportunity' for them to gain market share during economic uncertainty.

Customers want the same experience for less, so if they are fast on their feet, offer great value and play to their strengths and their value heritage- without comparing their brand- they can emerge from the downturn stronger than ever before. Nevertheless, they are currently experiencing high cost inflation too, so there is a further need to protect their margins without devaluing their brands. This will achieve by: __Driving more customers into restaurants through Plan Enable like extended __Capitalising on brand equity by continue to tell our story to customers _a marketing calendar focused on providing simple, easy enjoyment __menu pricing __reducing energy usage and cost through smarter use of technology. Objectives of McDonald's Upgrading the Employee Experience How an organisation treats its staff can make a real difference to the business, the brand and its people. In 2009

they developed new and exciting people initiatives to help attract great quality people to deliver for their customer, which contributes to changing perceptions and drives sales. They and their teams have played a key part in this success.

Chief People Officer David Fairhurst explained how 2010 is about keeping up the momentum they have all worked so hard to achieve – and continuing to surprise and impress their critics by building on our reputation as a progressive employer. Their biggest people strategy for 2010 is the city and guilds backed McDonald's Apprenticeship programme. It will include learning Maths and English online, completing the crew development programme and demonstrating key skills in the work place, such as numeracy and communication.

By the end of their training, an apprentice will achieve a qualification equivalent to five GCSEs grade A* to C. Elsewhere, their new nationwide work experience programme will help restaurants deliver high quality placements, while minimising disruption to day- to-day operations. At the same time, McDonald's will enter a Local Employment Partnership with jobcentre plus, which matches long term jobseekers to a vacancy in one of our restaurants. They will also be training a new McDonald's retail degree for business managers in conjunction with Manchester Metropolitan University.

Furthermore, the shift into Service programme will provide a new restaurants-based workshop that will set out to create service improvements through the actions of shift managers. Upgrading the Customer Experience

They are breaking sales and guest count records, explained Chief Operations Officer Richard Forte, but CSO results tell them that while their customer's satisfaction is improving, a third of visits are still not satisfactory. They need to impress their record number of customers with outstanding QSC, so they will repay them with loyalty and increase their visits. Supported by ROIP and NABIT, the Plan Enablers have been a major breakthrough for us" In reviewing the top 50 sales performing restaurants during 2008, one in three can attribute over 50% of their growth to one or more of the Plan Enablers. In the year head, they will draw on these and their operations heritage to deliver operations excellence to every customer, on every shift, on every day. Three enables in particular will help them achieve this: __Re-imaging by the end of 2008 we will have re-imaged 300 restaurants over a two-year period.

Research undertaken in areas where a large number of restaurants have been re-imaged shows customers are feeling more valued and have more affection for and trust in the brand. To capitalise on this, re-imaging will continue during 2010 and by 2011 they will have re-imaged the entire estate. __Extended Hours in 2009 they doubled the sales generated through extended hours compared to 2007, and opened their restaurants to three million more customers. What's particular pleasing is that our viewpoint results show their crew find extended hours fits into their life style too. _Drive-thru they have enabled their operations to capture on average an extra 11, 200 cars per drive-thru so far this year. But while overall drive-thru CSO has fallen 1% and total experience times have fallen by 10 seconds,

friendliness, accuracy and communication scores have weakened. They need to step up their performance and refocus efforts around the basics of people, product and equipment. Next year, they are developing higher capacity ordering systems to continue growth, such as customer order displays.

It is about offering modern, flexible, and effortless order-and-pay options that will help make the customer's experience more convenient and enjoyable.

Brand Transparency and Local Relevance Their marketing proposition for 2009 is 'simple, easy enjoyment'-giving their customers affordable treats in an entertaining and convenient way. With tough economic time ahead, offering good value for money to customers is crucial, so delivering a great value will also be a key of theme. In response to customer feedback, the Pound saver Menu will be renamed the saver Menu in January, so as not to suggest a specific price. Little Tasters' will be launched too, offering new flavours in a small size as a tempting snack or tasty treat. They tend to get bored of their promotions quicker than their customers, argued marketing director Alistair Macrow, so returning to calendar will be coffee mugs in January and, in the spring, monopoly which will guarantee a winner in every restaurant. Making our restaurants 'kid loved, mum approved' will be a central part of strategy, revealed senior Vice President for marketing Jill McDonald.

To achieve this, they will review and re-energise birthday parties, continue to develop Happy Meal activation kits, keep using licensed characters to promote fruit bags, carrot sticks, milk, water and orange juice and carry on their successful 'Did You Know?' advertising for children. ACHIVING

INFLUENCE 2009 saw McDonald's receive more positive press coverage than ever before, with food sourcing, A-level equivalent qualification, new uniforms, football and re-imaging all helping to change customers' perception of the brand.

Nick Hindle, Vice President for communication said: " in 2010 they will campaign to drive sales and become even more influential. They will focus on leading the eating out market and campaigning on food, crusading in communities to connect with families and young adults and investing in the skills of franchisees in their work as Brand Ambassador. " THEY WILL BUILD ON OUR SUCCESS BY: __generating coverage on the economics of eating out, retail coverage of the key trends, healthcoverage around food's nutritional content and social affairs coverage on how families are changing their eating out habits. _launching a report on eating out, something the media, politicians and stakeholders can turn to for an understanding of the sector, its size, its diversity, the choice and trends. __building on their footfall in the community programme by providing coaching places to the disaffected young people __piloting a litter programme in Birmingham and Manchester that should help us win the litter battle, without putting any extra strain on restaurant operations. PESTLE Analysis POLITICAL The operations of McDonalds are affected by the government policies on the regulations offast foodoperation.

Currently government are controlling the marketing of fast food restaurants because of health concern such as cardiovascular and cholesterol issue andobesityamong the young and children in the country. Governments also

control the license given for open the fast food restaurant and other business regulation need to follow such as for a franchise business. Good relationship with government in giving mutual benefits such as employment and tax is a must for the company to succeed in any foreign market.

McDonalds should also protect its workers by ensuring all the hiring, compensation, training or repatriation is according to Malaysian labour law as stipulated. ECONOMICS As a business entity, McDonalds need to face a lot of economic variables outside its company or its macroenvironment. Dealing with international sourcing for its material McDonalds should be aware on the global supply and currencies exchange. Remember, McDonalds import most of its raw material such as beef and potatoes due to local market cannot supply in abundant to meet the demand of its product.

Any upside of currencies especially dollar will be impacting its cost of purchase. Working on the local country, McDonalds must face government regulations on tax of profit where it gains from the operation and other tax such as entertainment and restaurant service tax. Each country may have different scale or types of tax available and McDonalds should follow the regulation if it wants to continue the operation. As a franchise, McDonalds should also pay certain percentage of the revenue to the parent company in United States.

The economic condition and growth of the country also is an important indicator to the demand of products that McDonalds offered. As the food priced slightly above normal foods, not many people will have the income

range to consume the products. Moreover if the economy is bad and income percapita is affected, the demand of McDonalds product will certainly going down. On the other hand the good economy also means disposable income is more and people can spend more on more expensive food at fast food restaurant. SOCIAL / CULTURAL

The changing lifestyles of Malaysia due to development of Malaysian economy should be also taking into consideration. While more people are able financially to eat at more expensive outlet such as fast food restaurant, they have higher expectation. They want to have quality in services and more conveniences that can differentiate one restaurant from another. Young urban consumers want technology in their life and facilities such as credit card payment, wireless internet, cozy and relaxing ambient place, and other attraction for their hangout and eating. All these needs should also be taken into consideration.

There is not much difference between cultural and the purchase of products in a single country but for different countries cultural sensitivity should be upheld. For example in India people (Hindu) do not take beef, Muslim countries do not take pork, German like beers, Finnish like fish type of food menu, Chinese like to associate food with something good (for example prosperity), Asian like rice and Americans eat in big-sized menu. So far McDonalds has shown good efforts in localization of its menu to suit local taste but it should constantly survey and learn about local culture to better understand and design the best product for them.

TECHNOLOGY For a fast food restaurant, technology does not give a very high impact on the company and it is not a significant macro environment variables. However McDonalds should be looking to competitors innovation and improve itself in term of integrating technology in managing its operation. For example in inventory system, supply chain management system to manage its supply, easy payment and ordering systems for its customers and wireless internet technology. Implementation of technology can make the management more effective and cost saving in the long term.

This will also make customer happy if cost savings results in price reduction or promotional campaign discount which will benefits them from time to time. **LEGAL** As a certified fast food operator, there are many regulations and procedures that McDonalds should follow. For example is the Halal certification that becomes a concern to Muslim consumers. McDonalds should protect its integrity and consumer confidence by ensuring all materials and process are as claimed or must followed.

Other legal requirement that the business owner should follow as stipulated in laws are such as operating hours, business registration, tax requirement, labor and employment laws and quality & environment certification (such as ISO) in which the outlet has been certified. The legal requirement is important because the offenders will be fined or have their business prohibited from operating which can be disastrous. **ENVIRONMENT** As one of world largest consumer of beef, potatoes and chicken, McDonalds always had been critics for world environmentalist. This is because high onsumption of beef causing the green house effect by methane gasses coming from the

cow's ranch. Large scale plantation has effect the environment and lost of green forest opening for plantation activities. Vegetarian environmentalist criticizes the fast-food giant for cruelty to animals and slaughtering. In Japan, once McDonalds want to introduce whale burger causing uproar because whales are endangered species. Before using paper packaging, once McDonalds also had been criticized for being insensitive to pollution because using polystyrene based packaging for its foods.

Imagine millions of people purchase from fast food operator and how is the impact to world environment by throwing away those hard to recycle packaging. Our world is getting concern on environment issue and business operating here should not just care for profit, but careful usage of world resources for sustainable development and care for environment safety and health for our future generation. Critics and concern from all public or activist should be review and support if necessary to ensure we play our social responsibility better. SWOT Analysis Strengths

McDonald's business is running since 1955 and 20 of the top 50 corporate staff employees had started as a restaurant level employee time of the beginning. In addition, 67, 000 McDonald's restaurants managers and assistant managers were promoted from restaurant staff. There was a one popular magazine in 2005 listed McDonald's as the " Best place to work for minorities. " In order to new strategy of McDonald's, it spending more than \$1 billion annually in training its staff, and every year more than 250, 000 employees completing their graduation from McDonald's training facilities named Hamburger University.

The business is ranked number one in Fortune Magazine's 2008 list of most admired food service companies. One of the world's most recognizable logos (the Golden Arches) and spokes character (Ronald McDonald the clown). According to the Packard Children's Hospital's Center for Healthy Weight children age 3 to 5 were given food in the McDonalds packaging and then given the same food without the packaging, and they preferred the food in the McDonald's packaging every single time. McDonalds is a community oriented, socially responsible company.

They run Ronald McDonald House facilities, which provide room and board, food and sibling support at a cost of only \$10 a day for families with children needing extensive hospital care. Ronald McDonald Houses are located in more than 259 local communities worldwide, and Ronald McDonald Care Mobile programs offers cost effective medical, dental and education services to children. They also sponsor Olympic athletes. They are a global company operating more than 23, 500 restaurants in 109 countries. By being spread out in different regions, this gives them the ability to weather economic fluctuations which are localized by country.

They can also operate effectively in an economic downturn due to the social need to seek out comfort foods. They successfully and easily adapt their global restaurants to appeal to the cultural differences. For example, they serve lamb burgers in India and in the Middle East, they provide separate entrances for families and single women. Approximately 85% of McDonald's restaurant businesses world-wide are owned and operated by franchisees. All

franchisees are independent, full-time operators and McDonald's was named Entrepreneur's number-one franchise in 1997.

They have global locations in all major airports, and cities, along the highways, tourist locations, theme parks and inside Wal-Mart. They have an efficient, assembly line style of food preparation. In addition they have a systemization and duplication of all their food prep processes in every restaurant. McDonald's uses only 100% pure USDA inspected beef, no fillers or additives. Additionally the produce is farm fresh. McDonald's serves 100% farm raised chicken no fillers or additives and only grade-A eggs. McDonald's foods are purchased from only certified and inspected suppliers.

McDonalds works closely with ranchers, growers and suppliers to ensure food quality and freshness. McDonalds only serves name brand processed items such as Dannon Yogurt, Kraft Cheese, Nestle Chocolate, Dasani Water, Newman's Own Salad Dressings, Heinz Ketchup, Minute Maid Juice.

McDonald's takes food safety very seriously. More than 2000 inspections checks are performed at every stage of the food process. McDonalds are required to run through 72 safety protocols every day to ensure the food is maintained in a clean contaminate free environment. McDonald's was the first restaurant of its type to provide consumers with nutrition information.

Nutrition information is printed on all packaging and more recently added to the McDonald's Internet site. McDonalds offers salads, fruit, roasted chicken, bottled water and other low fat and calorie conscious alternatives.

WEAKNESSES Their test marketing for pizza failed to yield a substantial

product. Leaving them much less able to compete with fast food pizza chains. High employee turnover in their restaurants leads to more money being spent on training. They have yet to capitalize on the trend towards organic foods. McDonald's have problems with fluctuations in operating and net profits which ultimately impact investor relations.

Operating profit was \$3, 984 million (2005) \$4, 433 million (2006) and \$3, 879 million (2007). Net profits were \$2, 602 million (2005), \$3, 544 million (2006) and \$2, 395 million (2007). Opportunities In today's health conscious societies the introduction of a healthy hamburger is a great opportunity. They would be the first QSR (Quick Service Restaurant) to have FDA approval on marketing a low fat low calorie hamburger with low calorie combo alternatives. Currently McDonald's and its competition health choice items do not include hamburgers.

They have industrial, Formica restaurant settings; they could provide more upscale restaurant settings, like the one they have in New York City on Broadway, to appeal to a more upscale target market. Provide optional allergen free food items, such as gluten free and peanut free. In 2008 the business directed efforts at the breakfast, chicken, beverage and convenience categories. For example, hot specialist coffees not only secure sales, but also mean that restaurants get increasing numbers of customer visits. In 2009 McDonald's saw the full benefits of a venture into beverages.

Threats They are a benchmark for creating " cradle to grave" marketing. They entice children as young as one year old into their restaurants with

special meals, toys, playgrounds and popular movie character tie-ins.

Children grow up eating and enjoying McDonalds and then continue into adulthood. They have been criticized by many parent advocate groups for their marketing practices towards children which are seen as marginally ethical. They have been sued multiple times for having "unhealthy" food, allegedly with addictive additives, contributing to the obesity epidemic in America.

In 2004, Michael Spulock filmed the documentary Super Size Me, where he went on an all McDonalds diet for 30 days and wound up getting cirrhosis of the liver. This documentary was a direct attack on the QSR industry as a whole and blamed them for America's obesity epidemic. Due in part to the documentary, McDonalds no longer pushes the super size option at the drive thru window. Any contamination of the food supply, especially e-coli. Major competitors, like Burger King, Starbucks, Taco Bell, Wendy's, KFC and any mid-range sit-down restaurants. Dr. Jill Novak, University of Phoenix, Texas A University.