

# Sample research paper on mcdonalds corporation challenges 2014

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



## **Introduction**

McDonald's is the leading chain of restaurants that was established in year 1967 by opening a very first fast food restaurant in Canada. Since then, McDonald's showed a crucial growth in restaurant chains, spreading them in Germany, Japan, Australia, and UK. In these 40 years, McDonald's has emerged as a leading fast food restaurant chain throughout the world. But from the last five quarters, this company is not gaining profit, which is questionable for its shareholders and managers. McDonald's share is becoming sluggish since last 4 quarters and has a growth of only 7 percent ( Peterson, 2014). This wasn't expected from the shares of one of the leading restaurant chains since its investors have been profiting since last 4 decades with good returns. Another reason that is affecting its market presence is dissolution of the demand of its products. US economy is bouncing back with a major loss in 2010, due to this, people are cutting the cost of living in every field, and food is also affected from it. US citizens are now considering homemade food instead of fast food for decreasing their expenses in food (2013 Annual Report of McDonald's , 2013). Lastly, some new food chains like McRib is providing people same quality food in cheaper costs. McRib's barbecue rib sandwich is available for \$1, but McDonald's is losing their market because they don't have any replacement for McRib's \$1 sandwich. So to improve the financial and management conditions of McDonald, some drastic measures must be taken.

## **Analysis of McDonald's using Porter's 5 Forces model for competition**

The analysis of McDonald's using Porter's model is as follows: --

Competition in the Industry: -- The first force which is crucial in the analysis of the industry is competition. Today competition has become a major perspective to analyze and respond to the current market competition by any industry. McDonald's is not untouched by this force. A high rate of competition by other famous restaurant chains like McRib, Pizza Hut, and Dominos has crushed the market of McDonald's and its products. Recently McRib has launched a new barbecue sandwich that costs only \$1.

McDonald's has not any replacements for this \$1 sandwich and because of this they are losing their market and customer as well.

Potential of new entrants into industry: -- The second force in Porter's 5 force model is potential of new entrants into an industry. Whenever a new industry enters into the market, it encourages new industry to enter and old industry to increase their size. After a few time, a point is reached where the supply exceeds the demand. In this case demand cannot support the new entrants and the excess in supply results in too many goods with too few buyers. The market of fast food chains is also going through the same phase. Many new competitors of McDonald's have entered into the market who are providing same fast food in pennies due to which McDonald's is losing the proper flow of supply and demand.

Power of suppliers: -- Porter's third force i. e. the power of suppliers also plays a major role for the growth of an organization or company. McDonald's is a global restaurant chain, and its supply and demand ratio depends on the

power of its raw material suppliers. Due to the climatic changes in many parts of the world, the amount of production of raw materials for McDonald's has declined and so the potential of its suppliers has also declined. This fall in the supply of raw materials affected the market condition of McDonald's to a great extent.

Power of Customers: -- Porter's fourth force is the power of customers. It is a known fact that the power of customers is mandatory to support the growth of a particular organization, especially when the organization is related to fast food. McDonald's is also facing some drop in the power of its customers. After the major fall of the American economy in 2010, it's been gaining at a reasonable rate. But still the citizens haven't come out of this situation and they are doing cost cutting in their expenses. The fast food chain is affected at a great extent due to this change in the mindset of customers and so the food chain market has seen a decline in their fast food consumption by its customers.

Threat of substitute products: -- Finally Porter's fifth force is the threat of substitute products that implies that the elasticity of demand could be affected by price, quality, or availability. Consumers can change their decision of buying a famous product if that product is available at lower price, with ease, or with a better quality. Due to the increase in rivalry in food chain market, many new restaurants have introduced some very cheap substitutes of McDonald's fast food recipes. This has a major drastic fall in the demand and supply elasticity of McDonald's and they have faced a rapid fall in their earnings (McDonalds and the fast food industry in Egypt, 2012).

## **SWOT Analysis of McDonald's**

The SWOT analysis done of the various aspects of McDonald's company is as follows: --

**Strengths:** -- McDonald's has much strength that makes it the largest fast food chain restaurants throughout the world. It has a major share of 8% over the fast food chain market. It has about 34, 000 outlets serving around 69 million customers in 120 countries. McDonald's have the largest advertising budget of over \$2 billion USD as compared to any other fast food restaurant chain companies. The menus of McDonald's are used by analysing the eating habits of local people of a provided locality. This ensures the maximum demand for their fast foods. McDonald's is the most recognized brand in the international market having a market value of \$40 billion USD.

**Weaknesses:** -- Recently McDonald's has been criticized due to the low quality of their food and raw materials used for the food. This pushed them back in the fast food chain market. Many people also criticize that the fast food of McDonald's is also making them fat. The menu of some restaurants doesn't pass the quality test, and they have many unhealthy drinks and meals in their menu. McDonald's is also not differentiated much after many new food chains have launched in the market. Now people don't prefer McDonald's over other restaurants just because of its name, and they prefer any food chain restaurants available in their locality for their need.

**Opportunities:** -- There are many new opportunities emerging from the different kind of demands from the consumers of fast food. McDonald's can improve their quality by introducing some new healthy food in their menu.

The first step has already been taken by planning to open a chain of

vegetarian restaurants in India. McDonald's can also offer a home delivery service to its consumers as many of its rivals are already doing. Nowadays, the company that follows the steps of customers is successful. Many customers are changing their eating habits because of the need for good health and pollution related concerns. So McDonald's should also understand what its customers' need.

Threat: -- The main threat for the company is that the market for a fast food is getting saturated really fast in the developed countries. Other than that, people are now shifting their preferences towards a healthier diet. Everybody is becoming more and more aware of the benefits of quitting the junk diet. Another main threat is that many fast food chains are coming up locally which are giving a very tough competition to the company.

### **Specific ideas of improvement for McDonald's**

McDonald's is a giant in fast food restaurant chains business, yet due to some major fall in the market; McDonald's is losing their presence in the market. One of the causes of this fall in their share in fast food restaurant chains is the changing food habits of its customers in some of the main parts of the world. Many people now prefer healthy low diet foods over the traditional fast food, which was earlier easily available to them. Now due to a change in climatic conditions, threat to diseases, and gaining of excess fat, people prefer low calorie and healthy foods. McDonald's has already taken the initiative by announcing the introduction of vegetarian fast food chains in India.

Another major cause of a fall in the market presence of McDonald's is loss in

supplies. Due to draughts, landslides, earthquake, and other climate disasters, our world has lost a big amount of farming lands, and this affected the production of raw materials to some big restaurant chains like McDonald's. They can improvise the poultry farmers and land farmers to use latest technologies to grow a lot of raw materials for their market. If McDonald's want to make their food healthier they can also promote organic farming, which can increase the quality of raw materials they get to a large extent.

McDonald follows a business model of a three-legged stool, which includes owners, suppliers and the employees of the company. A company can only be successful if it balances all these three stools (Nair, 2013). The company is famous for its value proposition; they have franchise holders as their strategic partners. The main activities involved in the process is selling and marketing of fast food items and beverages. Customer relationships are important for the company. So the company can execute the above-mentioned process on its business model. They can provide low diet foods at various stores and help the customers in meeting their requirements. The three legs of the company should come together to use the latest technologies so that they do not fall short of raw materials. As Indians prefer vegetarian food, the decision take by the owners and suppliers should be acted upon as soon as possible. All this steps will help the company to help the customers to regain trust in the company thus increasing its market share.

## Conclusion

The recent market conditions may not support the McDonald's, but they can get back their image as a largest fast food restaurant chains if they initiate the various strategies explained above in the analysis. The appetite for a good and tasty food will always attract the customers to this restaurant chain, and they should gain their market value soon.

## References

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