

Pestle and swot analysis of mcdonalds



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Executive Summary

In this report entitles about the external analysis of fast food restaurant and internal analysis of McDonalds cooperation by SWOT analysis and constructing of TWOS matrix that give us the future strategies of MC Donald's. The vital results of external analysis are the there is wide competition with the competitors because it is perfect competition between the firms. The customers are more oriented about the organic food, and also about health issues such as obesity. Such as increasing the organic food is also opportunity and at the same time it will increase the cost, so they should more concentrate pricing of the product. From the internal analysis the firm is stronger in financial position and supply chain and also strong brand image. By combining these elements the firm should go for the research in terms of the health issues and also they can extend the new stores to attract the customers. They should also increase the benefits to the employees that should decrease the turnover ratio. This report is prepared for the CEO of McDonalds cooperation for taking decision on future strategy

Terms of Reference

This report is prepared for the internal use only and prepared as the assignment for the strategic management in the course of MBA. The use of this is primarily for accessing the understanding and awarding grades

Introduction

McDonalds is the one of the biggest fast food chain restaurant having more than 32000 restaurants in 199 countries whole over the world. McDonalds is selling majorly soft drinks and fast food items like fries, chicken, burgers, salads and ice creams. The restraints of mc Donald's are operated such as

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an affiliate, franchisee, or the corporation itself. In term of long term goals of the mc Donald is satisfaction of customer and loyalty to their brand. Brand image and the unique brand logo are one key success factor for the McDonalds.

This is report prearranged in a certain manner that is in the first discussion about the external analysis of the organization by PESTLE and PORTERS five force model for the analysis in industry level. In the internal analysis part discuss about the tangible assets, key success factors , supply chain, SWOT analysis and formulate the TWOS matrix for the future analysis for future strategies and in the conclusion part entitled about the recommendations and long term strategies.

EXTERNAL ANALYSIS

In this section deals with the considerate the factors that effect the organization by the external environment. These are forces that the organization would take steps to reduce the effects but could not avoid it totally (Strategic Management Process 2000)

Macro environment:

The analysis of macro environment is can be done by PESTLE analysis and also other factors like competitors, suppliers, customers. The complete analysis of PESTLE is given in the appendix and some key factors is given in the table 1

The important factors like obesity and other competition is more in the fast food chain, and mc Donald's is also concentrating on the green, price to have competitive edge on competitors, menu based upon the region such as

in India Mc Donald's introduced MAC ALLU and O fat items are planning in the menu for attracting the customers more oriented about obesity.

Porters five force model

Porters five force model is used for the analysis in the industry level; complete analysis of five porters is given in appendix and summarized is given below

In the case of MC Donald's from the five porter analysis new entry is very high due to less regulation in fast food industry, substitute threat is low, where as competition and rivalry among the firm are very high so McDonalds pricing is very important. Supply power is low unless the main ingredient of the product is not readily available

Opportunities and threats

The external audit can be done by using opportunities and threats, the whole Opportunities and threats are explained in the appendix. The opportunities for the mc Donald's such as low cost menu will gain competitive advantage and attract more customers and also such as people also more oriented about the health so McDonalds concretes more on healthier goods o attract the customers. They have main threats like obesity, the relationship with the franchiser, quality also decreasing due to the lack of proper control on the franchising, such as American brand appeal act as threat in some anti American countries, Global recession and fluctuating foreign currencies

Key success factors

Mc Donald's one of the success factors is franchising with the local suppliers, uniqueness in the brand image, pricing of the meal with the best price, store

location in maximum places and easy access to the customers, turnover rate per chair in the McDonalds is high as compare to the restaurants, attracting the customers based upon the kids menu and toys . introduction of breakfast menu and coffee in the menu, localization of their menu like introduction MAC ALLU and mutton in India. Appearance of the restaurant more focus on their values and productivity, Promotion and a continuing focus on building brand loyalty

Internal Analysis of McDonald's

Internal analysis of McDonalds can be done based upon the tangible assets and intangible assets, strength and weakness, supply chain. These are the factor on which firm has control as they can be alter based upon available resources and increase capabilities.

Tangible assets and intangible assets:

The vital tangible assets of McDonald's comprise of resources such as financial resources, and also resources in terms physical elements location of restaurants in city, airports and in all happening locations, the trade secret of their recipes, innovative production processes etc and resources in terms of organizational such as efficient strategic planning processes, control systems and excellent evaluation. The vital intangible assets of McDonald's are unique brand identity and their logo. The capabilities of the organizational also important such as satisfaction of the customers are high, product innovativeness and excellent product development capabilities (see appendix).

Strengths and weaknesses

The strength and weakness are explained in the appendix. The strength of McDonalds is the brand image, their innovative products, uniqueness in their products, strong financial position, more in terms of their stores in the main cities, employee training such as managers get training in Hamburger University, segmentation of their product such as kid meal, happy meal etc. more concentrate about the customers, turnover per chair is more in McDonalds, strong advertisement campaign's to attract the more customers, kids offers to attract more customers. Weakness of mc Donald's such as No clear strategic direction, obsolete facilities, higher overall costs than rivals, subpar profits, Falling behind in R&D, Too narrow product line. High Staff Turnover including Top management, Unhealthy food image, Uses HCFC-22 to make polystyrene that is contributing to ozone depletion

TWOS Matrix:

TWOS matrix is build based upon the internal and external factors by using strength, weakness, opportunities and threats. It is constructed based upon comparing of each factor with the other factors of SWOT. The complete TWOS matrix is given in the appendix. In this based upon the TWOS matrix explain about the differ combination as possible.

Strengths and Opportunities

- Because of strong financial position and their unique brand image McDonald can extend their stores and attract new customers.
- Due to their unique brand image they can advantage over their suppliers.

- Due to the strong financial position they can invest more on the Research and development example in term of decreasing the fat in the food.

Strengths and threats

- Mc Donald's can take more control on the franchise dealers to maintain the quality and reputation.
- They can offer novel product and keep the innovation to attract the new customers and existing customers.

Weaknesses and Opportunities

- By creating product in a greener such as decreasing HCFC-22, product quality can be increased and also plan for the healthy meal.
- By Increase stores in different locating that increases the market penetration.

Weaknesses and Threats

- Applying 0 grams Trans fat that increase the customers who are more oriented about the obesity
- By changing HCFC -22 in to the carbon free HFC (hydro fluorocarbon) which is not harm to environment.

Future Strategy

Based upon the different analysis of the firm and by comparing the different analysis the future strategies can be planned. The strategies in term they can be broadly classified in to two broad sections such as business and corporate strategies. The recommendation of the firm based upon the analysis is listed in following section.

Business level strategy

Such as differentiation of their product to gain competitive advantage, increase in the research to develop food with low fat content that can be decrease the obesity, focusing more on the customers to increase the customer loyalty to the brand. They can also concentrate about the organic food, Labor turn rate should be decreased by giving different bonuses and effective salaries.

Corporate Level Strategy

Due to the strong financial they can penetrate into new market by increase their store in different locations. And also they go for back ward integration with the suppliers to get the quality goods for low price.

Conclusion

In this report entitled about the different external and internal environment of mc Donald's and by constructing the PESTLE analysis, SWOT analysis and also prepare the TWOS analysis for the long term strategy in the future. mc Donald's increased their stores about 50 percent in last five years but there is only less increase in the sales about 2percent only so McDonalds is planning to change their strategies to attract the more new customer and planning to increase the customer life time value such that the sales can be increased they should consider about the following factors such as health issues they can increase the organic food, they can also by employing and also proper planning of the queues that can decrease the queuing time and also increase the turn over. Price is also one of the important factor because bargain power is low they can be shift to the other company, so pricing can be properly planned. They can be plan for the deli burger which cost low that

will give price advantage whereas they also keep the organic burger in their menu to attract the health oriented customers and also they can be focus on o fat food that can also attract who concrete about diet. They should plan to decrease the employee turnover ratio.

Limitation and Recommendation

The limitation would be that the current strategies that are practiced currently have not been reviewed in depth; the future research can be done on analyzing the current strategy of mc Donald's and see how these can be amended to formulate the future strategy.