Industry analysis – mcdonalds

Business

Within the restaurant industry, the quick service restaurants (QSR) sector, or better known as fast-food restaurants, are classified as “ Perfectly Competitive” along the Industry Competitive Structure below. MonopolisticOligopolistic Suppliers Perfectly Competitive Oligopolistic BuyersMonopsonistics Characteristics of the industry that places it within a perfectly competitive environment are as follows: 1. Rivalry within the industry is intense 2. Role of government is minimal 3.

Spending on advertising is high

Rivalry – there are appoximately 8 million restaurants worldwide in an extremely competitive environment. Within the industry, there are about 300 companies involved in chain restaurants. Role of government – is minimal other than the oversight of food safety. Spending on advertising – the QSR sector is dominated by large chains which posses huge national marketing budgets that advertise heavily on television and through promotional tie-ins with movies and sports. Strategic Group Mapping One of the concerns within the QSR segment is market saturation.

Looking at the number of locations and most recent sales growth we map the largest chain restaurants based on sales and look at the number of location and recent sales growth (2007 vs.

2006). Evaluate Industry Marketing Practices Being a global restaurant within the QSR segment requires a very high level of promotional spend to remain competitive. Some of our most memerorable commericlas came from the fast food industry. Such classics as McDonald’s two whole beef patties, special sauce, lettuce, cheese, pickles, onions, on a sesame seed bun to

Wendy’s “ where’s the beef? The large chains tend to have huge national marketing budgets and advertise heavily on television and through promotional tie-ins with movies and sports. However, with increasing food costs to restaurants and the poor economic conditions facing many of the world’s economies, the ability to increase promotional spends has been stressed. Many restaurants are either passing along additional costs to consumers thus potentially alienating consumers with lessened purchasing power or they have been absorbing increased food costs.

The later causes either a negative impact on margins or the chain can find cost savings elsewhere such as reducing their promotional spending. In addition there has been a developing backlash to advertising from the fast food industry directed at children. There is definitely an upward trend in childhood and adult obesity. This has caused recent changes in the advertising of fast food restaurants. The following actions have been implemented by various regulatory agencies around the world: •Time constraints put on advertising – the Food Standards Agency (FSA) has called for the elimination of such advertising before 9pm.

Elimination of well known characters and celebrity endorsements have been eliminated – this resulted inDisneyending their deal withMcdonaldswhere both companies linked their products together. It is said that Disney was concerned over the increased trends in childhood obescty. •Warnings on the effects of fast food have been included in advertisements •Messaging around the needs for healthy food in a balanced diet have been included with advertising. As a result of more limitations being implemented, many fast food chains have turned to the internet as a source of promotions.

Identify Industry –Wide Threats and Opportunities Threats •As mentioned above, there is the threat of increased government intervention regarding the industry's life line – advertising. •Threat of future litigation around the effects of fast food on helath •Over-saturation of the market – many believe that there is an over abundance of supply versus existing demand. •The current economic conditions throughout the world are having a negative impact on people's discretionary income. Opportunities •The U. S. is the largest QSR market thus many chains are heavilty concentrated in the U.

S. However, given the current economic conditions in the U. S. there exist the opportunity for expand to markets outside the U. S. where there are growing middle class as in China and India.

•The current economic conditions may direct customers away from more expensive restaurants to the QSR segment. •Many fast food restaurants have added more healthy choices to their menus to attract the health conscience consumers and possibly help prevent government interactions. •Help create franchising opportunities to the middle class in other countries.