

An analysis of the competitive environment of mcdonalds



McDonald's is one of the world's largest chains of hamburger fast food restaurants serving more than approximately 60 million customers in 120 countries each day. It has more than 35,000 branches in more than 120 countries. McDonald's is constantly serving their customers since 1955. Majority of McDonald's restaurants worldwide are owned and operated by independent local men and women. Some of the favorite foods are- Famous Fries, Quarter Pounder, Chicken McNuggets, Big Mac, Egg McMuffin etc. However the doors of the coffee house also opened gradually to give a tough compensation to their business rivals.

The strong foundation of McDonald's began with Ray Kroc. Dick and Mac McDonald opened the first McDonald's restaurant in San Bernardino; California in 1940. It became very popular and profitable teen hangout. In 1948, the brothers closed the company because it found the sales of the company was slowing down in around 1955 and again reopened the restaurant to sell only on the standard preparation of the hamburgers, milkshakes and French fries and kept on increasing the products in their menu and thus became world's largest fast food chain in the globe, gradually. The foundation that he built continues even today with McDonald's vision and the commitment of the executives to keep the shine on McDonald's Arches for years to come. With the founder of McDonald's we have been able to enjoy the world famous fast food. McDonald's derives more than 80% of its revenues from eight countries like Canada, Brazil, Germany, France, Japan, UK, Australia and US. The tough competitors of McDonald's are KFC, King Burger Corporation, Subway, BKC, WEN, Yum foods. etc. who comes with the brand identities making it more difficult to

enter and survive and then succeed in the international market. McDonald's entered in India in around 1996 and thus had to adapt the Indian culture, tastes, lifestyles, values, believes etc. Globally, McDonald's was popular for its hamburgers, beef and pork burgers. But because it wanted to survive in India, they came up with the chicken, lamb and fish burgers as majority of the Indians are barred by their religion which restricted beef and pork. It became very popular in Bombay, India with the introduction of Indian styles of products but invented new rivals like Pizza hut, Dominoes etc. Mcdonald's launched the slogan " I'm lovin' it" in 2003 and are still living up with it.

The headquarters of McDonalds is located oak brook Terrance, Illinois. All the McDonalds restaurants are operated by an affiliate, a franchisee or by the corporation itself. Only 15% of the total number of restaurants are owned by the companies and the rest of the 85% of the restaurants is operated by the franchisee. The revenue of McDonald's comes mainly from the sales in company-operated restaurants, rents and the fees paid by the franchisee. The average annual income of McDonald's is approximately \$4 billion. The people work for them is as follows:-

Restaurant staff

Restaurant management

Office staff

Franchisee staff

App. 44, 000

App. 3500

App. 700

App. 30, 000

So the total number of the employees work for them is around 47, 500 employees. The main achievement of McDonald's is to be better than the best and leading fast food provide around the world. McDonald's mission is to be the customer's favorite hangout place provided the most delicious fast food which can meet the customer's satisfaction. McDonald's has certain values of its own which provides quality of the food and services to the customer, cleanliness environment and the main value of the food product should make each customer smile.

Strengths and weakness of McDonald's

Strengths: – McDonald's is considered as one of the most loved and popular brands around the globe in any industry. It has a strong good will, reputation and the most powerful brand in the whole category of fast food chain throughout the world. McDonald's being only half the size of the competitors, and thus became the leader of local as well as international markets.

McDonald's has a very strong real estate portfolio which can be observed on the position of the store of McDonald's which are located in different parts of the globe. Mainly the strength of the company is cheap and best and at the same time fast service is available.

Weakness:- The competitors focuses balance of the prices of the raw materials as well as the price of the product. So, even McDonald's has to

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deal with the alarming market saturation which makes it difficult to introduce more branches or outlets or to add new stores. McDonald's also experiencing decreased ability in increasing their revenues. McDonald's introduced a compact meal menu which gave immense price competition. It's important to take a look that the last product breakthrough of McDonald's was Chicken McNuggets. Mcdonald's has also omitted the breakfast column from the menu card which give an adverse effect to the company. Overall in spite of the strength of the company it has weakness like introducing and advertising unhealthy products to the children, and the food is mainly fattening.

It shows poor marketing effort. The connection with the local customers is really bad. There are many advertisements shown is insulting and causes a negative image of the company. The reputation of the company goes down with this type of attitude in the market.

External analysis of McDonald's

The porter's five forces model is as follows:-

PESTEL FRAMEWORKS of McDonald's

The full form of PESTLE is Political, Economical, Social, Technological, Legal, Environmental frameworks of McDonald's.

1. Political framework:- The operation of McDonald's are highly influenced by the government policies which control the marketing of fast food restaurants because of the health issues of the youngsters in the country. The government also restrict the lenience to open any fast food restaurant.

Relations with the government provide benefits employment and tax is a

must for the company to be successful in any international market.

McDonald's should ensure all the employees by giving them all the compensation, hiring, training, etc.

2. Economical frameworks: – This operation has low costs and more income. And it also has a very high target market. McDonald's, as a business entity, needs to face a number of economical variables outside the company.

McDonald's import maximum raw materials such as potatoes and beef as the local market cannot supply the abundant quantity to meet the demand of their products due to which the dealing with the foreign exchange becomes difficult. McDonald's have to face the government's rule and regulations on the taxes of their profit and has to follow all the rules of the government if the company wants to exist in the market. The economic condition is very important indicator to demand the products of McDonald's. As the prices of all the food products of McDonald's are a little on the higher side than the normal food and not many customers will be able to consume the products and hence the demand of McDonald's will go down for sure. On the other hand McDonald's had a huge means of disposable income, which is more and the people can spend more on expensive food in any restaurant.

3. Social frameworks:- The changing lifestyles of the people has given an impact on spending more expensive food in any fast food restaurant and have high expectations from the restaurant and want to have good quality and more conveniences such as facilities of the credit card should be accepted in any restaurant and the other hang-outs and fun. It is very important that the product is available to the customers at the right place, in the right time with the quality of the product. The ambience should be

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decent enough to meet the customer's satisfaction. McDonalds has shown great efforts in localization of its menu to suit local taste of the customers.

4. Technology framework:-Technology, for a fast food restaurants does not give high impact. McDonald's should improve itself in terms of integrating technologies. for the management of their operations. For example:-easy payment, wireless internet technology, ordering systems for their customers, supply chain management for managing its supply. New technologies can make the management more effecting and cost saving which results in price reduction which will benefit them from time to time.

5 Legal framework:- To exists in the market McDonald's have to follow many rule and regulations. The owner of any firm or organization should follow the laws such as working hours, registration of the firm, the tax formalities, quality and environment certifications, labor and employment laws etc. The legal formalities are necessary otherwise they will be prohibited from operating the firm or penalty/fine must be paid.

6. Envirment framework:- McDonald's has always been critics for the world environment as it holds number 1 position in consuming the world's largest consumer of potatoes, beef and chicken. The high consumption of beef cause the green house effect methane gases which comes out from cow's ranch. Loss of green forest opening for plantation activities and large scale plantation has effect the environment. Cruelty to animals and slaughtering them is done due to which environment is effected due to vegetarians which exists in huge number. McDonald's even wanted to introduce whale burger in Japan as whale is endangered spices. McDonald's created lots of pollution

for using a huge number of polythene bags for the packaging process for the customers. After they were criticized, they started the use of paper bags for the same. Millions of people purchase from the fast food center leaving no choice for the customers to throw away the polythene bags which were hardly been used for recycling activities. So its our responsibility to ensure that the environment is not effected and to take necessary steps ahead to serve a better future.

Internal analysis of McDonald's

Resources and capability of McDonald's:- There is no doubt that McDonalds has taken a high position in the fast food industry and the fact has also been proved. The resources and the capability of any particular company is considered as strategy or reduce based view of the company. It is more effective for the company to focus on its internal resources and capability.

The resources are the assets of the company which may be tangible or intangible which arise in external environment. The tangible resources are very easy to identify and evaluate the financial resources and the physical assets of the company. Anyways, the primary goal of resource analysis is for us to understand their potential to create competitive advantage and not to value the company's assets. Although intangible resources and the financial statements are are more valuable than the tangible resources which remain invisible. The exclusion of intangible resources is one of the major reason for the growing divergence between the book values (the balance sheet) and their stock market valuations. It's for sure that the brand names are a form of reputational assets. There is always a value of a particular brand and

those values are reflected that the brand conscious customers are willing to
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pay for the branded products and not for an unknown brand. The brand values can be estimated by taking the price premium, multiplied it by the brand's annual sales volume and then to calculate the present value of the revenue streams. The values of the brands can be highly increased by extending the market scope over which the firms/companies markets those particular brands. Reputation of any company thoroughly depends on the companies which sell branded products.

Increasing emphasis of the resources and the capability of the firm results in two factors. Firstly the firm environment has become unstable so the external environments focused for formulating strategies. Secondly it has become very apparent that the competitive is taking advantage.

In general, the firm's external environment is greater and the resources and the capability will be secured foundation for a very long term strategy. The industries, new companies which are based on the technology are generally depended upon the specific technological capabilities. These capabilities are the secondary consideration for the markets where these capabilities are applies. For instance let's say Motorola, a massive supplier of wireless telecommunications equipments and direct satellite communications has undergone a huge number of transmissions. It is very difficult to distinguish between resources and the capabilities of a firm. The capability here is referred to the essence of superior performance.

Emotional appeal

Emotions are the critical factors in customers who accept and love the brands. Promotions like adding offers or price reduction or buy and win

guaranteed gift vouchers etc leaves an impact on the mind of the customer where as emotional appeal helps the company to hang up with those offers for a long time. The main focus of the company is on creating a good atmosphere to which the customer can be easily related. Maximum crowd in the fast food outlets visit there for a casual change, time pass or even fun.

Products and services

The main products of McDonald's consist of beef, potatoes, chicken, bread and milk. Mcchicken sandwiches and chicken nuggets therefore become chicken McNuggets. Likewise McDonalds sell all the different types of products depending upon the country where it's doing the business.. Like in Hong Kong McDonald's sell flavored French fries, soups, hamburgers, sandwiches, chicken, beverages, salads etc. including the happy meal which was recently introduced.

The services in McDonald's are expected by the customers which includes delicious food, cleanliness, convenience, good times like lots of gifts and card. They provide a gift certificate for cash free fries run also. Even they organize the birthday parties for kids which includes happy meal, decorations, cake, etc. McDonald's provided free toys for the kids with the happy meals.

Financial performances

The biggest fast food restaurant, McDonald's is increasing 12% profit annually and in the last quarter of 2009 it directly jumped to 23%. The annual profit of McDonald's is 1. 216 billion dollars. The revenue of McDonald's raised their profit with the improvement of the sales by 7%. On

the whole, the average revenue of McDonald's is showing good progress. McDonald's just lifted the profit outlook with the international growth and demand for the snack wraps and the new offerings. McDonald's keep their brand relevant through mouth watering food and beverage which attracts the youngsters. McDonald's was expected to generate the growth of rates of their products between 3% to 5% and the profits between 7% to 8% this year in March.

It's not every time to predict the future and get the assurance of the future if you are doing something new or if you are introducing a new product in the market then in that case you never know what will be the response of the customers. You can just have hope to get a good response of the customers by adding and mixing together some good ingredients which I think a cook would do while creating a new dish. So majority of the business have to take a few steps ahead and proceed forward with some risks. On the whole any firm, organization, or any business is depended upon the customers and it's difficult in forecasting the strengths of the effects.

Vision and leadership

The vision of McDonald's is to be the world's best quick service restaurants experience and being the best and quick means to provide the best quality food, cleanliness, values and services in short period of time to make all the customers satisfied and happy to visit again. McDonald's believe that changing a child's life changes an entire family which can change the community and finally the world.

McDonald's is holding number 1 position in the fast food restaurants throughout the globe. There is no question or doubts in that. The unique brand and in spite of the tough competition in the market, McDonald's has gained immense popularity throughout the world. With the input of hard efforts of the founder Ray Kroc, the company is able to thrive in the market and even today they continue to build on his legacy ensuring a bright future for many years ahead.

Workplace environment

McDonald's ensures healthy, hygienic and safe work environment for all their employees which is the first and foremost priority of McDonald's. They encourage the suggestions from the customers through which healthy and safe workplace can be improved continuously. McDonald's ensures eco-friendly workplaces and thus enhances the employee's pride and satisfaction.

Social responsibilities

McDonald's believes that social responsibilities are not any type of a program which begins and ends. Responsibilities are a part and parcel of any company. McDonald's is facing the challenges of the corporate social responsibility and are introducing more tools which can help in improvement of the social responsibility. McDonald's is facing those challenges of corporate social responsibility when there is a question of environment and animal welfare. Basically corporate social environment is just an aspect of business ethics which is increasing in the international market. It's generally a social and economical benefit and has to operate the business in the way

which can meet the ethical and legal standards. The decision making management's have to satisfy the needs of the community.

Value chain analysis

Organizational capabilities

McDonald's began to experience a fall in their annual remuneration in the late 90's after the longstanding growth in the fast food industry. Once McDonald's been a leader in the fast food industry and was very popular for its outstanding services and quality. Again to build up the financial positions of the company, they chose to give tough competition in the market and now as we all see that the company is able to pursue market opportunities.

McDonald's was mainly focusing on the sales of their products by giving perks, discounted meal vouchers, etc and now McDonald's reaching for the stars and now McDonald's is showing their capabilities, giving immense satisfaction to the customers. It can be said that McDonald's is having dynamic capabilities that adopted all the required resources to satisfy a customer.

Conclusion

McDonald's have taken the hard work of the stock management; the managers of the restaurant are able to spend quality and quantity time focusing on the high standards of quality of the food, services and cleanliness. With this means, the customers are very satisfied that they are assure to get whatever they want is in the menu on that particular day. With the lower costs McDonald's can pass all the benefits to the customers or the consumers giving them better services at the very reasonable rates.