Free case study on mcdonalds strategy analysis

Business, Company

Strategic Analysis

McDonald´s Corporation

Current analysis involves strategic position of McDonald´s relative to Starbucks Coffee Company. Recent decades brought a number of challenges to the McDonald´s Corporation, related to changing external environment. Such companies as Wendy´s and Burger King came to the market with innovative proposition and strong investment portfolio, putting pressure on McDonald`s market share on its major markets and sharing the growth potential in emerging geographical segments (McDonald´s, 2013). While the company continued to pursue its strategic direction on organic growth and quality of service it made a number of changes to diversify its product portfolio and leverage the risks of fast-food industry. With that, the company took decision back in 2001 to open its first McCafé that opened the doors for new market niche, where McDonald´s entered into competition with coffee shops, such as the largest market player Starbucks Coffee Company (Harris, 2009). The core of its competitive strategy in this case is similar product portfolio at lower price and high quality.

Starbucks Coffee Company

Starbucks is the leading company in the industry that pursues its growth strategy through organic market acquisitions and franchising. The company builds its values around Corporate Social Responsibility and incorporates sustainable living in the core of its customers´ proposition. With that, the company tries to make each coffee shop not simply a point of quality coffee consumption, but special and unique experience (Kembell, 2002; Michelli, 2006). Such approach makes the company differentiate the price and offer specific product with high variety within the segment. Strategic focus of the company is focusing on such external elements as growth through new market acquisitions and slight diversification in add-on products. As such, the company incorporated fresh tea and juices into the menu in the majority of its shops to meet changing demands of its core customers.

Organizational Performance

McDonald´s Corporation

McDonald´s is a the largest fast food chain in the world with widespread operations and 34, 000 stores established in 118 countries and serving on average 69 million people per year. Based on the financial statement 2012, the company declared total revenue of USD$ 18, 6 billion, which represents 2, 2% and 10% growth relative to the same period 2011 and 2010 respectively. In spite of the global economic crisis and slow economic recovery in the major markets, such as the US and Western Europe, Mcdonald´s managed to retain its market position and maintain profitability with combined operating margin of average 31% over the past four years (McDonald´s, 2012).

Organizational performance in terms of major financial indicators also indicates stable recovery on European Market and growth in emerging economies. Liquidity ratio, based on 2013 Nasdaq evaluation went up from 125% to 145% between 2011 and 2012 and market share price is relatively stable at USD$ 94 per share.

Starbucks Coffee Company

Starbucks is one of the largest corporations with over 18, 000 stores operating in 60 countries. The company employs globally more than 50, 000 employees and reflects one of the fastest growing rates in the industry. The company declared USD$ 13, 2 billion revenue, which illustrates 18, 9% increase in total income relative to 2011. Operating margin, at the same time remains stable at the level of 14, 8% over the past four years with slight increase, reflected in figures for 2012 (Sturbucks, 2013). Current share price is fixed at the level of USD$ 74 per share. Companies liquidity ratio, however, represents some ground for concern, reflecting significant drop from 190% to 102% over the past year (Nasdaq, 2013). This drop in current ratio is explained by the investments in organic growth that the company decided to undertake with a large share of internal funding.

Conclusion

The overview of strategic directions of both companies reflects high potential and clear fit of their strategic efforts into the industry´s reality. It is possible to conclude that external conditions, especially slow economic recovery and changing demands of the core customer segments in both cases determined the change in their long-term planning and made the companies place emphases on leveraging the risk through product portfolio diversification. Financial position of both corporations demonstrates positive and prospective growth opportunities. Entering new market segments, especially in case of McDonald´s represents potential risk of losing the strategic focus on its core product. It is evident that the company is facing stronger pressure from Burger King that takes part of the McDonald´s share in the US market by offering healthy options and adopting healthy fast-food marketing strategy. Missing out on this opportunity may result in significant loss. In contrary to McDonald´s Starbucks seem to pursue focused and well balanced strategy, leveraging its revenue channels in less aggressive ways.

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