

# An analysis of mcdonalds

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This project analyzes the greatest and most successful fast-food restaurant in the world, McDonald's. The success of McDonald's is not by chance. Since its humble beginnings, McDonald's has taken a number of strategic steps over the years to build its empire not only in America, but also globally. In a way, McDonald's has been a key factor in not only the rise of the fast-food industry as a whole, but also has played a key factor in American relations around the world. For example, it has been said that countries that have McDonald's will never go to war with the United States. The analysis includes a deeper look into the business side of McDonald's, a discussion on the social and ethical issues that McDonald's holds, and just how this business has played a role in both business, and peace relations with other countries.

#### Background and History of McDonald's

The birth of McDonald's began when Patrick McDonald opened "The Airdrome" in 1937. This restaurant was in Monrovia, California. After 3 years, in 1940 his two sons Mac and Dick (Maurice and Richard), changed things up a bit, relocated, and open the restaurant with new name "McDonald's Bar-B-Que Restaurant" in San Bernardino, California. It was a drive-in with a large menu and car hop service.

By 1960, McDonald's announced that it had sold 100 Million of hamburgers in more than 100 restaurants in America, and by 1963 there were up words of 500 restaurants around the country. On the 10th Anniversary (1965) of McDonald's, it issues the first public stock selling for \$22.50 per share. In 1967 McDonald's took a giant leap into the global market in 1967 when it spreads the business internationally. Starting in Canada, Puerto Rico, Japan then in Spain, Denmark, and Philippines. By the end of 1983, McDonald's had

7, 778 restaurants located in 32 countries all around the world. Currently, they have opened 119 countries around the world.

Jim Skinner is the current Vice Chairman and CEO of McDonald's. His story and experiences is representative of the quintessential American Dream; a rags to riches story, like the story of McDonald's, itself. He began working at McDonald's as a restaurant manager trainee in Carpentersville, Illinois in 1971 after serving ten years in the Navy. He worked his way up in the company and was named CEO of McDonald's Corp. in 2004... and he has never even graduated from college. Throughout, Skinner has held numerous leadership positions.

McDonald's has worked its way up to being the most successful fast food restaurant in history. McDonald's boasts that the reason for their success is their customer-focused " Plan to Win" and their financial discipline. The goal of the Plan to Win is to have a common framework for their global business, and at the same time, provide for successful local adaptation. They call this Plan to Win the " System." The System is made up of initiatives surrounding the five elements of their Plan to Win - People, Products, Place, Price and Promotion. The System, plus financial discipline, is why McDonald's has been successful even during times of worldwide economic troubles. McDonald's has always provided strong results for the customers, the employees and the shareholders.

Analysis of McDonald's

The Industry Environment

History of the industry: The concept of fast food is generally associated with the development of cities. However, the trend has its beginnings in the bread-and-wine stands in ancient Rome and the popular ready-to-eat noodle shops in many East Asian cities. All through the antiquity, flat-bread, felafel and other heat-and-serve meals were popular attractions at roadside stands.

For example, in ancient Rome, bread soaked in wine and stewed vegetables, and meat were commonly sold at popinas, the eating establishments that thrived during the era. Additionally, major urban areas in London and Paris supported stalls that sold pies, flans, pastries, pancakes and precooked meats throughout the Middle Ages. These outlets served mostly single households and town dwellers, which rented facilities devoid of kitchens. The road-side meals also catered to pilgrims and traders. As industrialization and automation grew, so grew the fast food industry. Hence, fast-food is not as common as Apple Pie and Chevrolet. The United States is the largest fast food industry in the world, and more than 100 countries around the world have American-owned fast food restaurants. These restaurants currently employ over 2 million U. S. workers in the USA. Below is a brief time-line of the industry in America:

### Markets

Unlike most of the food industry, McDonald's has rebounded quite easily after the global crises and the sales growth rate continues to increase, and is still gaining market shares its rivals. Unemployment has had no effect. Some believe that an improved breakfast menu with the new frappé drinks played a key role for the recovery. McDonald's growth nearly doubled other like businesses. It reported growth of 6. 0%worldwide while the same store sales

growth was approximately 3.8%. The company is slated for further growth of 5-6% worldwide. The chart below shows the slowdown experience in 2008.

The McDonald's slowdown experience in 2008

Trends differ from region to region, of course. For example, the Europe's growth rate is 4.1%, the Asia Pacific, Middle East and Africa region growth rate is 8.1%. The European region holds about 40% in total sales, so this region is most important to McDonald's.

The Asia Pacific region includes China where number of consumers is growing rapidly. McDonald's is planning to reach 2,000 restaurants till the 2013. In this market the biggest competitor is Yum Brands, which has 3,700 restaurants. As stated above, in the US, the introducing new menus for the breakfast and new frappé were very successfully in gaining more customers. The following chart emphasizes the McDonald's market share growth in comparison with like competitors:

U. S. Fast food market share

The rising of commodity prices had a significant influence on the food industry. For example, in the coffee industry, Starbucks acquiesced to the falling market and increased its prices by 9%, while McDonald's remained below that price. Hence, McDonald's enjoyed future market share gains.

Recovery can be stimulated for McDonald's more rapidly, ensuring their role as leader, if it works to improve customer metrics. McDonald's simply must continue to be in touch with the changing needs of its customers. The old saying, "think globally but act locally" is a winning strategy. Hence, when dealing with the market, especially the international markets, McDonald's

has to take into account different cultures, tastes, incomes, etc. and they have to mix it up a bit on the menu while maintaining exceptional customer service.

### McDonald's External Environment

Political factors: The international operations of McDonald's are extreme under influence of a policy of the separate state put into practice by each government. For example, there are certain groups in Europe and the United States, which demand the acts of governmental power concerning medical values of meal of fast food. They have specified that harmful elements as cholesterol and negative influences as fatness are concerning consumption of products of fast food.

On the other hand, the company operates the separate policy and instructions of operations. The certain markets concentrate on various areas of anxiety, such as various area of health, protection of the worker, and environment. All these elements are noticed in the state control of licensing of restaurants in the corresponding states. For example, there is a hung legal dispute in privilege McDonald's in India where certain infringement of rights and infringement of the religious laws concerning the maintenance of meal. Meat existence in their menu in India is obviously offensive to Indian religions in the mentioned market. There are also other researches, which specifies in infringement of McDonald's Stores concerning existing laws on employment in the target market. As any business enterprise, these McDonald's stores should argue with problems of procedures of employment just as their tax obligations to succeed in the foreign market.

Economic factors: The organizations in the fast food industry aren't excused from any disputes and problems. Definitely, they really have the separate problems involving business factors. Branches and privileges of networks of the enterprises of fast service as McDonald's has a tendency to experience difficulty in cases where the economy of the corresponding states is amazed by inflation and changes in exchange rates. Clients hence face a survey stalemate through their separate budgets, whether they should spend more on these foreign networks of the enterprises of fast food. Hence, to these chains, possibly, it is necessary to take out problems of effects of economic environment. Especially, their problem depends on the answer of consumers to these main principles and how it could influence their general sales. In an estimation of operations of the company, food chains as McDonald's tend to import the biggest part of the raw materials to certain territory if there is a delivery lack. Exchange rate fluctuations will also play an essential role in company's operations. ii

Socio-Cultural factors: Articles about the international strategy of McDonald's, apparently, function on several areas to guarantee profitable returns for the organization. To illustrate, the organization changes to the best an establishment of positive thinking from their basic consumers. McDonald's indulges a special variety of consumers with certain types of persons. Also it has been noticed that the company has given the markets, such as the United Kingdom, a choice concerning their lunch requirements. Specified that McDonald's beginnings considerably valued set of meal, which offers a reliable degree of quality for the corresponding market where it

works. In addition, those who are elderly only below a bracket of thirty five as said are the most frequent consumers of McDonald's privileges. iii

Technological factors: McDonald's makes a demand for their own products. The key tool of the company for marketing is by means of TV advertisings. There are some requirements that McDonald's is inclined to interest the younger population more. Existence of game stains also toys in the meal offered by the company shows this validity. Other demonstration of such marketing strategy is obvious in advertising they use. They use recovered descriptions of the characters as Grimace and Hamburglar. Other advertising operations employ popular celebrities to promote their products. Similar became endorsers for McDonald's all over the world "loving' it" campaign. Besides, operations of McDonald's have considerably been infused with new technology. Elements as the system of stock and management of the value chain of company's creation consider easy payments for the suppliers and other sellers with which the person supplies in the corresponding agreement on the markets. Technology integration into operations of McDonald's tends to increase cost of their products. Basically it is shown in improvements on its chain of creation of value. Improvement of stock system just as its systems of deliveries allows the company to work in the international context. iv

Legal factors: There was a current roar against the fast food industry. It has forced McDonald's to apply more close examination on their corporate social responsibility. As a whole it has addressed to requirement of the company to generate its corporate reputation to more positive and the more socially responsible company. The reputation of McDonald's is obviously a huge



question. Noticed on company's web site, seems, that they have got steps to take in hand the key social condemnation that they abused them in the last decades. The company gave to their clients the corresponding data in which they need the relation of food essence of their products. This is to attend to the arguments of obesity charged against the products of the company. In the same way consumers have provided freedom in a choice, whether they want to buy the meal.

Environmental factor: Social responsibility of McDonald's on the state influences to company operations. They involve charges of harm to environment. Among the reasons why they are accused of such requirements, is that the work of substances is not decomposed by microorganisms for their drinks glasses and treasury of expanded polystyrene for meal. Some civil groups in Hong Kong have made actions to make McDonald's privileges in Hong Kong aware of the rather copious use of containers of expanded polystyrene and resulting abusing by environment. Further, has specified that in 1995, McDonald's Hong Kong ran through the expanded polystyrene used by both Australia and the incorporated United States.

SWOT analysis on McDonald's

McDonald is an international food outlet preferred by every age group around the world. It is a multinational food outlet, despite this it has to be analyzed to evaluate its strengths, weaknesses, opportunities and the threats. Let's analyze the outlet using SWOT analysis.

Weakness

The weakness that hits the list is the employee turnover rate. Every year many of their employees are fired out of the restaurant McDonald's mostly advertises products and food items that target children. You will notice that bill boards always display the advertisements of Happy Meal and any other deal that is ordered for the kids mainly Health conscious people seldom complain that they do not provide us with the organic and healthy food. This becomes their weakness when they get in the complaints They also face quality issue at times. This affects the business as they are running the outlet worldwide, if one franchise gets affected others also get a bad name

### Strength

McDonald's holds a very strong brand name worldwide

They have large partnerships with other companies that provides them with their desired products, this increases the goodwill of the company Socially responsible firms earn a good name in the market due to their projects they do to help people, McDonald's is one the most reputed firms who are socially responsible It is said that McDonald's was the first food outlet to provide its customers with nutritional facts Loyal employees and management and customers is their biggest strength McDonald's makes sure that cultural and regional barriers are kept in mind while providing food to different countries Clean environment and play areas for children where they can enjoy their time

### Opportunities

It can open up online services for their customers so that they can easily order their desired meals sitting at home Discounts given on every food item

may help them gain more customers They can go for a joint venture with the retailers they work with They can introduce healthy hamburgers and healthy drinks for the people who are health conscious In order to be environment friendly, they can use packing material which can be recycled later or material that does not create pollution As McDonald's is a socially responsible firm, they can provide more benefits to the people around It won't be a bad idea if they introduce food items specially for breakfast

### Threats

Emerging competition of similar outlets is becoming a problem for McDonald's Health issue also becomes a problem when it comes to food

As it is a multinational food outlet, fluctuations in the currency of other countries becomes a problem for such companies Recession in any country would definitely affect the whole outlet world wide These multinational companies take special care of the culture and traditions of the country they plan to start the business People facing heart problems and obesity accuse McDonald's for not providing them with the healthy food They have a threat of local food outlets in different countries McDonald's is operating in a fully fledged economy where competition is increasing day by day therefore they should work effectively to overcome their drawbacks because of the recession.

Company performance over time- financial outlook - stock analysis  
McDonald's has announced that the domestic sales went up by 4. 3% in May of 2010. They claim that their success and growth is due to the lavish breakfast menu, one that has been recently launched in certain parts of the United States. The company also firmly believes that their " everyday

affordability” is what gives them an edge over others and what draws the millions of customers to their restaurants for repeated visits.