Free case study about mcdonalds market positioning

Business, Company

8A: Product Positioning Map

The Product Positioning Matrix (Appendix I) reflects the analysis of McDonald´s Product positioning relative to the core competitors on international arena. The matrix is based on two critical criteria: differentiation of the product and availability of the product. Under differentiation we understand the unique characteristics of the product offered by McDonald´s and the competitors. Availability looks at the market presence and overall access to the product by the customer. The analysis includes the comparison of McDonald´s, Burger King, Wendy´s and Hardee´s store.

It is possible to argue that target customers for all stores are very similar and McDonald´s competes on low differentiation and high volume sales. With that in mind, the customer in McDonald´s market is one who seeks for fast, non-pricey and highly available food that can meet basic demands of quality and service. Loyalty of the customer in the segment is highly dependent on the access to the product, even though some individual preferences can affect the choice that the customer makes. Given the analysis of the companies, it is possible to conclude that Burger King represents stronger competition to McDonald´s due to higher similarity of their market proposition. Lack of product differentiation leaves the customer to choose based on such product attributes as price and quality. Hardee´s and Wendy´s compete on lower volume and higher differentiation and, thus, represent only partial competition to McDonald´s, who shares some, but not all customer bases.

Based on the Product Positioning Matrix marketing department will be able to change and adapt product positioning strategy and incorporate the core criteria into its marketing proposition.

8B: EPS/EBIT Analysis

EPS Calculation

Earnings per Share index allows the company understand the portion of the profit of the company that is allocated to the common share. In other words, the higher the earning per share the better is the profitability of the company and, consequently, its actual share price (Clayman, Fridson and Troughton, 2011). To calculate EPS index we can use the following formula:

- Current market share price is USD& 50 p/share
- Total common share stock - 1 bln
- Interest rate – 5%
- Tax – 38%
- Target investment – USD 1 bln

McDonald´s is a large international corporation and it is critical that the organization finds a healthy balance in use of own and debt financing for investments in expansion and development. Right combination will allow the corporation to benefit from improved Return on Investment (ROI). The EPS/EBIT chart developed for the company (Appendix II) allows making the following conclusion:

The outcome of the financing options is relatively similar and the choice of financing does not affect the price per share to the degree that would drive a conclusion about the only right financing option. At the same time it is important to remember that the company´s strategy is very investment intensive and in order to maintain the level of profitability and return on investment for the shareholders, McDonald´s should consider leveraging the share of internal financing and choose combined financing option for a given project of expansion into Africa.

References

Clayman M., Fridson M, and Troughton G. (2011). ' Corporate Finance: A Practical Approach'. New York: John Willey & Sons Inc. Print.

Appendix I – Product Positioning Matrix

Appendix II – EPS/EBIT Table and Diagram