

Analysis of mcdonald's sales decline | 2015



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Introduction

The aim of this report is to analyse the current situation of McDonalds as an organisation in the UK market and to evaluate their current sales decline.

The primary focus is to provide a detailed analysis of the organisation and its position in the UK market, developing a link between declining sales and the overall shift in consumer behaviour. The report initially provides an overview of McDonalds as an organisation. This is followed by a detailed evaluation of the firm's current position in the market which links back to why sales are declining for the firm and what are the root causes for this in the business. This is followed by a recommendations section which develops a ground up strategy for the organisation to improve its performance in the UK market.

McDonald's Overview

McDonald's UK is part of the larger group called McDonald's, which operates in over 100 countries. The organisation reported a revenue of \$33 billion in 2014 and has over 400, 000 employees worldwide (McDonald's Annual Report, 2014). As an organisation the firm operates over 36, 000 outlets which is more than any other retailer across the globe. Before moving on, it needs to be highlighted that while McDonald's operates with a global 'menu', the organisation also develops bespoke products for some of the markets based on demand in the region (BBC, 2014).

McDonald's in the UK

McDonald's is a well-known fast-food brand in the UK. It operates at over 3000 locations and has seen growth over the past 10 year (McDonald's Annual Report, 2014). However, recently, McDonald's across the globe and in the UK highlighted a consistent decline in sales. Millington (2014) states that <https://assignbuster.com/analysis-of-mcdonalds-sales-decline-2015/>

McDonald's has reported a drop in sales by 4% in the UK, which highlights that the firm is not on the same growth path as it used to be. Similar article was published by Bold (2015) where the author highlighted that the growth pattern of McDonald's has stopped and the firm, for the first time in 45 years, is re-structuring due to a rapid decline in sales. This is critical for a firm that operates at a global scale, a 4% drop is effectively billions of dollars that the firm is unable to convert. Neilan (2014) states that from an earnings point of view the overall decline is GBP 3.8 billion which is a significant number.

The Cause of this Decline

While the previous section clearly highlights a downward trend in McDonald's market share in the UK, it is important to examine the overall cause of why this is happening. Doyle and Stern (2006) state that the UK market is one of the most rapidly declining fast food industries in Europe. This indicates that there is a change in trend within the market that is impacting the fast food business the market.

Research conducted by Long et al (2014) states that one of the major reasons as to why there is a sharp decline in fast food consumption is obesity. The core notion here is that over the past 8 years more cases of obesity have been reported by the NHS than that in over 50 years (Pieterman, 2015). This is critical as health services often term 'junk' food as a cause of the obese society in the UK. McDonald's being one of the main suppliers of fast food is directly impacted by this change and stance by the NHS. The UK government has highlighted obesity as a high risk to individual's health this was backed by the NHS (Nutrition and Food Science,

2012). This is one of the major factors that has impacted the McDonald's market share and declining sales.

Another important aspect linked with the loss in revenue and sales is associated with the fact that there is a shift in consumer behaviour towards fast food. Bernhardt et al (2012) state that an average UK individual is now 4 times more conscious of what they are eating from a health point of view. This clearly highlights that users now tend to look for healthy food options, which has a direct impact on the sales and revenue of McDonald's. Hence consumer behaviour plays a vitally important role in the current position of McDonald's in the market. There is also a consumer shift that is focused away to healthier fast food chains. Bloomberg (2015) highlights that 4 out of 10 individuals that skip McDonald's move on to buy a Subway meal as they consider it a healthy alternate to McDonald's.

Another important aspect that is linked with the lack of sales is the inability of the firm to innovate and diversify. McDonald UK's menu has not changed over the past 50 years, and this has a direct impact on the buyers and how they perceive a firm from an innovation as well as a development point of view. While McDonald's strategy has worked over a period of time, it is clearly showing signs of its limitations with rapid decline in overall business revenue.

Finally, another important aspect linked with the decline of McDonald's is negative promotions through social media. Kotler and Keller (2012) highlight that the advent of social media means free information flow across the market. Regardless of the authenticity of the data, information on social

media has a direct impact on business sales. McDonald's is often termed as the fast food chain that only cares about revenue and not about consumer health, and social media has spread this aspect on a large scale. (Neilan, 2014) This therefore impacts the consumer buying behaviour and negatively impacts the sales of McDonald's in the UK market.

All in all it is clear that the decline of the organisation in the UK is linked to the change in market conditions, consumer behaviour and a shift towards healthy living. It is also evident that McDonald's is highlighted as an organisation that is only working for its own good and hence its inability to innovate is clearly visible in the process.

Recommendations, McDonald's

The previous section of the report clearly highlighted multiple elements that need to be considered by McDonald's in order to improve its current situation in the UK market. Keeping the discussion in context, it is critical that viable recommendations for the business are developed in order to improve the sales performance of the organisation. In order to develop a new model and to improve the overall position of the organisation in the market, it is recommended that McDonald's launches a new product line called 'McDonald's Health!' as discussed below.

McDonalds Health: healthy Fast Food for the Masses!

One of the primary reasons linked with the rapid decline in sales for the business is the perception and the overall type of food served by the business. This food is classified as 'unhealthy' by various individuals and organisations. Keeping this in context, it is recommended that McDonald's

starts a new product which is under the umbrella of the current organisation. The idea here would be to develop a unique product line focused on the healthy aspect of the market. Keeping this new product line a focused segmentation, targeting and positioning strategy is discussed in the table below.

Segmentat McDonald'

ion s health
will be
segmente
d through
the
current
geographi
cal
positions
of
McDonald
fast food
chains.
The idea
would be
to start
with the
areas
where

sales have
declined
the most
and launch
the
product
line
focused on
geography
as well as
behaviour
al
segmentat
ion in
order to
target the
most
'health
conscious'
areas of
the
country.

Targeting The target
market for
this new

product
line will be
individuals
that are
health
centric.
The main
driving
force here
would be
behaviour
al
targeting
which
impact the
consumer
buying
behaviour
significantly. The idea
would be
to develop
a viable
path to
brand
awareness

through a
focused
target
market
consisting
of
individuals
that look
for healthy
food.

Positioning As it

stands
McDonald'
s is
positioned
at the
affordable
end of the
market.

This is
often
highlighte
d as one of
the major
USPs of

the firm.
However,
McDonalds
Health will
be
targeted
at the mid-
tier end of
the
market,
which
would
effectively
mean that
the brand
will be
considered
a
'premium'
option as
opposed
to
McDonald'
s current
offering.

The STP analysis highlights that McDonald's health will effectively be a premium, health version of the current brand, with a menu that is based around the concept of having healthy fast food.

After highlighting the STP strategy it is now important to define the overall promotional strategy of the new product line. Hooley et al (2012) state that promotion forms one of the most important components of developing a viable business footprint in the market. Two key aspects will be used to promote the new brand:

- Traditional awareness market campaigns will be launched to enhance the overall visibility of the brand in the market. The idea would be to move into different malls in the form of kiosks, which would offer free tasters and highlight key features. This, along with a collaboration with various health agencies to certify the product as healthy will be used to promote the product line across the country.
- The second core aspect that needs to be highlighted here is linked with the development of a social media marketing approach which builds around healthy living. The idea here would not be to promote the product line or the sub-brand, but to link with real world scenarios and push it on social media as a story. The call out for this campaign will be #mchealth which is linked directly with the newly launched product line.

This approach would allow the organisation to develop a viable path to promote the firm offering and therefore enhance the overall standing of the organisation in the market. Keeping this in context, it is now important to

develop the marketing mix for the business (product line) as shown in the table below:

Product	Place
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The new product line will include a menu consistin g of health centric options. The idea would be to have a product line that is not only effective but also has a positive impact	The pricing structure of the product line will be different from the current approach. This product line will be placed at the mid-tier end of the market, hence falling in the semi-premium range.
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on the
brand
itself.

Place Promotion

The Promotionall
product y the core
line will aspects are
be sold promotions
through through
normal both
McDonal traditional
d and non-
locations traditional
. The means. This
idea would mean
would be the focus
to start would be on
off with a social media
few as well as
locations creating
and build awareness
a hype through
around traditional
this, means.

before
moving
towards
a wider
audience

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The end goal of this re-launch, or upgrade to the brand, is to effectively provide consumers with an option. The first step towards the development of a sales enhancement model is about making sure that the consumer perception and the buying process is enabled for the new product lined. With a health centric approach the idea is to provide a viable path for the development of a shift in the consumer thought process towards McDonald's.

Conclusion

Overall the report provides and in-depth analysis of why McDonald's as a firm is witnessing a decline in its current market share. This highlights that the organisation due to its inability to cope with the changes in the market is unable to react to the changing consumer behaviour towards fast food chains. It is also clear from the analysis that the organisation needs to re-vamp its current position in the market in order to develop a viable footprint. To do this it is recommended that a health centric product line is launched which would allow the organisation to focus on the shifting trends in the market. Coupled with effective marketing, McDonald's UK should be able to steer its sales back to the required position.

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