

Changes to mcdonalds: an analysis



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Introduction

About the Report

The main objective of this report is to actually look in depth on McDonald's, a fast food restaurant that has been there for so many years and analyze the differences between McDonald's in the past and at present which can be explained further using SWOT and PEST analysis. From there onwards, we are able to see and understand how McDonald's changes through time so that the company can compete with other companies and yet at the same time cater to the different needs of its consumer.

Information gathered are from internet resources and my personal experience working in McDonald's for more than half a year.

McDonald's History

McDonald's is the leading global foodservice retailer with more than 31, 000 local restaurants serving more than 58 million people in 118 countries each day. So ever wonder how the world famous McDonald's begins and who were the ones that started this business?

The McDonald brothers Dick and Mac opened the first McDonald's restaurant at 1940 in San Bernardino, California. In 1954, Ray Kroc became the first person to gain the rights to franchise McDonald's; opening his first restaurant in Des Plain, Illinois on April 15 and the McDonald's corporation was created.

Phenomenal Growth in the 1960s and 1970s

In 1961, Kroc bought all the rights of McDonald's concept from the McDonald brothers for\$ 2. 7 million and at the same year, the Hamburger University

was opened. During 1960s and 1970s, McDonald's success was in large part due to the company's skillful marketing and flexible response to customer demand, introducing new burgers like the Filet-O-Fish and Big Mac. The first restaurant outside of the USA opened in Canada and Puerto Rico.

Fred Turner became the company's president and chief administrative officer. Kroc became chairman and CEO until 1973. Turner had originally intended open a McDonald's franchise, but when he had problems with his backers over location, he went to work as a grill man for Kroc in 1956. As operations vice-president, Turner helped franchisees get their stores up and running. He was constantly looking for new ways to perfect the McDonald's system, pointing out that seconds could be saved if McDonald's used buns that were presliced all the way through and were not stuck together in the package. Such attention to details was one of the reasons for the company's extraordinary success. In 1972 passed \$1 billion in annual sales; by 1976, McDonald's had served billion hamburgers and system wide sales exceeded \$3 billion.

McDonald's in the recent years

McDonald's had been recording declining profits since 2001. Although turnover was increasing, there was a continuous declining in its operating profit and net profit margins. To turnaround its fortune, the company adopted the " Plan To Win" strategy in 2003. The main purpose of the strategy was to bring about the improvement in the company's performance by building it around five key drivers of customer experience-People, Product, Price, Place and Promotions; and by identifying opportunities on the basis of the four basic aspects of its mission statement – Quality, Service,

Cleanliness and Value. The strategy was also based on what McDonald's considered as three essential components of success-Operational Excellence, Leadership Marketing and Innovation.

McDonald's Corp. has finally selected a new trans-fat-free oil for cooking its French fries, hash browns, all chicken choices, and Filet-O-Fish and has made the switch during 2008. This change has been made because consumption of trans fat increases the risk of getting coronary heart disease and customers are being more aware of that. Though McDonald's was among the first to say it would stop using unhealthy oils, it has been slow to make the change. On the other hand, its competitors like Yum Brands Inc's KFC and Taco Bell and Burger King Holdings Inc had earlier swapped for trans-fat-free oil in 2007.

Company's Mission and Vision statement

McDonald's Mission statement

Be the best employer for our people in each community around the world
Deliver operational excellence to our customers in each of our restaurants;
and Achieve enduring profitable growth by expanding the brand and leveraging the strengths of the McDonald's system through innovation and technology.

McDonald's Vision statement

“ McDonald's vision is to be the world's best quick service restaurant experience. Being best means providing outstanding quality, service, cleanliness and value, so that we make every customer in every restaurant smile.”

PEST Analysis

Political

The international operations of McDonald's are highly influenced by the individual state policies enforced by each government. (2001, 705) For instance, there are certain groups in Europe and the United States that clamor for state actions pertaining to the health implications of eating fast food. (2005) They have indicated that harmful elements like cholesterol and adverse effects like obesity are attributable to consuming fast food products.

On the other hand, the company is controlled by the individual policies and regulations of operations. Specific markets focus on different areas of concern such as that of health, worker protection, and environment. All these elements are seen in the government control of the licensing of the restaurants in the respective states. For instance, there is an impending legal dispute in the McDonald's franchise in India where certain infringement of rights and violation of religious laws pertaining to the contents of the food. The existence of meat in their menus in India is apparently offensive to the Hindu religion in the said market. There are also other studies that point to the infringement of McDonald's Stores with reference to the existing employment laws in the target market. Like any business venture, these McDonald's stores have to contend with the issues of employment procedures as well as their tax obligations so as to succeed in the foreign market.

Economical

Organisations in the fast food industry are not excused from any disputes and troubles. Specifically, they do have their individual concerns involving

economic factors. Branches and franchises of fast food chains like McDonald's has the tendency to experience hardship in instances where the economy of the respective states is hit by inflation and changes in the exchange rates. The customers consequently are faced with a stalemate of going over their individual budgets whether or not they should use up more on these foreign fast food chains. (2004) Hence, these chains may have to put up with the issues of the effects of the economic environment. Particularly, their problem depends on the response of the consumers on these fundamentals and how it could influence their general sales. In regarding the operations of the company, food chains like McDonald's tend to import much of their raw materials into a specific territory if there is a dearth of supply. Exchange rate fluctuations will also play a significant role in the operations of the company.

As stated in the paragraph above, McDonald's stores have to take a great deal of consideration with reference to their microenvironment. The company's international supply as well as the existing exchange rates is merely a part of the overall components needed to guarantee success for the foreign operations of McDonald's. Moreover, it is imperative that the company be cognizant of the existing tax requirements needed by the individual governments on which they operate. This basically ensures the smooth operations of the McDonald's franchises. In the same regard, the company will also have to consider the economic standing of the state on which they operate on. The rate at which the economy of that particular state grows determines the purchasing power of the consumers in that country. Hence, if a franchise operates in a particularly economically weak

state, hence their products shall cost higher than the other existing products in the market, and then these franchises must take on certain adjustments to maintain the economies of scale.

Social Cultural

Articles on the international strategies of McDonald's seem to function on several fields to guarantee lucrative returns for the organisation. To illustrate, the organisation improves on establishing a positive mind-set from their core consumers. McDonald's indulge a particular variety of consumers with definite types of personalities. (1994) It has also been noted that the company have given the markets such as the United Kingdom, an option with regards to their dining needs. (2005) pointed out that McDonald's has launched a sensibly valued set of food that tenders a reliable level of quality for the respective market where it operates. Additionally, those who are aged just below the bracket of thirty-five are said to be the most frequent consumers of McDonald's franchises. (2005)

The multifaceted character of business nowadays is reflected in the harsh significance of the information on the subject of the existing market. This procedure is essentially identified in the field as market research. (1997) Information with regards to the appeal and potential fields of the market would double as obstructions to the success of the company if this area of the operations is neglected. In the case of McDonald's they establish a good system in determining the needs of the market. The company uses concepts of consumer behaviour product personality and purchasing decisions to its advantage. (1998) it is said to have a major influence on the understanding

of the prospective performance of the organisation in a particular market.

(2000)

Technological

McDonald's generates a demand for their own products. (2006) The Company's key tool for marketing is by means of television advertisements. There are similarly some claims that McDonald's are inclined to interest the younger populations more. The existence of play spots as well as toys in meals offered by the company shows this actuality. (1995) Other demonstration of such a marketing strategy is apparent in the commercials of they use. They employ animated depictions of their characters like Grimace and Hamburglar. Other advertising operations employ popular celebrities to promote their products. The like has become endorsers for McDonald's worldwide "loving' it" campaign. Moreover, the operations of McDonald's have significantly been infused with new technology. Elements like the inventory system and the management of the value chain of the company allows for easy payments for their suppliers and other vendors which the individual stores in respective markets deal with. The integration of technology in the operations of McDonalds tend to add value to their products. Basically, this is manifested in the improvements on its value chain. The improvement of the inventory system as well as its supply chain allows the company to operate in an international context.

Conclusion

Observations

In order to gain any advantage over businesses in the same market, a company must find some sort of differentiation to exploit- McDonald's is no

different. They have focused their marketing advantage on good food with fast service as well as their willingness to change and innovate. An example of this can be found with the implementation of Chicken McNuggets. At first, people were not thrilled with eating meat with their hands but McDonald's responded by adding BBQ sauce for dipping, which cause McNuggets to explode onto the scene. McDonald's successful name brands have spread all over the world, and with their competitive advantage, and marketing campaign dominating over competing companies, they look to stay at the top of the fast food business for the foreseeable future.

Recommendations

- Implement new healthier food options in their menus. It is obvious they already did this to some extent with offering milks, salads and yoghurts, but they can do more to continue to flourish. In order to stay above negative press about health risks ("Supersize Me", etc), McDonald's must bounce back by altering their menus in a positive, health conscious way-dramatically change their food choices.
- Refurnish restaurant franchises by changing their entire look of what the inside of McDonald's looks like. Instead of the old fashioned tiles and outdated table and chairs, McDonald's should employ a more contemporary 'new age' look. By doing this, they will change the way consumers think of McDonald's s just a fast food restaurant joint, instead sending them the message that is instead a high-scale restaurant. By simply changing the physical surrounding inside McDonald's (as well as adding few TVs and modern amenities), the restaurant will appeal to many more people who have been

overexposed to “ the same old thing”, as well as giving them more excitement/enthusiasm to come and eat at McDonald’s.

- McDonald’s should work more to expand beyond its namesake franchise. As a company they should take advantage of the name brand recognition associated with McDonald’s brand and create other brands producing new, dynamic types of food. By moving to adjacent markets, McDonald’s can use their current success to their advantage by starting to become involved in diverse food markets, which will increase revenue in the long run.

Conclusion

McDonald’s is and will be the leading food services for the many years to come. But the company can do more by changing their menus into a much healthier menu by introducing more vegetables and fruits as there are a growing number of health conscious consumers and if the company is able to so, they can attract more customers and hold off their competitors such as Burger King and KFC. So with that in mind, there are still many aspects that McDonald’s can improve on to continue their domination in this world of business.